

**University of Alabama WUAL-FM
(A Nonprofit Organization)
Tuscaloosa, Alabama**

Financial Statements

September 30, 2018 and 2017

University of Alabama WUAL-FM
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September 30, 2018 and 2017

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Independent Auditor's Report

Board of Directors
University of Alabama WUAL-FM
Tuscaloosa, Alabama

We have audited the accompanying financial statements of University of Alabama WUAL-FM (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 financial position of University of Alabama WUAL-FM as of September 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KASSOUF & CO., P.C.

Kassouf & Co.

Certified Public Accountants

July 24, 2019

University of Alabama WUAL-FM
Statements of Financial Position
September 30, 2018 and 2017

	Assets	
	2018	2017
Current Assets		
Cash and cash equivalents	\$ 85,663	\$ 153,440
Accounts receivable	2,250	2,625
Prepaid expenses	10,938	-
Total Current Assets	98,851	156,065
Long-Term Assets		
Property and equipment, net	161,318	179,071
Purchased broadcast rights	1,056,450	1,056,450
Other assets, net	15,029	17,740
Total Long-Term Assets	1,232,797	1,253,261
Total Assets	1,331,648	1,409,326
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	11,269	21,651
Related party note payable - current portion	39,876	37,747
Total Current Liabilities	51,145	59,398
Long-Term Liabilities		
Related party note payable	946,347	986,223
Total Liabilities	997,492	1,045,621
Net Assets		
Unrestricted	334,156	363,705
Total Net Assets	334,156	363,705
Total Liabilities and Net Assets	\$ 1,331,648	\$ 1,409,326

See accompanying notes.

University of Alabama WUAL-FM
Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2018 and 2017

	2018	2017
Revenues and Other Additions		
General appropriation from University of Alabama	\$ 795,886	\$ 757,054
Donated facilities and administrative support	276,455	284,976
Underwriting	250,296	289,196
Membership	461,977	558,788
Grants from Corporation for Public Broadcasting	146,880	144,285
Other grants	4,500	5,250
Other income	35,237	26,625
Total Revenue and Other Additions	1,971,231	2,066,174
Expenses		
Program Services		
Programming and production	734,560	773,660
Broadcasting	328,726	322,402
Support Services		
Program information	11,215	-
Management and general	420,842	462,378
Membership	285,675	241,084
Underwriting	221,630	229,261
Total Expenses	2,002,648	2,028,785
Gain (loss) on disposal of fixed assets	1,868	(4,280)
(Decrease) increase in Net Assets	(29,549)	33,109
Net assets at beginning of year	363,705	330,596
Net assets at end of year	\$ 334,156	\$ 363,705

See accompanying notes.

University of Alabama WUAL-FM
Statements of Cash Flows
For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	\$ (29,549)	\$ 33,109
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	20,464	23,417
(Gain) loss on disposal of fixed assets	(1,868)	4,280
(Increase) decrease in:		
Accounts receivable	375	(2,625)
Prepaid expense	(10,938)	
Increase (decrease) in:		
Accounts payable	(10,382)	18,202
Net Cash (Used In) Provided By Operating Activities	<u>(31,898)</u>	<u>76,383</u>
 Cash Flows from Investing Activities		
Purchases of fixed assets	-	(7,130)
Proceeds from the sale of fixed assets	1,868	-
Net Cash Provided By (Used In) Investing Activities	<u>1,868</u>	<u>(7,130)</u>
 Cash Flows from Financing Activities		
Repayment of related party note payable	(37,747)	(35,732)
Net Cash Used In Financial Activities	<u>(37,747)</u>	<u>(35,732)</u>
 Net increase in cash and cash equivalents	(67,777)	33,521
 Cash and cash equivalents - beginning of year	<u>153,440</u>	<u>119,919</u>
 Cash and cash equivalents - end of year	<u>\$ 85,663</u>	<u>\$ 153,440</u>
 Supplemental Cash Flows Information:		
Cash paid for interest	<u>\$ 55,376</u>	<u>\$ 57,392</u>

See accompanying notes.

University of Alabama WUAL-FM
Notes to Financial Statements
September 30, 2018 and 2017

Note 1. Summary of Significant Accounting Policies

Nature of Activities

University of Alabama WUAL-FM (the Station) is a nonprofit, noncommercial radio station operated by the University of Alabama located in Tuscaloosa, Alabama. The broadcast signal is transmitted to several geographic markets in Alabama.

Basis of Accounting

The Station's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Station considers all highly liquid investments with a maturity period of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of amounts due from grantor agencies. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Station provides for losses on accounts receivable using the allowance method. The Station determines the allowance based on historical write-off experience and grantor specific information. It is the Station's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of September 30, 2018 and 2017, all accounts were deemed collectible by the Station; therefore, no allowance was necessary.

Pledges

The Station engages in an annual membership campaign manifested by offering some special on-air and mail membership appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the public broadcaster for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. However, uncollected pledges are not enforceable against contributors and are not shown as assets on the balance sheets. Contributions and collected pledges are components of the unrestricted operating fund as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2018 and 2017

Note 1. Summary of Significant Accounting Policies - Continued

Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method. The estimated useful lives of Station assets range from 5 to 40 years. Donated items are stated at the estimated fair market value at the date of receipt. Property and equipment purchased or contributed with a cost or value in excess of \$5,000 are capitalized. Maintenance, repairs, and minor renovations are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the related costs are removed from the respective accounts and any gain or loss on the disposition is recorded.

Purchased Broadcast Rights

Purchased broadcast rights were acquired through the purchase of WHIL FM in Mobile, Alabama. The broadcast rights are considered an intangible asset with an indeterminable life. Management annually evaluates the broadcast rights for impairment. See Note 4 for additional information.

Other Assets

Other assets consist of loan costs related to debt incurred in order to purchase WHIL FM in 2011. The fees incurred to obtain the financing were capitalized and are being amortized over the term of the related debt using the straight-line method. See Note 4 for additional information.

Classification of Net Assets

The Station accounts for net assets according to three classes: unrestricted, temporarily restricted, and permanently restricted. The unrestricted net assets include assets available for unrestricted use including any assets that may be designated by the Station for a particular use. Temporarily restricted net assets consist of assets with donor stipulations that limit the use of the assets. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets consist of assets that donors have stipulated the original principal be invested in perpetuity. At September 30, 2018 and 2017, the Station did not have any temporarily or permanently restricted net assets.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2018 and 2017

Note 1. Summary of Significant Accounting Policies - Continued

Restricted Support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Gifts of Long-Lived Assets

The Station reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Contributions

Donated facilities from the University of Alabama consist of office and studio space together with related occupancy costs and are recorded in revenue and expense at estimated fair rental values. Administrative support from the University of Alabama consists of allocated financial and student department costs and other expenses incurred by the University of Alabama on behalf of the Station. The total value for the years ending September 30, 2018 and 2017 was \$276,455 and \$284,976, respectively.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2018 and 2017

Note 2. Property and Equipment

At September 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Land	\$ 15,603	\$ 15,603
Leasehold improvements	135,000	135,000
Furniture, fixtures, and equipment	669,950	769,286
Transmission building	111,396	111,396
Total property and equipment	931,949	1,031,285
Less accumulated depreciation	770,631	852,214
Net property and equipment	\$ 161,318	\$ 179,071

Depreciation expense was \$17,753 and \$20,706 for the years ended September 30, 2018 and 2017, respectively.

Note 3. Grants

Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396 (k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the Grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

Other Grants

The Station is awarded grants from various organizations related to multiple operational purposes. The amounts awarded under these grants for the years ended September 30, 2018 and 2017 were as follows:

**University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2018 and 2017**

Note 3. Grants - Continued

	2018	2017
Alabama State Council of the Arts	\$ 4,500	\$ 5,250

Note 4. Purchase of Station and Related Long-Term Debt

In July 2011, the Station purchased WHIL FM in Mobile, Alabama, an NPR programming station. As a result, WUAL, through the acquired broadcast rights, serves as the NPR provider for programming for the Mobile, Alabama region. The purchase price for WHIL FM was \$1,100,000, of which \$1,056,450 was allocated to broadcast rights, an intangible asset with an indeterminable life. \$43,550 was related to equipment.

The Station incurred \$35,250 in fees related to obtaining the financing. These fees are being amortized over the term of the related debt using the straight line method. Amortization costs charged to expenses for the years ended September 30, 2018 and 2017 were \$2,712.

Financing for the transaction was provided by The University of Alabama and consisted of a \$1,135,250 note payable. During the first three years, interest only monthly payments of \$5,203 were due. Monthly principal and interest payments of \$12,320 began on August 2014. The stated interest rate was 5.50%.

Effective September 2014, the Station agreed to new loan terms, with The University of Alabama, amortizing \$1,128,133 over twenty years. Monthly payments are \$7,760 and the note bears interest at 5.50%. The balance outstanding for the years ended September 30, 2018 and 2017 was \$986,223 and \$1,023,970, respectively. Interest costs of \$55,376 and \$57,392 were incurred for the years ending September 30, 2018 and 2017, respectively.

Future maturities of the long-term debt are as follows:

Fiscal Year	Principal Amount
2019	\$ 39,876
2020	42,126
2021	44,502
2022	47,012
2023	49,664
Thereafter	763,043
Total	986,223
Less current maturities	39,876
Long-term debt	\$ 946,347

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2018 and 2017

Note 5. Related Party Transactions

The Station operates under the University of Alabama system. The Station receives donated facilities and administrative support from the University of Alabama. See Note 1 for more information regarding in-kind contributions. The Station also receives a portion of the University's appropriation from the State of Alabama. For the years ending September 30, 2018 and 2017, the appropriation received from the University of Alabama was \$795,886 and \$757,054, respectively.

Additionally, the Station has a note payable with The University of Alabama related to the financing of the WHIL FM purchase. See Note 4 for more information regarding this purchase and the related debt.

The UA-ASU-TSU Educational Corporation was created to allow the University of Alabama, Alabama State University and Troy University to share the WAPR broadcast area. The Board of Directors of the UA-ASU-TSU Educational Corporation includes representatives from each university, including management from WUAL. The Station receives revenue from the UA-ASU-TSU Educational Radio Corporation as compensation for operational support provided by the Station to the UA-ASU-TSU Educational Radio Corporation. For the years ending September 30, 2018 and 2017, fees earned were \$27,410 and \$17,761, respectively.

Note 6. Income Taxes

The Station is a not-for-profit organization covered under the Alabama Nonprofit Corporation Act. Additionally, the Station, as part of the University of Alabama System, has been granted tax-exempt status by the Internal Revenue Service for income tax purposes. The Station is subject to unrelated business income tax (UBIT) only if it engages in activities subject to the UBIT regulations. The Station follows the FASB codification ASC 740-10 in accounting for income taxes. The Station has evaluated its tax positions and interpretations, and believes its positions are appropriate based on current facts and circumstances.

Note 7. Compensated Absences

Employees of the Station are entitled to paid vacation, paid sick days, and personal days offs, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Station's policy is to recognize the costs of compensated absences when actually paid to employees.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2018 and 2017

Note 8. Employee Benefit Plan

The Station participates in the State of Alabama's Teachers' Retirement System (TRS). The Station made an employer contribution to the TRS in the amount of \$83,426 and \$77,554 for the years ending September 30, 2018 and 2017, respectively.

Note 9. Concentration of Credit Risk

Credit risk for accounts receivable is considered concentrated as 100% of the balance at September 30, 2018 and 2017 was due from one grantor agency.

Note 10. Concentration of Revenue Sources

As of September 30, 2018 and 2017, approximately 62% and 57%, respectively, of the Station's revenue is derived from appropriations and in-kind rent from the University of Alabama and a grant from the Corporation for Public Broadcasting. A loss in either of these funding sources could impact the operations of the Station.

Note 11. Restatement of Financial Statements

As a result of a review of the Station's relationship with the UA-ASU-TSU Educational Radio Corporation and the nature of the transactions with this entity, it was determined that payments previously recorded as transfers to the UA-ASU-TSU Educational Radio Corporation on the statement of activities and changes in net assets would be more appropriately classified as expenses. As a result, the Station restated its financial statements for the years ended December 31, 2018 and 2017. This adjustment resulted in an increase of donated facilities and administrative support, programming and production expenses, broadcasting expenses, program information expenses, management and general expenses, membership expenses and underwriting expenses. The adjustment resulted in a decrease in transfers to the UA-ASU-TSU Educational Radio Corporation. There was no effect on ending net assets.

The effect of the restatement on the change in net assets and the statement of activities and changes in net assets for the years ended December 31, 2018 and 2017 is as follows:

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2018 and 2017

Note 11. Restatement of Financial Statements - Continued

	2018	
	As previously reported	Restated
Donated facility and administrative support	\$ 264,542	\$ 276,455
Expenses:		
Programming and production	702,907	734,560
Broadcasting	314,562	328,726
Program information	10,742	11,215
Management and general	403,103	420,842
Membership	273,633	285,675
Underwriting	212,288	221,630
Transfer to UA-ASU-TSU Educational Radio Corporation	(73,500)	-
	2017	
	As previously reported	Restated
Donated facility and administrative support	\$ 271,763	\$ 284,976
Expenses:		
Programming and production	737,788	773,660
Broadcasting	307,454	322,402
Program information	-	-
Management and general	441,479	462,378
Membership	230,187	241,084
Underwriting	218,899	229,261
Transfer to UA-ASU-TSU Educational Radio Corporation	(79,765)	-

Note 12. Subsequent Events

The Station has evaluated subsequent events through July 24, 2019, the date which the financial statements were available to be issued.