

**KWMR**  
**(A California Nonprofit Corporation)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Years Ended  
December 31, 2012 and 2011**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
KWMR  
Pt. Reyes Station, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of KWMR (a California nonprofit public benefit corporation) which comprise the statements of financial position as of December 31, 2012 and 2011, 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 audits 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 financial position of KWMR as of December 31, 2012 and 2011, 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.

**Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the 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 audits 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.



May 15, 2013

**KWMR**  
**(A California Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 74,385	\$ 43,882
Grants receivable (Note 1)	<u>19,744</u>	<u>35,613</u>
Total current assets	94,129	79,495
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$124,174 at 2012 and \$115,569 at 2011 (Notes 1 and 2)	<u>19,967</u>	<u>28,572</u>
Total assets	<u>\$ 114,096</u>	<u>\$ 108,067</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 3,666</u>	<u>\$ 8,780</u>
Total liabilities	<u>3,666</u>	<u>8,780</u>
Net assets:		
Unrestricted	72,631	46,253
Temporarily restricted (Note 3)	<u>37,799</u>	<u>53,034</u>
Total net assets	<u>110,430</u>	<u>99,287</u>
Total liabilities and net assets	<u>\$ 114,096</u>	<u>\$ 108,067</u>

The accompanying notes are an integral part of these financial statements.

**KWMR**  
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**STATEMENTS OF ACTIVITIES**  
**For the year ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>			
Support:			
Memberships and donations	\$ 180,276	\$ -	\$ 180,276
Grants	78,612	32,769	111,381
Underwriting	<u>34,805</u>	<u>-</u>	<u>34,805</u>
Total support	<u>293,693</u>	<u>32,769</u>	<u>326,462</u>
Revenue:			
Special events, net of expenses of \$7,795 (Note 4)	18,439	-	18,439
Sales and other income	977	-	977
Interest income	<u>2</u>	<u>-</u>	<u>2</u>
Total revenue	<u>19,418</u>	<u>-</u>	<u>19,418</u>
Temporarily restricted net assets released from restrictions (Note 5)	<u>48,004</u>	<u>(48,004)</u>	<u>-</u>
Total support, revenue, and transfers	<u>361,115</u>	<u>(15,235)</u>	<u>345,880</u>
<b>EXPENSES</b>			
Program services (see Note 6)	217,946	-	217,946
Management and general	74,152	-	74,152
Fundraising	<u>42,639</u>	<u>-</u>	<u>42,639</u>
Total expenses	<u>334,737</u>	<u>-</u>	<u>334,737</u>
Change in net assets	26,378	(15,235)	11,143
Net assets, beginning of year	<u>46,253</u>	<u>53,034</u>	<u>99,287</u>
Net assets, end of year	<u>\$ 72,631</u>	<u>\$ 37,799</u>	<u>\$ 110,430</u>

The accompanying notes are an integral part of these financial statements.

**KWMR**  
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**STATEMENTS OF ACTIVITIES (CONTINUED)**  
For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>			
Support:			
Memberships and donations	\$ 157,518	\$ -	\$ 157,518
Grants	47,281	44,907	92,188
Underwriting	34,689	-	34,689
In-kind goods and services (Note 6)	<u>9,226</u>	<u>-</u>	<u>9,226</u>
Total support	<u>248,714</u>	<u>44,907</u>	<u>293,621</u>
Revenue:			
Special events, net of expenses of \$7,508 (Note 4)	21,155	-	21,155
Sales and other income	(420)	-	(420)
Interest income	<u>238</u>	<u>-</u>	<u>238</u>
Total revenue	<u>20,973</u>	<u>-</u>	<u>20,973</u>
Temporarily restricted net assets released from restrictions (Note 5)	<u>52,525</u>	<u>(52,525)</u>	<u>-</u>
Total support, revenue, and transfers	<u>322,212</u>	<u>(7,618)</u>	<u>314,594</u>
<b>EXPENSES</b>			
Program services (see Note 6)	204,685	-	204,685
Management and general	75,793	-	75,793
Fundraising	<u>38,497</u>	<u>-</u>	<u>38,497</u>
Total expenses	<u>318,975</u>	<u>-</u>	<u>318,975</u>
Change in net assets	3,237	(7,618)	(4,381)
Net assets, beginning of year	<u>43,016</u>	<u>60,652</u>	<u>103,668</u>
Net assets, end of year	<u>\$ 46,253</u>	<u>\$ 53,034</u>	<u>\$ 99,287</u>

The accompanying notes are an integral part of these financial statements.

**KWMR**  
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**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2012 and 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ 11,143</u>	<u>\$ (4,381)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,605	7,895
Donation of vehicle	-	(7,475)
Changes in assets and liabilities:		
Grants receivable	15,869	9,274
Prepaid expenses	-	653
Accounts payable and accrued expenses	<u>(5,114)</u>	<u>(21,108)</u>
Total adjustments	<u>19,360</u>	<u>(10,761)</u>
Net cash provided (used) by operating activities	<u>30,503</u>	<u>(15,142)</u>
Net increase (decrease) in cash and cash equivalents	30,503	(15,142)
Cash and cash equivalents, beginning of year	<u>43,882</u>	<u>59,024</u>
Cash and cash equivalents, end of year	<u>\$ 74,385</u>	<u>\$ 43,882</u>
Supplementary information:		
Non-cash transactions:		
Donation of vehicle	<u>\$ -</u>	<u>\$ 7,475</u>

The accompanying notes are an integral part of these financial statements.

**KWMR**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2012 and 2011**

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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - KWMR is a California nonprofit corporation which operates an FM community radio station based in Pt. Reyes Station and broadcasts to nearby West Marin communities. KWMR provides 24 hours of programming each day to approximately 11,000 homes, with most of the dawn-to-midnight programming produced by volunteer radio hosts (see Note 6). The Station's primary source of revenue is from contributions from the general public.

Method of Accounting - The financial statements of the Station are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

*Unrestricted net assets* - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

*Temporarily restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Station is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Station pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Station pursuant to those stipulations.

*Permanently restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Station is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Station, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

There were no permanently restricted net assets as of December 31, 2012 and 2011.

Advertising - The Station expenses advertising costs as incurred. Advertising expense totaled \$2,283 and \$1,489 for the years ended December 31, 2012 and 2011, respectively.



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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2012 and 2011**

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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Furniture, Equipment and Leasehold Improvements - The Station records furniture, equipment and leasehold improvements at cost of acquisition, or, if donated, the fair market value at the date of donation. Depreciation is recognized using the straight-line method over the estimated useful life of each asset, which is five or seven years. The Station capitalizes all furniture, equipment and leasehold improvements with a cost in excess of the capitalization threshold of \$1,000.

Contributions - Contributions are recognized when the donor makes a promise to give to the Station that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire 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.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - The Station is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

Grants Receivable - It is the practice of the Station to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and management believes all amounts will be collected in full.

Subsequent Events - Subsequent events have been evaluated through May 15, 2013, which is the date the financial statements were available to be issued.

ASC 740-10, Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Station to report information regarding its exposure to various tax positions taken by the Station. The Station has determined whether any tax positions have met the recognition threshold and have measured the Station's exposure to those tax positions. Management believes that the Station has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Station would be recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

**KWMR**  
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**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2012 and 2011

NOTE 2 FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Following are the details of furniture, equipment and leasehold improvements:

<u>Furniture, Equipment and Leasehold Improvements, at Cost</u>	<u>Furniture and Fixtures</u>	<u>Equipment and Vehicles</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Balance, December 31, 2010	\$ 2,227	\$ 128,961	\$ 5,478	\$ 136,666
Additions	-	7,475	-	7,475
Balance, December 31, 2011	2,227	136,436	5,478	144,141
Additions	-	-	-	-
Balance, December 31, 2012	<u>2,227</u>	<u>136,436</u>	<u>5,478</u>	<u>144,141</u>
<u>Accumulated Depreciation</u>				
Balance, December 31, 2010	2,227	99,969	5,478	107,674
Depreciation expense	-	7,895	-	7,895
Balance, December 31, 2011	2,227	107,864	5,478	115,569
Depreciation expense	-	8,605	-	8,605
Balance, December 31, 2012	<u>2,227</u>	<u>116,469</u>	<u>5,478</u>	<u>124,174</u>
Furniture, equipment and leasehold improvements, net	<u>\$ -</u>	<u>\$ 19,967</u>	<u>\$ -</u>	<u>\$ 19,967</u>

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

The Station is awarded grants which are received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Temporarily restricted net assets at December 31, 2012 and 2011, were restricted to the following uses:

	<u>2012</u>	<u>2011</u>
Corporation for Public Broadcasting:		
Time-restricted	\$ 14,590	\$ 26,319
Purpose restricted	17,650	19,024
	32,240	45,343
Equipment upgrade	2,759	4,691
Capacity building grant	1,800	3,000
Youth DJ	1,000	-
	<u>\$ 37,799</u>	<u>\$ 53,034</u>

**KWMR**  
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**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2012 and 2011

NOTE 4 SPECIAL EVENTS

During the years ended December 31, 2012 and 2011, the Station held several special events, as follows:

	<u>Golf</u>	<u>Far West</u>	<u>Other</u>	<u>Total</u>
	<u>Tournament</u>	<u>Fest</u>		
<u>2012:</u>				
Income	\$ 11,854	\$ 5,000	\$ 9,380	\$ 26,234
Expenses	<u>(5,334)</u>	<u>-</u>	<u>(2,461)</u>	<u>(7,795)</u>
	<u>\$ 6,520</u>	<u>\$ 5,000</u>	<u>\$ 6,919</u>	<u>\$ 18,439</u>
 <u>2011:</u>				
Income	\$ 11,065	\$ 11,506	\$ 6,092	\$ 28,663
Expenses	<u>(5,746)</u>	<u>(15)</u>	<u>(1,747)</u>	<u>(7,508)</u>
	<u>\$ 5,319</u>	<u>\$ 11,491</u>	<u>\$ 4,345</u>	<u>\$ 21,155</u>

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTION

The Station fulfilled the use and/or time restrictions for the following temporarily restricted items and they were released to unrestricted net assets during the years ended December 31, 2012 and 2011, as follows:

	<u>2012</u>	<u>2011</u>
Corporation for Public Broadcasting:		
Time-restricted	\$ 26,319	\$ 33,127
Purpose restricted	<u>18,553</u>	<u>16,185</u>
	44,872	49,312
Equipment upgrade	1,932	3,213
Capacity building grant	<u>1,200</u>	<u>-</u>
	<u>\$ 48,004</u>	<u>\$ 52,525</u>

**KWMR**  
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**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2012 and 2011

**NOTE 6 IN-KIND GOODS AND SERVICES**

The Corporation received the benefit of in-kind professional services and goods in 2011, which were recorded at fair value based on the market approach on a non-recurring basis using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements at December 31, 2011, Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Donated vehicle	\$ -	\$ 7,475	\$ -	\$ 7,475
In-kind vehicle maintenance	-	1,751	-	1,751
Total	<u>\$ -</u>	<u>\$ 9,226</u>	<u>\$ -</u>	<u>\$ 9,226</u>

The Station benefits from the services of approximately 175 volunteers (225 for 2011), who assist with events and pledge drives, and provide on-air programming. It is estimated that program hosts provided 4,850 and 4,416 hours to KWMR in 2012 and 2011, respectively. The value of these volunteer services is not reflected in these financial statements, as they do not meet the criteria under Generally Accepted Accounting Principles. However, if the value of the on-air volunteers were to be recorded at an hourly rate of \$26, program expense for 2012 and 2011 would increase by \$126,100 and \$114,816, respectively.

**NOTE 7 DEFINED CONTRIBUTION RETIREMENT PLAN**

The Station contributes to eligible employees' SEP-IRA accounts an amount equal to 2% of their annual salary (4% for 2011). For the years ended December 31, 2012 and 2011, the Station contributed \$3,511 and \$5,252, respectively, to this plan.

**NOTE 8 LEASE**

The Station leases offices in Pt. Reyes Station, California, under operating leases that have been extended through June 30, 2016. The extended leases require base monthly rent totaling \$1,370 beginning July 1, 2011, increasing each anniversary. For the years ended December 31, 2012 and 2011, the Station paid a total of \$15,300 and \$17,106, respectively, under these leases.

**KWMR**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2012 and 2011**

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**NOTE 8 LEASE (Continued)**

The estimated future minimum payments for the leases for the current and succeeding years are as follows:

<u>Year ending</u> <u>December 31,</u>	
2013	\$ 17,184
2014	17,700
2015	18,234
2016	<u>9,252</u>
	<u>\$ 62,370</u>

**NOTE 9 LICENSE AGREEMENTS**

The Station has entered into two license agreements with the Marin Emergency Radio Authority (MERA) that allow KWMR right-of-way permits to use certain real property located in two locations in Marin County, California for the installation of antennae. The license agreements are renewed annually and are non-transferable. For the years ended December 31, 2012 and 2011, the Station paid \$1,080 each year for each of the MERA license agreements.

**NOTE 10 RISKS, UNCERTAINTIES AND CONCENTRATIONS**

The Station relies on a significant amount of funding received in the form of donations and grants from individuals and foundations to support its operations. The current global financial markets and discussions of a U.S. economic downturn may have an impact on the level of funding provided by these funding sources. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Station's exposure to impact from these events.

In 2012, the Station received \$109,381, or 32% of total income, from one funder. This funder also accounting for 100% of grants receivable at December 31, 2012.

SUPPLEMENTARY INFORMATION

**KWMR**  
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**SCHEDULES OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2012**

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 152,243	\$ 31,717	\$ 27,489	\$ 211,449
Insurance	3,177	1,865	-	5,042
Dues, subscriptions, fees and licenses	3,695	-	-	3,695
Office expenses	954	1,033	5,960	7,947
Equipment	1,174	24	-	1,198
Professional services	-	23,562	-	23,562
Rent and utilities	13,361	6,883	-	20,244
Telephone	4,673	2,337	779	7,789
Depreciation expense	5,163	1,721	1,721	8,605
Produced programs	21,312	-	-	21,312
In-kind services	100	-	-	100
Vehicle expenses	683	-	-	683
Miscellaneous	-	1,246	480	1,726
Advertising	1,142	-	1,141	2,283
Member recruitment	5,069	-	5,069	10,138
Monthly access	5,200	-	-	5,200
Merchant fees	-	3,764	-	3,764
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 217,946</u>	<u>\$ 74,152</u>	<u>\$ 42,639</u>	<u>\$ 334,737</u>

**KWMR**  
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**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For the year ended December 31, 2011**

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 116,980	\$ 23,662	\$ 21,070	\$ 161,712
Insurance	3,195	1,829	-	5,024
Dues and subscriptions	4,062	-	-	4,062
Fees and licenses	184	183	-	367
Office expenses	1,213	1,211	7,326	9,750
Professional services	24,879	34,216	1,576	60,671
Rent and utilities	18,285	9,311	-	27,596
Telephone	4,398	2,933	-	7,331
Equipment	3,579	51	-	3,630
Depreciation expense	4,737	1,579	1,579	7,895
Produced programs	15,018	-	-	15,018
In-kind services	1,441	-	-	1,441
Vehicle expenses	252	-	-	252
Miscellaneous	<u>6,462</u>	<u>818</u>	<u>6,946</u>	<u>14,226</u>
<b>Total expenses</b>	<u><u>\$ 204,685</u></u>	<u><u>\$ 75,793</u></u>	<u><u>\$ 38,497</u></u>	<u><u>\$ 318,975</u></u>