STU-COMM, Inc.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

STU-COMM, Inc.

Financial Statements

Year Ended June 30, 2019

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CPAs | Consultants

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
STU-COMM, Inc.
Charlottesville, Virginia

We have audited the accompanying financial statements of STU-COMM, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' 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 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 auditors' 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 STU-COMM, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, in 2019, STU-COMM, Inc. adopted new accounting guidance, FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited STU-COMM, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 16, 2019

- Financial Statements -

STU-COMM, INC.

Statement of Financial Position
At June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 83,020	$ 49,600
Investments	214,025	110,935
Accounts receivable	105,530	71,176
Prepaid expenses	15,773	21,543
Total current assets	$ 418,348	$ 253,254
PROPERTY AND EQUIPMENT		
Land	$ 476,620	$ 476,620
Broadcast license	500,663	-
Construction in progress	-	500,663
Building	1,347,314	1,347,314
Equipment	361,825	350,690
Total property and equipment	$ 2,686,422	$ 2,675,287
Less: accumulated depreciation	(631,813)	(580,140)
Net property and equipment	$ 2,054,609	$ 2,095,147
Total assets	$ 2,472,957	$ 2,348,401
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 12,079	$ 36,256
Deferred revenue	2,924	-
Security deposits	1,425	1,425
Mortgage payable, current portion	63,744	61,555
Term loan payable, current portion	23,940	23,010
Total current liabilities	$ 104,112	$ 122,246
NONCURRENT LIABILITIES		
Mortgage payable, less current portion	$ 655,969	$ 717,096
Term loan payable, less current portion	384,991	408,705
Total noncurrent liabilities	$ 1,040,960	$ 1,125,801
Total liabilities	$ 1,145,072	$ 1,248,047
NET ASSETS		
Without donor restrictions	$ 1,312,843	$ 1,082,465
With donor restrictions	15,042	17,889
Total net assets	$ 1,327,885	$ 1,100,354
Total liabilities and net assets	$ 2,472,957	$ 2,348,401

The accompanying notes to the financial statements are an integral part of this statement.

STU-COMM, INC.

Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND OTHER SUPPORT				
Member contributions	$ 499,987	$ -	$ 499,987	$ 455,960
Underwriting	947,945	-	947,945	763,905
Grants	101,465	30,050	131,515	126,515
Investment income	2,105	-	2,105	102
Rental income	94,605	-	94,605	94,724
Festival income	125,461	-	125,461	105,310
Other income	1,440	-	1,440	16,246
Net assets released from restrictions	32,897	(32,897)	-	-
Total revenues and other support	$ 1,805,905	$ (2,847)	$ 1,803,058	$ 1,562,762
EXPENSES				
Program services				
Programming and production	$ 501,393	$ -	$ 501,393	$ 499,721
Broadcasting	306,986	-	306,986	359,897
Program information and promotion	302,730	-	302,730	243,498
Supporting services				
Management and general	119,229	-	119,229	111,962
Membership development	261,487	-	261,487	215,343
Underwriting and grant solicitation	83,702	-	83,702	82,771
Total expenses	$ 1,575,527	$ -	$ 1,575,527	$ 1,513,192
Increase (decrease) in net assets	$ 230,378	$ (2,847)	$ 227,531	$ 49,570
Net assets, beginning of year	1,082,465	17,889	1,100,354	1,050,784
Net assets, end of year	$ 1,312,843	$ 15,042	$ 1,327,885	$ 1,100,354

The accompanying notes to the financial statements are an integral part of this statement.

STU-COMM, INC.

Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019									2018
	Program Services				Supporting Services					
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Membership Development	Underwriting and Grant Solicitation	Total Supporting Services	Total	Total
Salaries and wages	$ 202,902	$ 69,702	$ 135,831	$ 408,435	$ 36,191	$ 61,547	$ 44,231	$ 141,969	$ 550,404	$ 541,671
Benefits	39,132	12,357	23,685	75,174	10,298	10,298	7,209	27,805	102,979	93,022
Payroll taxes	18,291	5,776	11,071	35,138	4,813	4,813	3,369	12,995	48,133	47,316
Depreciation expense	19,340	15,674	6,908	41,922	2,188	5,457	2,106	9,751	51,673	50,936
Professional fees	18,152	18,525	7,722	44,399	5,523	3,346	2,392	11,261	55,660	66,563
Dues and fees	14,695	4,774	8,969	28,438	3,718	3,886	2,778	10,382	38,820	35,530
Supplies	7,201	2,374	4,414	13,989	2,983	2,916	2,085	7,984	21,973	19,940
Postage and shipping	7,238	2,351	4,417	14,006	1,958	1,914	1,368	5,240	19,246	17,231
Rent	2,921	101,345	1,783	106,049	790	772	552	2,114	108,163	112,799
Utilities	11,749	3,821	7,171	22,741	3,177	3,111	2,221	8,509	31,250	31,598
Occupancy	10,032	6,287	6,533	22,852	1,889	5,809	1,860	9,558	32,410	35,900
Equipment	7,649	7,649	-	15,298	-	-	-	-	15,298	21,220
Travel and meals	17,652	5,734	10,773	34,159	4,775	4,668	3,337	12,780	46,939	32,053
Bad debt	-	-	-	-	-	-	4,865	4,865	4,865	3,990
Insurance	8,059	2,940	4,962	15,961	2,092	2,467	1,520	6,079	22,040	19,202
Interest expense	16,617	8,401	10,549	35,567	3,677	7,524	3,105	14,306	49,873	45,864
Promotional activities/goods	-	-	26,700	26,700	-	106,802	-	106,802	133,502	112,300
Special events expenses	32,497	-	19,833	52,330	-	34,085	-	34,085	86,415	76,683
Miscellaneous	17,422	15,282	2,756	35,460	1,278	2,072	704	4,054	39,514	16,524
Total expenses - WNRN	$ 451,549	$ 282,992	$ 294,077	$ 1,028,618	$ 85,350	$ 261,487	$ 83,702	$ 430,539	$ 1,459,157	$ 1,380,342
Unrestricted - CPB	33,396	7,545	8,653	49,594	33,879	-	-	33,879	83,473	74,113
Restricted - CPB	16,448	16,449	-	32,897	-	-	-	-	32,897	58,737
Total expenses	$ 501,393	$ 306,986	$ 302,730	$ 1,111,109	$ 119,229	$ 261,487	$ 83,702	$ 464,418	$ 1,575,527	$ 1,513,192

The accompanying notes to the financial statements are an integral part of this statement.

STU-COMM, INC.

Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 227,531	$ 49,570
Adjustments to reconcile change in net assets to net cash provided by (used for) operations:		
Depreciation	51,673	50,936
Gain on sale of fixed assets	-	(15,000)
Investment income	(3,090)	(102)
Change in accounts receivable	(34,354)	(20,276)
Change in prepaid expenses	5,770	(15,722)
Change in accounts payable and accrued liabilities	(24,177)	8,023
Change in deferred revenue	2,924	-
Net cash provided by (used for) operating activities	$ 226,277	$ 57,429
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	$ (11,135)	$ (65,383)
Proceeds from sale of fixed assets	-	15,000
Purchase of investments	(100,000)	-
Net cash provided by (used for) investing activities	$ (111,135)	$ (50,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of loans payable	$ (81,722)	$ (77,323)
Net cash flows from financing activities	$ (81,722)	$ (77,323)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 33,420	$ (70,277)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	49,600	119,877
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 83,020	$ 49,600
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 49,873	$ 45,864

The accompanying notes to the financial statements are an integral part of this statement.

NOTE 1 – NATURE OF ACTIVITIES:

STU-COMM, Inc. (the "Organization"), which was incorporated in Virginia in 1993, was established with the purpose of building a non-commercial FM radio station for the Charlottesville-Albemarle area. The station came to the airwaves in August 1996 as WNRN. WNRN offers a community service-oriented, curated music discovery to educated, active, and generous listeners from 21 counties in central Virginia and the Shenandoah Valley. The Organization is supported primarily through donations from listeners and by business underwriting.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation:

The Organization is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed stipulations. At June 30, 2019, the Organization had $1,312,843 in net assets without donor restrictions.

With donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At June 30, 2019, the Organization had $15,042 of net assets with donor restrictions. These net assets are all restricted for the purpose of national program production and acquisition.

Contributions:

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Cash and Cash Equivalents:

Cash and cash equivalents include all cash on hand, cash in banks, and highly liquid investments with original maturities of less than three months.

Investments:

The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the statement of financial position. Realized and unrealized gains and losses, interest, and dividends are included in the change in unrestricted net assets unless the income is restricted by donor or law. Interest is accrued when earned. Dividends are recorded when received. For more information on investment balances, see note 6.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Receivables:

Management believes, based on the history of collections, that substantially all receivables will be collected. Therefore, no allowance for uncollectible accounts has been recorded.

Property and Equipment:

The Organization capitalizes all property and equipment acquisitions in excess of $500. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Estimated useful lives range from 3 to 40 years. Depreciation expense for the year ended June 30, 2019 was $51,673.

The Organization has capitalized a broadcast license. The costs include the purchase of an existing station with rights to a signal and related legal fees and other expenses necessary to broadcast using that signal. As the Organization will have the right to renew this license in perpetuity, and the license renewal process will require minimal cost and effort, it has determined this asset has an indefinite useful life and should not be amortized.

Contributed Services:

The value of contributed services meeting the requirements for recognition in the financial statements was not material to the financial statements taken as a whole. Accordingly, such amounts have not been recorded.

Non-Cash Underwriting:

While most of the Organization's underwriters pay in cash, the Organization enters into some agreements to receive goods and services instead of cash. The revenue is included as underwriting on the statement of activities, and the goods and services received are allocated to the relevant expense and function on the statement of functional expenses. When the Organization fulfills its side of the agreement before the goods and services are received, it records accounts receivable. During the year ended June 30, 2019, the Organization recognized revenues of $134,379 and expenses of $110,256 related to these agreements. At June 30, 2019, the Organization had $43,533 of accounts receivable which, according to these agreements, would be satisfied with goods and services rather than cash.

Functional Allocation of Expenses:

The costs of providing the services have been summarized on a functional basis in the statement of activities. Certain costs have been allocated between program services, management and general, and fundraising. Some expenses, such as licenses, engineering, tower rent, and promotional activities/goods are allocated to specific programs and supporting services. The rest of the expenses are allocated based on staff time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Income Taxes:

The Organization has received a tax determination letter from the Internal Revenue Service and is exempt from federal and Virginia income taxes under Section 501(c)(3) of the Internal Revenue Code and related sections of the Virginia code.

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.

NOTE 3 – CONCENTRATION OF CREDIT RISK:

The Organization maintains cash balances that may exceed federally insured limits. The Organization does not believe that this practice results in any significant credit risk. At June 30, 2019, there were no uninsured balances.

NOTE 4 – OPERATING LEASES:

The Organization has entered into agreements to lease office space translator sites for a five-year period. Rent expense for the period ended June 30, 2019 was $108,163. Minimum future lease payments under these operating leases are as follows:

Year Ending June 30,		Amounts
2020	$	75,539
2021		68,025
2022		43,886
2023		26,530
2024		1,568
Total	$	215,548

The Organization has one office lease for which it receives space in exchange for underwriting services. This is not reflected in the minimum future lease payments because no payment will be required.

NOTE 5 – LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

Balance at July 1, 2018	$	1,210,366
Deduct: Retirements		(81,722)
Balance at June 30, 2019	$	1,128,644

Mortgage Payable

The Organization has a mortgage payable incurred for the purchase of 2250 Old Ivy Road. Details of the mortgage payable are:

$1,200,000 mortgage payable to Virginia National Bank, payable in monthly installments of $7,318, which includes principal and 3.5% interest, secured by a Deed of Trust on property located at 2250 Ivy Road.	$	719,713
$450,000 term loan payable to Virginia National Bank, payable in monthly installments of $3,376, which includes principal and 4.15% interest, secured by a Deed of Trust on property located at 2250 Ivy Road.		408,931
	$	1,128,644

Annual maturities of long-term debt are as follows:

Year Ending	Mortgage Payable		Term Loan Payable	
June 30,	Principal	Interest	Principal	Interest
2020	$ 63,744	$ 24,072	$ 23,940	$ 16,575
2021	66,011	21,805	25,000	15,515
2022	68,359	19,457	26,059	14,456
2023	70,791	17,025	27,163	13,352
2024	73,308	14,508	28,281	12,234
2025	75,916	11,900	278,488	1,923
2026	78,616	9,200	-	-
2027	81,412	6,404	-	-
2028	84,308	3,508	-	-
2029	57,248	680	-	-
	$ 719,713	$ 128,559	$ 408,931	$ 74,055

NOTE 6 – FAIR VALUE MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Organization is providing the following information related to its investments:

		Fair Value Measurements at Reporting Date Using		
	6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income investments	$ 213,000	$ 213,000	$ -	$ -
Money market funds	1,025	1,025	-	-
Total	$ 214,025	$ 214,025	$ -	$ -

NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects financial assets available within one year for general expenditures as of June 30, 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because they are subject to donor restrictions.

Financial assets:		
Cash and cash equivalents	$	83,020
Investments		214,025
Accounts receivable		105,530
Total financial assets	$	402,575
Less financial assets unavailable for general expenditure within one year:		
Subject to donor restrictions	$	15,042
Non-cash accounts receivable		43,533
Total unavailable financial assets	$	58,575
Financial assets available for general expenditure within one year	$	344,000

The Organization has a policy to maintain its financial assets so that they are available as its general expenditures and other obligations come due.

NOTE 8 – ADOPTION OF ACCOUNTING PRONOUNCEMENT:

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for- Profit Entities*. The Organization has changed the presentation of its financial statements accordingly. The new ASU changes the following aspects of Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been reduced to a single net asset class called *net assets with donor restrictions.*
- The unrestricted net asset class has been changed to *net assets without donor restrictions.*
- The financial statements include a new disclosure about liquidity and availability of resources and increased disclosures on functional expenses.

Adoption of the ASU did not result in any reclassifications or restatements of net assets.

NOTE 9 – SUBSEQUENT EVENTS:

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through December 16, 2019, the date the financial statements were available to be issued.