

DELAWARE FIRST MEDIA CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Delaware First Media Corporation
Newark, Delaware

We have audited the accompanying financial statements of Delaware First Media Corporation (a non-profit Organization), which comprise the statements of assets, liabilities and net assets - modified cash basis as of June 30, 2013 and 2012 and the related statements of support, revenue, and expenses - modified cash basis for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Delaware First Media Corporation as of June 30, 2013 and 2012, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements of functional expenses- modified cash basis on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Spiano, Vincetto, Villano

November 15, 2013

DELAWARE FIRST MEDIA CORPORATION
Statements of Assets, Liabilities
and Net Assets - Modified Cash Basis
As of June 30,

	<u>ASSETS</u>	<u>2 0 1 3</u>	<u>2 0 1 2</u>
CURRENT ASSETS			
Cash- Checking		\$ 10,985	\$ 16,874
Cash- Savings		26,618	153,906
Employee Advance		500	-0-
Prepaid Interest		<u>8,249</u>	<u>8,294</u>
TOTAL CURRENT ASSETS		<u>46,352</u>	<u>179,074</u>
PROPERTY AND EQUIPMENT			
Equipment and Furniture		46,127	31,953
Radio Tower		<u>43,214</u>	<u>43,214</u>
		89,341	75,167
Accumulated Depreciation		<u>(19,034)</u>	<u>(5,982)</u>
NET PROPERTY AND EQUIPMENT		<u>70,307</u>	<u>69,185</u>
OTHER ASSETS			
Broadcast License		24,000	24,000
Loan Fees (net of amortization)		<u>3,258</u>	<u>4,958</u>
TOTAL OTHER ASSETS		<u>27,258</u>	<u>28,958</u>
<u>TOTAL ASSETS</u>		<u>\$143,917</u>	<u>\$277,217</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Due on Equipment		\$ -0-	\$ 3,295
Credit Card Payable		1,237	-0-
Loan - Public Radio Fund		<u>25,000</u>	<u>-0-</u>
TOTAL CURRENT LIABILITIES		<u>26,237</u>	<u>3,295</u>
NONCURRENT LIABILITIES			
Loan - Public Radio Fund		<u>80,000</u>	<u>105,000</u>
TOTAL LIABILITIES		106,237	108,295
NET ASSETS			
Unrestricted		(12,320)	168,922
Temporarily Restricted		<u>50,000</u>	<u>-0-</u>
TOTAL NET ASSETS		<u>37,680</u>	<u>168,922</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>		<u>\$143,917</u>	<u>\$277,217</u>

See accompanying notes to financial statements.

DELAWARE FIRST MEDIA CORPORATION

Statements of Support, Revenue, and Expenses - Modified Cash Basis for the Year
Ended June 30, 2013 with Summarized Information For the Year Ended June 30, 2012

	<u>2 0 1 3</u>			<u>2 0 1 2</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Summarized Information</u>
SUPPORT AND OTHER REVENUE				
Grants	\$ 80,000	\$ 60,200	\$ 140,200	\$ 87,000
Corporate Sponsorship	125,477	-0-	125,477	65,425
University Sponsorship	266,000	-0-	266,000	175,000
Contributions	88,738	-0-	88,738	17,384
Interest Earned	442	-0-	442	353
Net Assets Released from Restrictions: Satisfaction of Program Restrictions	<u>10,200</u>	<u>(10,200)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>570,857</u>	<u>50,000</u>	<u>620,857</u>	<u>345,162</u>
EXPENSES				
Program	475,805	-0-	475,805	326,256
Management and General	73,798	-0-	73,798	32,231
Fundraising	<u>202,496</u>	<u>-0-</u>	<u>202,496</u>	<u>58,555</u>
TOTAL EXPENSES	<u>752,099</u>	<u>-0-</u>	<u>752,099</u>	<u>417,042</u>
CHANGE IN NET ASSETS	(181,242)	50,000	(131,242)	(71,880)
NET ASSETS - BEGINNING OF YEAR	<u>168,922</u>	<u>-0-</u>	<u>168,922</u>	<u>240,802</u>
NET ASSETS - END OF YEAR	<u>\$ (12,320)</u>	<u>\$ 50,000</u>	<u>\$ 37,680</u>	<u>\$ 168,922</u>

See accompanying notes to financial statements.

DELAWARE FIRST MEDIA CORPORATION
Notes to Financial Statements - Modified Cash Basis
For the Years Ended June 30, 2013 and 2012

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Delaware First Media Corporation (the Organization) is a non-profit corporation operating in Delaware. The Organization delivers original, in-depth, Delaware-specific news and commentary from all three Delaware counties. News coverage is provided online and through public-service programming and events. Also, in August of 2012 they began broadcasting via public radio as Delaware's first and only public media news service.

The Organization's support comes primarily from grants and corporate and university sponsorships, as well as public support.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which recognizes grants, support, and donations when received and expenditures when paid. Modifications to the cash basis of accounting result from management's decision to record property and equipment, prepaid expenses, advances to employees, credit card payable and loan payable in the statements of assets, liabilities and net assets- modified cash basis.

Financial Statement Presentation

The Organization has elected to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. This presentation is a generally accepted financial accounting standard.

Property and Equipment

Property and equipment are recorded at cost when purchased and fair value when received as a donation. Maintenance and repairs are charged to the expense as incurred. Property and equipment purchased over \$1,000 is capitalized and depreciated on the straight-line basis over the asset's estimated useful life.

DELAWARE FIRST MEDIA CORPORATION
Notes to Financial Statements - Modified Cash Basis (Cont'd)
For the Years Ended June 30, 2013 and 2012

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Broadcast License

The Organization acquired a broadcast license which gives them the right to broadcast on the FM band from their radio station (WDDE) in Dover, Delaware.

The broadcast license (an intangible asset) is accounted for at cost and has a perpetual life (subject to regulatory approval), so the cost is not amortized. Management evaluates the intangible asset for impairment whenever conditions change which suggest an impairment could exist, but at least annually. Management determined that there were no potential impairments during the years ended June 30, 2013 and 2012.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefitted.

DELAWARE FIRST MEDIA CORPORATION
Notes to Financial Statements - Modified Cash Basis (Cont'd)
For the Years Ended June 30, 2013 and 2012

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization's income tax status is a privilege, which may be revoked by the IRS for any one of several reasons. The Organization has considered the nature of their activities and the disclosures made on their tax return, Form 990, and believes their reporting is appropriate based on current facts and circumstances. Accordingly, there are no provisions for income taxes, penalties, or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements. The tax returns filed for fiscal years ending June 30, 2011 through 2013 are open for review.

NOTE 4 LOAN - PUBLIC RADIO FUND

The Company obtained a \$105,000 loan through the Public Radio Fund in June 2012. The terms of the loan require a minimum \$25,000 principal payment to be repaid within the first 24 month period of closing. The balance of the loan is due June 2015. Interest on the loan is fixed at 7.75% for the term of the loan and is due monthly. The loan is secured by substantially all Organization assets.

Additionally, this loan requires the annual interest be prepaid and placed in escrow. Each month, interest on the loan will be deducted from this account. Prepaid interest as of June 30, 2013 and 2012 was \$8,249 and \$8,294, respectively.

DELAWARE FIRST MEDIA CORPORATION
Notes to Financial Statements - Modified Cash Basis (Cont'd)
For the Years Ended June 30, 2013 and 2012

NOTE 4 LOAN - PUBLIC RADIO FUND (Cont'd)

Loan fees incurred with obtaining this loan of \$5,100 are being amortized on a straight-line basis over the 3-year term of the loan. Accumulated amortization as of June 30, 2013 and 2012 was \$1,842 and \$142, respectively.

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$50,000, as of June 30, 2013, were restricted for the sole purpose of fulfilling various capital needs of the Organization.

As the Organization continues to manage costs and cash balances closely, \$12,397 of these restricted funds were used to temporarily fund operating costs during June 2013. This shortage was promptly corrected in July 2013.

NOTE 6 CORPORATE AND UNIVERSITY SPONSORSHIP

Corporate and university sponsorships are considered exchange transactions and are recognized as revenue when received, in accordance with Note 2. Some sponsor receives recognition in the form of an underwriting message on the Organization's website and at public events, and others will receive underwriting announcements per an agreed-upon announcement schedule which is defined in their underwriting agreement.

NOTE 7 SPONSORSHIP COMMITMENTS

During the fiscal year ended June 30, 2011, the Organization received a five year commitment of corporate sponsorship in the amount of \$60,000 each year. This commitment will end fiscal year 2015.

During the fiscal year ended June 30, 2012, the Organization entered into a sponsorship agreement with Delaware State University (DSU) and the University of Delaware (UD). DSU and UD agreed to pay to DFM an initial sponsorship amount totaling \$175,000, which was received during the fiscal year ended June 30, 2012, to support the operations of the news station, WDDE, and DFM will provide on-air and online recognition of the sponsorship.

DELAWARE FIRST MEDIA CORPORATION
Notes to Financial Statements - Modified Cash Basis (Cont'd)
For the Years Ended June 30, 2013 and 2012

NOTE 7 SPONSORSHIP COMMITMENTS (cont'd)

The agreement provides a sponsorship from DSU and UD totaling \$266,000 annually to support the operations of WDDE, through June 30, 2017, unless ended earlier by the parties as provided in the agreement.

NOTE 8 SHARED SERVICES AGREEMENT/LEASE

On March 18, 2010, the Organization (DFM) entered into a Shared Services Agreement with the University of Delaware (UD). The agreement is for a two year period commencing on that date. The agreement specifies UD will provide DFM office space, including furniture and internet access, access to the UD production studio, and certain other services. In return, DFM will provide UD with specified advertising on their website and at events, guest speaker appearances as requested, and unpaid internships for UD students. The impact on the financial statements of such agreement is not known and is not readily determinable. This agreement ended March 17, 2012.

On May 30, 2012, the Organization (DFM) entered into a similar lease agreement with Delaware State University (DSU). The agreement is for a five-year period ending June 30, 2017, unless ended earlier by the parties in accordance with their agreement. DSU will provide DFM office space on the campus of DSU (the "Space"), including office furniture, utilities, phone and internet service, and certain other services. In lieu of rent, DFM will acknowledge the provision of the space in sponsorship announcements on-air and online. The impact on the financial statements of such agreement is not known and is not readily determinable.

NOTE 9 TOWER LEASE

The Organization leases tower space in Frederica, DE. The lease started August 4, 2011 and is a 5-year lease. Rental payments are due at an annual rate of \$12,000 to be paid in equal monthly installments of \$1,000 in advance. The annual rent increases 3% at the beginning of the second year and each subsequent year.

DELAWARE FIRST MEDIA CORPORATION
Notes to Financial Statements - Modified Cash Basis (Cont'd)
For the Years Ended June 30, 2013 and 2012

NOTE 9 TOWER LEASE (cont'd)

Future minimum rental payment under the lease as of June 30, are as follows:

2014	\$12,731
2015	\$13,113
2016	\$13,506

NOTE 10 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions located in Delaware. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2013 and 2012, the Organization's uninsured cash balance totaled \$-0-.

The Organization relies on grants and corporate sponsorships to operate. During the fiscal years ended June 30, 2013 and 2012, proceeds from one corporation accounted for 67.6% and 91.7% of total corporate sponsorship revenues, respectively.

During the fiscal years ended June 30, 2013 and 2012, proceeds from two universities (DSU and UD) accounted for 100% of total university sponsorship revenues.

NOTE 11 RETIREMENT PLAN

During the fiscal year ended June 30, 2013, the Organization established a Section 401(K) retirement plan which covers substantially all employees. The Organization matches 50% of the employees' contributions up to a maximum of 4% of the employees' compensation. Total matching contributions included in employee benefits amounted to \$600 for the fiscal year ended June 30, 2013.

NOTE 12 COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingencies in addition to the normal purchases of goods and services. The Organization does not anticipate losses as a result of these commitments and contingencies.

DELAWARE FIRST MEDIA CORPORATION
Notes to Financial Statements - Modified Cash Basis (Cont'd)
For the Years Ended June 30, 2013 and 2012

NOTE 13 MANAGEMENT PLANS

The Organization currently has negative unrestricted net assets of \$12,320. This is directly attributable to the additional costs incurred when broadcasting began during the current fiscal year. Management is actively working a plan to reduce expenses and increase sponsorship revenue for the current fiscal year.

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

DELAWARE FIRST MEDIA CORPORATION

Statements of Functional Expenses- Modified Cash Basis For the Year Ended
June 30, 2013 with Summarized Information For the Year Ended June 30, 2012

	<u>2 0 1 3</u>			<u>2 0 1 2</u>
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Summarized</u>
	<u>Expense</u>	<u>and</u>	<u>Total</u>	<u>Information</u>
		<u>General</u>		
EXPENSE				
Salaries	\$236,116	\$ 45,289	\$177,448	\$180,603
Payroll Taxes	17,336	3,325	13,029	13,816
Employee Benefits	<u>7,610</u>	<u>1,460</u>	<u>5,719</u>	<u>-0-</u>
TOTAL SALARIES AND				
RELATED EXPENSES	261,062	50,074	196,196	194,419
Amortization	1,700	-0-	-0-	142
Audio and Visual Supplies	17,107	-0-	-0-	1,746
Contract Services	69,960	-0-	5,664	128,657
Depreciation	13,052	-0-	-0-	3,719
Forum Expenses	-0-	-0-	-0-	5,561
Human Resources	-0-	9,118	-0-	-0-
Insurance	10,738	-0-	-0-	9,810
Interest Expense	8,294	-0-	-0-	-0-
Licenses and Permits	73	-0-	-0-	4,075
Marketing and Outreach	22,981	-0-	-0-	6,925
Network Programming	33,909	-0-	-0-	-0-
Office Supplies	6,767	-0-	636	2,531
Professional Fees	1,155	14,606	-0-	28,358
Telephone	4,180	-0-	-0-	2,475
Tower Lease	12,000	-0-	-0-	13,000
Tower Maintenance	10,510	-0-	-0-	4,579
Travel	390	-0-	-0-	2,186
Website	<u>1,927</u>	<u>-0-</u>	<u>-0-</u>	<u>8,859</u>
TOTAL EXPENSES	<u>\$475,805</u>	<u>\$ 73,798</u>	<u>\$202,496</u>	<u>\$417,042</u>

See accompanying notes to financial statements.