

***WIAA-FM***  
***Interlochen Center***  
***for the Arts***

*Financial Statements as of and for the Years  
Ended May 31, 2012 and 2011  
and Independent Auditors' Report*

# WIAA-FM INTERLOCHEN CENTER FOR THE ARTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
WIAA-FM  
Interlochen Center for the Arts  
Interlochen, Michigan

We have audited the accompanying statement of financial position of WIAA-FM (the "Station"), a component of Interlochen Center for the Arts (the "Center"), as of May 31, 2012 and 2011 and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the management of the Station and Interlochen Center for the Arts. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Station at May 31, 2012 and 2011 and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

January 7, 2013

**WIAA-FM  
INTERLOCHEN CENTER FOR THE ARTS**

**STATEMENT OF FINANCIAL POSITION  
MAY 31, 2012 AND 2011**

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<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
CURRENT ASSETS:		
Investments	\$ 1,113,611	\$ 1,020,163
Accounts receivable	<u>41,708</u>	<u>36,427</u>
Total current assets	1,155,319	1,056,590
PROPERTY AND EQUIPMENT (Net)	877,942	937,126
OTHER ASSET	<u>994,178</u>	<u>994,178</u>
TOTAL	<u>\$ 3,027,439</u>	<u>\$ 2,987,894</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accruals	\$ 36,291	\$ 55,557
Advances	<u>22,758</u>	<u>13,436</u>
Total current liabilities	59,049	68,993
NET ASSETS	<u>2,968,390</u>	<u>2,918,901</u>
TOTAL	<u>\$ 3,027,439</u>	<u>\$ 2,987,894</u>

See notes to financial statements.

**WIAA-FM  
INTERLOCHEN CENTER FOR THE ARTS**

**STATEMENT OF ACTIVITIES  
YEARS ENDED MAY 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>SUPPORT AND REVENUE:</b>		
Donated facilities and administrative support from Interlochen Center for the Arts	\$ 1,144,605	\$ 1,166,102
Community service and advertising grant from the Corporation for Public Broadcasting	302,162	267,710
Contributions	701,847	660,164
Program underwriting	317,346	342,232
Capital campaign proceeds	69,525	203,008
Other income	<u>69,304</u>	<u>66,930</u>
Total support and revenue	2,604,789	2,706,146
<b>EXPENSES:</b>		
Program services:		
Programming and production	661,289	657,528
Broadcasting	225,286	233,783
Program information	<u>2,491</u>	<u>2,646</u>
Total program services	889,066	893,957
Supporting services:		
Fundraising and membership development	243,846	233,842
Management and general	1,352,141	1,375,312
Depreciation	<u>70,247</u>	<u>60,801</u>
Total support services	<u>1,666,234</u>	<u>1,669,955</u>
Total expenses	<u>2,555,300</u>	<u>2,563,912</u>
<b>INCREASE IN NET ASSETS</b>	49,489	142,234
<b>NET ASSETS—Beginning of year</b>	<u>2,918,901</u>	<u>2,776,667</u>
<b>NET ASSETS—End of year</b>	<u>\$2,968,390</u>	<u>\$2,918,901</u>

See notes to financial statements.

**WIAA-FM  
INTERLOCHEN CENTER FOR THE ARTS**

**STATEMENT OF CASH FLOWS  
YEARS ENDED MAY 31, 2012 AND 2011**

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	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 49,489	\$ 142,234
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	70,247	60,801
(Increase) decrease in accounts receivable	(5,281)	7,478
(Decrease) increase in accounts payable and accruals	(19,266)	22,470
Increase (decrease) in advances	<u>9,322</u>	<u>(586)</u>
Net cash provided by operating activities	104,511	232,397
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Property and equipment acquisitions	(11,063)	(168,384)
Net increase in investments	<u>(93,448)</u>	<u>(64,013)</u>
Net cash used in investing activities	<u>(104,511)</u>	<u>(232,397)</u>
<b>NET CHANGE IN CASH</b>	-	-
CASH—Beginning of year	<u>-</u>	<u>-</u>
CASH—End of year	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

**WIAA-FM  
INTERLOCHEN CENTER FOR THE ARTS**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2012**

	Program Services			Supporting Services			Total
	Program Services		Program Information	Fundraising and Membership Development	Management and General	Depreciation	
	Programing and Production	Broadcasting					
Salaries, payroll taxes and benefits	\$ 282,330	\$ 143,093		\$ 180,326	\$ 942,181		\$ 1,547,930
Program production and acquisition costs	378,959			3,030	56,030		438,019
Occupancy expense		55,014		1,332	105,275		161,621
Professional services				11,550	37,250		48,800
Production materials and supplies		24,304		123	7,225		31,652
Advertising				9,260	8,566		17,826
Printing and publications				1,364			1,364
Postage and shipping			2,491	15,489	8,072		26,052
Communications				4,812	34,412		39,224
Rental and maintenance of equipment				1,523	60,554		62,077
Meetings, travel and conferences				13,984	48,781		62,765
Insurance		2,875			38,401		41,276
Office supplies				1,053	5,394		6,447
Depreciation						70,247	70,247
<b>TOTAL</b>	<u>\$ 661,289</u>	<u>\$ 225,286</u>	<u>\$ 2,491</u>	<u>\$ 243,846</u>	<u>\$ 1,352,141</u>	<u>\$ 70,247</u>	<u>\$ 2,555,300</u>

See notes to financial statements.

**WIAA-FM  
INTERLOCHEN CENTER FOR THE ARTS**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2011**

	Program Services			Supporting Services			Total
	Program Services		Program Information	Fundraising and Membership Development	Management and General	Depreciation	
	Programing and Production	Broadcasting					
Salaries, payroll taxes and benefits	\$ 289,826	\$ 155,431		\$ 188,393	\$ 977,561		\$ 1,611,211
Program production and acquisition costs	367,702			3,018	60,804		431,524
Occupancy expense		57,423		969	95,702		154,094
Professional services				1,554	40,911		42,465
Production materials and supplies		18,054		54	7,401		25,509
Advertising				2,804	8,787		11,591
Printing and publications				3,394			3,394
Postage and shipping			2,646	15,979	8,516		27,141
Communications				4,280	29,362		33,642
Rental and maintenance of equipment				473	51,526		51,999
Meetings, travel and conferences				12,013	55,040		67,053
Insurance		2,875			36,302		39,177
Office supplies				911	3,400		4,311
Depreciation						60,801	60,801
<b>TOTAL</b>	<u>\$ 657,528</u>	<u>\$ 233,783</u>	<u>\$ 2,646</u>	<u>\$ 233,842</u>	<u>\$ 1,375,312</u>	<u>\$ 60,801</u>	<u>\$ 2,563,912</u>

See notes to financial statements.

# WIAA-FM INTERLOCHEN CENTER FOR THE ARTS

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2012 AND 2011

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### 1. SIGNIFICANT ACCOUNTING POLICIES

**General**—WIAA-FM (the "Station") is a public radio station owned and operated by Interlochen Center for the Arts (the "Center"). The Station is organized for the purpose of providing entertainment and informational programming to listeners in Northern Michigan. The Station does not have separate legal status or existence. The financial position and activities of the Station are included in the financial statements of the Center.

**Basis of Presentation**—The Station prepares its financial statements in accordance with the accounting principles outlined in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations* and the Corporation for Public Broadcasting publication, *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

**Fund Classifications**—Net assets of the Station are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Station's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. All net assets were classified as unrestricted for the years ended May 31, 2012 and 2011.

**Investments**—The investment balance represents the Station's share of the pooled investments balance of the Center. Securities invested on behalf of the Station are not separately reported. Investments are stated at market value. The Station shares equally in the earnings of the portfolio. Investment income is accrued as earned.

Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported.

**Property and Equipment**—Property and equipment are recorded at cost or, if donated, at market value at the date of donation and, excluding land, are depreciated over their estimated useful lives using the straight-line depreciation method. Estimated useful lives used for depreciation are 3 to 45 years.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Other Asset*—Other assets include broadcasting licenses for three FM stations as follows:

	<u>2012</u>	<u>2011</u>
Broadcasting licenses:		
88.5 MHz, Mackinaw City, Michigan	\$ 496,600	\$ 496,600
89.7 MHz, Manistee, Michigan	215,065	215,065
90.1 MHz, Harbor Springs, Michigan	<u>282,513</u>	<u>282,513</u>
Total broadcasting licenses	<u>\$ 994,178</u>	<u>\$ 994,178</u>

In accordance with accounting standards for goodwill and other intangible assets, the broadcasting licenses have an indefinite useful life. The Center tests the broadcasting licenses for impairment annually or more frequently if events or changes in circumstances indicate a possibility of impairment.

*Donated Facilities and Administrative Support from Interlochen Center for the Arts*—Donated facilities and administrative support from the Center represents an allocation of common services that the Center provides to the Station. The allocation of these services is based on a formula that was agreed upon by the Center and the Station.

*Functional Allocation of Expenses*—The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of financial activity. Accordingly, certain costs are allocated among program and supporting services, based on total personnel costs or other systematic bases. The method used is reasonable; however, other methods could produce different results.

*Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

*Revenue Recognition*—Contributions of cash and other assets are reported as revenue when received, measured at fair value. Capital campaign contributions are recognized as they are expended for their intended purposes. Grants are recorded as support and revenue is recognized when all applicable financial reimbursement criteria have been met. Underwriting revenue is support for programs and events and is recognized as the programs and events occur.

*Subsequent Events*—The financial statements and related disclosures include evaluation of events up through and including January 7, 2013, which is the date the financial statements were available to be issued.

## 2. PROPERTY AND EQUIPMENT

Property and equipment as of May 31 is summarized as follows:

	2012	2011
Buildings	\$1,001,238	\$1,001,238
Broadcasting equipment	2,035,049	2,023,986
Furniture and equipment	<u>66,766</u>	<u>66,766</u>
Total	3,103,053	3,091,990
Less accumulated depreciation	<u>2,225,111</u>	<u>2,154,864</u>
Net	<u>\$ 877,942</u>	<u>\$ 937,126</u>

## 3. RETIREMENT PLAN

The Station has a defined contribution retirement plan (through the Center) for all eligible employees. Employer contributions are discretionary and are based upon a percentage of employee compensation for the year. Costs accrued under the plan are funded to a trust on a current basis. The Station's portion of these retirement costs for the years ended May 31, 2012 and 2011 were \$54,563 and \$51,608, respectively.

## 4. INCOME TAX STATUS

The Station, through the Center, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Center is subject to unrelated business income tax (UBIT), which management allocates solely to the Station. UBIT was approximately \$9,200 and \$14,000 for the years ended May 31, 2012 and 2011, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate certain tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that as of May 31, 2012 and 2011, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. The Center believes it is no longer subject to examinations prior to May 31, 2009.

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