

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

Financial Statements

September 30, 2019 and 2018

University of Alabama WUAL-FM
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September 30, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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, 2019 and 2018 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

February 25, 2020

University of Alabama WUAL-FM
Statements of Financial Position
September 30, 2019 and 2018

	Assets	
	2019	2018
Current Assets		
Cash and cash equivalents	\$ 159,641	\$ 85,663
Accounts receivable	1,100	2,250
Prepaid expenses	14,285	10,938
Total Current Assets	175,026	98,851
 Long-Term Assets		
Property and equipment, net	144,634	161,318
Purchased broadcast rights	1,056,450	1,056,450
Total Long-Term Assets	1,201,084	1,217,768
Total Assets	1,376,110	1,316,619
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	16,536	11,269
Related party note payable - current portion	39,414	37,164
Total Current Liabilities	55,950	48,433
 Long-Term Liabilities		
Related party note payable	894,615	934,030
Total Liabilities	950,565	982,463
 Net Assets		
Without donor restrictions	425,545	334,156
Total Net Assets	425,545	334,156
Total Liabilities and Net Assets	\$ 1,376,110	\$ 1,316,619

See accompanying notes.

University of Alabama WUAL-FM
Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2019 and 2018

	2019	2018
Revenues and Other Additions		
General appropriation from University of Alabama	\$ 1,447,551	\$ 846,374
Donated facilities and administrative support	387,437	276,455
Underwriting	292,559	250,296
Membership	502,606	461,977
Grants from Corporation for Public Broadcasting	155,953	146,880
Other grants	2,200	4,500
Other income	10,788	35,237
Total Revenue and Other Additions	2,799,094	2,021,719
Expenses		
Program Services		
Programming and production	1,050,955	767,749
Broadcasting	437,026	320,467
Program information	2,162	11,889
Support Services		
Management and general	659,240	430,876
Membership	312,001	293,348
Underwriting	246,321	228,807
Total Expenses	2,707,705	2,053,136
Gain on disposal of fixed assets	-	1,868
Increase (Decrease) in Net Assets	91,389	(29,549)
Net assets at beginning of year	334,156	363,705
Net assets at end of year	\$ 425,545	\$ 334,156

See accompanying notes.

University of Alabama WUAL-FM
Statement of Functional Expenses
For the Years Ended September 30, 2019

	Program Services			Supporting Services			Grand Total
	Programming and Production	Broadcasting	Program Information and Promotion	Management and General	Fundraising and Membership Development	Underwriting	
Depreciation	\$ -	\$ -	\$ -	\$ 9,033	\$ 4,275	\$ 3,375	\$ 16,683
Equipment rentals	2,615	42,384	-	1,176	614	-	46,789
Facility rentals	-	-	-	209,775	99,281	78,381	387,437
Interest	-	53,247	-	1,468	695	549	55,959
Other	(818)	-	50	1,260	8,466	-	8,958
Printing, freight, and shipping	-	64	-	4,125	26,575	144	30,908
Professional services	349,781	48,023	-	15,532	27,995	18,288	459,619
Registration and dues	9,030	175	49	10,447	4,670	3,114	27,485
Repairs and maintenance	530	27,536	-	8,036	22,708	5,353	64,163
Salaries, wages, employee benefits	653,965	214,586	1,133	352,923	84,476	128,192	1,435,275
Signal operations	31,452	14,075	64	13,086	6,167	4,859	69,703
Supplies	696	4,782	866	3,544	6,598	107	16,593
Travel and meetings	3,704	723	-	7,451	8,873	3,959	24,710
Utilities	-	31,431	-	21,384	10,608	-	63,423
	<u>\$ 1,050,955</u>	<u>\$ 437,026</u>	<u>\$ 2,162</u>	<u>\$ 659,240</u>	<u>\$ 312,001</u>	<u>\$ 246,321</u>	<u>\$ 2,707,705</u>

See accompanying notes.

**University of Alabama WUAL-FM
Statement of Functional Expenses
For the Years Ended September 30, 2018**

	Program Services			Supporting Services			Grand Total
	Programming and Production	Broadcasting	Program Information and Promotion	Management and General	Fundraising and Membership Development	Underwriting	
Depreciation	\$ -	\$ -	\$ 212	\$ 7,954	\$ 5,399	\$ 4,189	\$ 17,754
Equipment rentals	3,543	46,115	170	900	-	-	50,728
Facility rentals	-	-	3,301	123,854	84,074	65,226	276,455
Interest	-	55,376	32	1,215	825	640	58,088
Other	(6,230)	-	(4,470)	(9,792)	15,887	-	(4,605)
Printing, freight, and shipping	-	40	95	3,605	40,280	-	44,020
Professional services	335,625	51,044	3,020	8,663	8,287	-	406,639
Registration and dues	5,215	-	132	10,899	343	1,129	17,718
Repairs and maintenance	518	40,520	1,728	8,600	20,164	-	71,530
Salaries, wages, employee benefits	394,774	83,315	1,913	224,095	79,891	150,528	934,516
Signal operations	31,662	14,165	331	12,402	8,409	6,531	73,500
Supplies	413	4,187	4,806	4,881	7,392	-	21,679
Travel and meetings	2,229	819	619	8,251	19,119	564	31,601
Utilities	-	24,886	-	25,349	3,278	-	53,513
	<u>\$ 767,749</u>	<u>\$ 320,467</u>	<u>\$ 11,889</u>	<u>\$ 430,876</u>	<u>\$ 293,348</u>	<u>\$ 228,807</u>	<u>\$ 2,053,136</u>

See accompanying notes.

University of Alabama WUAL-FM
Statements of Cash Flows
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	\$ 91,389	\$ (29,549)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	16,683	17,754
Amortization expense	2,712	2,712
Gain on disposal of fixed assets	-	(1,868)
(Increase) decrease in:		
Accounts receivable	1,150	375
Prepaid expense	(3,347)	(10,938)
Increase (decrease) in:		
Accounts payable	5,267	(10,382)
Net Cash Provided By (Used In) Operating Activities	113,854	(31,896)
Cash Flows from Investing Activities		
Proceeds from the sale of fixed assets	-	1,868
Net Cash Provided By Investing Activities	-	1,868
Cash Flows from Financing Activities		
Repayment of related party note payable	(39,876)	(37,749)
Net Cash Used In Financial Activities	(39,876)	(37,749)
Net increase (decrease) in cash and cash equivalents	73,978	(67,777)
Cash and cash equivalents - beginning of year	85,663	153,440
Cash and cash equivalents - end of year	\$ 159,641	\$ 85,663
Supplemental Cash Flows Information:		
Cash paid for interest	\$ 53,247	\$ 55,376

See accompanying notes.

University of Alabama WUAL-FM
Notes to Financial Statements
September 30, 2019 and 2018

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, 2019 and 2018, 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 without restriction 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, 2019 and 2018

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. In management's opinion, there has been no impairment to the values of the purchased broadcast rights. 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 two classes: without donor restrictions and with donor restrictions. The net assets without donor restrictions include assets available for unrestricted use including any assets that may be designated by the Station for a particular use. Net assets with donor restrictions consist of assets with donor stipulations that limit the use of the assets. When the restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions also consists of assets that donors have stipulated the original principal be invested in perpetuity. At September 30, 2019 and 2018, the Station did not have any net assets with donor restrictions.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies – Continued

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the objective of improving not-for-profit entity (“NFP”) financial statements to better provide useful information to grantors, creditors, donors, and other financial statement users. The ASU, which amends the requirements for financial statements and notes in Accounting Standards Codification (“ASU”) Topic 958, Not-for-Profit Entities, changes how NFPs present net assets and changes in net assets in the financial statements, in addition to requiring additional disclosures for expenses by nature and function and for the liquidity and availability of resources.

The Station has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Station’s financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a new disclosure about liquidity and availability of resources (Note 11).

The financial statements include a new disclosure about the methods used for the allocation of expenses from management and general activities (Note 12).

The changes had the following effect on net assets at September 30, 2018:

<u>Net Asset Class</u>	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 334,156	\$ -
Net assets without donor restrictions	-	334,156
Total net assets	<u>\$ 334,156</u>	<u>\$ 334,156</u>

**University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2019 and 2018**

Note 1. Summary of Significant Accounting Policies - Continued

Restricted Support

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, 2019 and 2018 was \$387,437 and \$276,455, respectively.

Note 2. Property and Equipment

At September 30, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Land	\$ 15,603	\$ 15,603
Leasehold improvements	135,000	135,000
Furniture, fixtures, and equipment	623,680	669,950
Transmission building	111,396	111,396
Total property and equipment	<u>885,679</u>	<u>931,949</u>
Less accumulated depreciation	741,045	770,631
Net property and equipment	<u>\$ 144,634</u>	<u>\$ 161,318</u>

**University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2019 and 2018**

Note 2. Property and Equipment – Continued

Depreciation expense was \$16,683 and \$17,754 for the years ended September 30, 2019 and 2018, 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 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, 2019 and 2018 were as follows:

	2019	2018
Alabama State Council of the Arts	\$ 2,200	\$ 4,500

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

In July 2011, the Station purchased WHIL-FM 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 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.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2019 and 2018

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

The Station incurred \$35,250 in fees related to obtaining the financing. The Station adopted authoritative GAAP guidance for the presentation of debt issuance costs and related amortization. Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of debt. Previously, such costs were shown as a deferred charge, and fiscal year 2018 amounts have been reclassified as deductions from debt as shown in the table below. Accordingly total fiscal year 2018 total assets and liabilities have been retroactively reduced by the same amount. The loan issuance fees are being amortized over the term of the related debt using the straight line method and reported as interest expense in the statement of activities and change in net assets. Amortization costs charged to expenses for the years ended September 30, 2019 and 2018 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, 2019 and 2018 was \$946,347 and \$986,223, respectively. Interest costs of \$53,247 and \$55,376 were incurred for the years ending September 30, 2019 and 2018, respectively.

At September 30, 2019 and 2018, the Station’s long-term debt consisted of:

	2019	2018
Principal amount	\$ 946,347	\$ 986,223
Less unamortized debt issuance costs	12,318	15,029
Long-term debt less unamortized issuance costs	<u>934,029</u>	<u>971,194</u>
Less current portion of debt	39,414	37,164
Long-term portion of debt	<u>\$ 894,615</u>	<u>\$ 934,030</u>

**University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2019 and 2018**

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

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

Fiscal Year	Principal Amount
2020	\$ 42,126
2021	44,502
2022	47,012
2023	49,664
2024	52,465
Thereafter	710,578
Total	946,347
Less debt issuance costs	12,318
Total	934,029
Less current maturities	39,414
Long-term debt	\$ 894,615

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 ended September 30, 2019 and 2018, appropriations received from the University of Alabama were \$1,447,551 and \$846,374, 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 ended September 30, 2019 and 2018, fees earned were \$9,256 and \$27,410, respectively. These fees are included in other income on the statement of activities and change in net assets.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2019 and 2018

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.

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 \$127,707 and \$83,426 for the years ended September 30, 2019 and 2018, respectively.

Note 9. Concentration of Credit Risk

Credit risk for accounts receivable is considered concentrated as 100% of the balance at September 30, 2019 and 2018 was due from one grantor agency.

Note 10. Concentration of Revenue Sources

As of September 30, 2019 and 2018, approximately 71% and 63%, 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.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2019 and 2018

Note 11. Financial Assets and Liquidity

The Station has \$160,741 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$159,641 and accounts receivable of \$1,100. The Station has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 12. Methods Used for the Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Station. Salaries, wages, and employee benefit expenses are allocated based on estimates of time and effort. Other expenses are allocated based on their usage for the specific programs or supporting functions.

Note 13. Subsequent Events

The Station has evaluated subsequent events through February 25, 2020, the date which the financial statements were available to be issued.