

KWMR
(A California Nonprofit Corporation)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
December 31, 2010 and 2009**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of KWMR (a California Nonprofit Corporation) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Station's management. 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 and the standards required by the Corporation for Public Broadcasting, *Financial Reporting Guidelines*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KWMR as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements of KWMR. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Doran & Associates

May 10, 2011

KWMR
(A California Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 59,024	\$ 88,178
Investments (Note 2)	-	2,699
Grants receivable (Note 1)	44,887	46,082
Prepaid expenses	<u>653</u>	<u>2,160</u>
Total current assets	104,564	139,119
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$107,674 at 2010 and \$99,779 at 2009 (Notes 1 and 3)	<u>28,992</u>	<u>36,008</u>
Total assets	<u>\$ 133,556</u>	<u>\$ 175,127</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 29,888</u>	<u>\$ 2,211</u>
Total liabilities	<u>29,888</u>	<u>2,211</u>
Net assets:		
Unrestricted	43,016	113,834
Temporarily restricted (Note 4)	<u>60,652</u>	<u>59,082</u>
Total net assets	<u>103,668</u>	<u>172,916</u>
Total liabilities and net assets	<u>\$ 133,556</u>	<u>\$ 175,127</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, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND TRANSFERS			
Support:			
Memberships and donations	\$ 177,184	\$ -	\$ 177,184
Grants	98,351	57,652	156,003
Underwriting	20,269	-	20,269
In-kind services (Note 5)	<u>13,058</u>	<u>-</u>	<u>13,058</u>
Total support	<u>308,862</u>	<u>57,652</u>	<u>366,514</u>
Revenue:			
Special events, net of expenses of \$5,121 (Note 6)	19,835	-	19,835
Sales and other income	(968)	-	(968)
Interest income	<u>211</u>	<u>-</u>	<u>211</u>
Total revenue	<u>19,078</u>	<u>-</u>	<u>19,078</u>
Temporarily restricted net assets released from restrictions (Note 7)	<u>56,082</u>	<u>(56,082)</u>	<u>-</u>
Total support, revenue, and transfers	<u>384,022</u>	<u>1,570</u>	<u>385,592</u>
EXPENSES			
Program services	266,141	-	266,141
Management and general	159,027	-	159,027
Fundraising	<u>29,672</u>	<u>-</u>	<u>29,672</u>
Total expenses	<u>454,840</u>	<u>-</u>	<u>454,840</u>
Change in net assets	(70,818)	1,570	(69,248)
Net assets, beginning of year	<u>113,834</u>	<u>59,082</u>	<u>172,916</u>
Net assets, end of year	<u>\$ 43,016</u>	<u>\$ 60,652</u>	<u>\$ 103,668</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, 2009

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND TRANSFERS			
Support:			
Memberships and donations	\$ 173,137	\$ -	\$ 173,137
Grants	67,458	71,206	138,664
Underwriting	<u>24,579</u>	<u>-</u>	<u>24,579</u>
Total support	<u>265,174</u>	<u>71,206</u>	<u>336,380</u>
Revenue:			
Special events, net of expenses of \$20,110 (Note 6)	31,857	-	31,857
Sales and other income	1,771	-	1,771
Interest income	<u>6</u>	<u>-</u>	<u>6</u>
Total revenue	<u>33,634</u>	<u>-</u>	<u>33,634</u>
Temporarily restricted net assets released from restrictions (Note 7)	<u>53,719</u>	<u>(53,719)</u>	<u>-</u>
Total support, revenue, and transfers	<u>352,527</u>	<u>17,487</u>	<u>370,014</u>
EXPENSES			
Program services	165,297	-	165,297
Management and general	101,222	-	101,222
Fundraising	<u>99,314</u>	<u>-</u>	<u>99,314</u>
Total expenses	<u>365,833</u>	<u>-</u>	<u>365,833</u>
Change in net assets	(13,306)	17,487	4,181
Net assets, beginning of year	<u>127,140</u>	<u>41,595</u>	<u>168,735</u>
Net assets, end of year	<u>\$ 113,834</u>	<u>\$ 59,082</u>	<u>\$ 172,916</u>

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

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STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (69,248)	\$ 4,181
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	7,895	7,719
Donation of stocks	-	(2,699)
Changes in assets and liabilities:		
Grants receivable	1,195	(13,582)
Prepaid expenses	1,507	(938)
Accounts payable and accrued expenses	<u>27,677</u>	<u>(3,655)</u>
Total adjustments	<u>38,274</u>	<u>(13,155)</u>
Net cash used by operating activities	<u>(30,974)</u>	<u>(8,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture, equipment and leasehold improvements	(879)	(23,589)
Sale of investments	<u>2,699</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>1,820</u>	<u>(23,589)</u>
Net decrease in cash and cash equivalents	(29,154)	(32,563)
Cash and cash equivalents, beginning of year	<u>88,178</u>	<u>120,741</u>
Cash and cash equivalents, end of year	<u>\$ 59,024</u>	<u>\$ 88,178</u>
Supplementary information:		
Non-cash transactions:		
Donation of stocks	<u>\$ -</u>	<u>\$ 2,699</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, 2010 and 2009

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 5). 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, 2010 and 2009.

Advertising - The Station expenses advertising costs as incurred. Advertising expense totaled \$1,385 and \$631 for the years ended June 30, 2010 and 2009, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

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.

Recent Account Pronouncement - Accounting Standards Codification - In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification ("Codification"). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Station's accounting policies. The adoption of the Codification did not have a material impact on the Station's financial position or results of activities.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

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

New Accounting Pronouncement, ASC 820-10, Fair Value Measurements - In September 2006, the Financial Accounting Standards Board issued Accounting Standards Codification 820-10 (formerly Statement of Financial Accounting Standards No. 157 (FAS-157)), *Fair Value Measurements*. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of ASC 820-10 are effective for the Station for fiscal years beginning January 1, 2008. The adoption of ASC 820-10 did not have a material impact on the Station's financial statements.

Subsequent Events - Subsequent events have been evaluated through May 10, 2011, which is the date the financial statements were available to be issued.

New Accounting Principles, 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.

NOTE 2 INVESTMENTS

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the year ended December 31, 2009, 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, 2009, 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>	
Stocks	\$ 2,699	\$ -	\$ -	\$ 2,699

It is the policy of KWMR to sell any securities received as donations as soon as practical after receipt.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

NOTE 3 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</u>	<u>Leasehold Improve- ments</u>	<u>Total</u>
Balance, December 31, 2008	\$ 2,227	\$ 104,493	\$ 5,478	\$ 112,198
Additions	-	23,589	-	23,589
Balance, December 31, 2009	2,227	128,082	5,478	135,787
Additions	-	879	-	879
Balance, December 31, 2010	<u>2,227</u>	<u>128,961</u>	<u>5,478</u>	<u>136,666</u>
<u>Accumulated Depreciation</u>				
Balance, December 31, 2008	2,227	84,355	5,478	92,060
Depreciation expense	-	7,719	-	7,719
Balance, December 31, 2009	2,227	92,074	5,478	99,779
Depreciation expense	-	7,895	-	7,895
Balance, December 31, 2010	<u>2,227</u>	<u>99,969</u>	<u>5,478</u>	<u>107,674</u>
Furniture, equipment and leasehold improvements, net	<u>\$ -</u>	<u>\$ 28,992</u>	<u>\$ -</u>	<u>\$ 28,992</u>

NOTE 4 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, 2010 and 2009, were restricted to the following uses:

Corporation for Public Broadcasting:	<u>2010</u>	<u>2009</u>
Time-restricted	\$ 33,127	\$ 33,958
Purpose restricted	<u>16,621</u>	<u>12,124</u>
	49,748	46,082
Equipment upgrade	7,904	-
Environmental Education Program	3,000	3,000
Website	-	<u>10,000</u>
	<u>\$ 60,652</u>	<u>\$ 59,082</u>

KWMR
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

NOTE 5 CONTRIBUTED SERVICES

During the year ended December 31, 2010, the Station received in-kind legal services valued at \$13,058.

The Station benefits from the services of approximately 250 volunteers, who assist with events and pledge drives, and provide on-air programming. It is estimated that program hosts provided 4,416 and 5,824 hours to KWMR in 2010 and 2009, 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.

NOTE 6 SPECIAL EVENTS

During the years ended December 31, 2010 and 2009, the Station held several special events, as follows:

	Art Auction	Far West Test	Other	Total
2010:				
Income	\$ 11,682	\$ 8,180	\$ 5,094	\$ 24,956
Expenses	(2,206)	-	(2,915)	(5,121)
	<u>\$ 9,476</u>	<u>\$ 8,180</u>	<u>\$ 2,179</u>	<u>\$ 19,835</u>
2009:				
Income	\$ 13,713	\$ 30,613	\$ 7,641	\$ 51,967
Expenses	(336)	(17,887)	(1,887)	(20,110)
	<u>\$ 13,377</u>	<u>\$ 12,726</u>	<u>\$ 5,754</u>	<u>\$ 31,857</u>

NOTE 7 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, 2010 and 2009, as follows:

	2010	2009
Corporation for Public Broadcasting:		
Time-restricted	\$ 33,958	\$ 24,014
Purpose restricted	12,124	20,610
	46,082	44,624
News Programs	10,000	9,095
	<u>\$ 56,082</u>	<u>\$ 53,719</u>

KWMR
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

NOTE 8 DEFINED CONTRIBUTION RETIREMENT PLAN

The Station contributes to eligible employees' SEP-IRA accounts an amount equal to 4% of their annual salary. For the years ended December 31, 2010 and 2009, the Station contributed \$6,830 and \$9,052, respectively, to this plan.

NOTE 9 LEASE

The Station leases offices in Pt. Reyes Station, California, under an operating lease that matures June 30, 2011. The lease requires based monthly rent of \$1,265, increasing each anniversary. For the years ended December 31, 2010 and 2009, the Station paid between \$1,316 and \$1,418 per month for a total of \$15,466 and \$15,792, respectively.

NOTE 10 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, 2010 and 2009, the Station paid \$1,080 each year for each of the MERA license agreements.

NOTE 11 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.

SUPPLEMENTARY INFORMATION

KWMR
(A California Nonprofit Corporation)

SCHEDULES OF FUNCTIONAL EXPENSES
For the year ended December 31, 2010

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 183,882	\$ 24,744	\$ 24,744	\$ 233,370
Insurance	3,229	1,844	-	5,073
Dues and subscriptions	3,600	551	-	4,151
Fees and licenses	39	-	-	39
Office expenses	-	11,932	-	11,932
Professional services	10,000	90,369	3,107	103,476
Rent and utilities	13,707	9,138	-	22,845
Telephone	7,646	5,097	-	12,743
Equipment	12,365	309	-	12,674
Depreciation expense	6,147	1,748	-	7,895
Produced programs	15,811	-	-	15,811
In-kind services	-	13,058	-	13,058
Miscellaneous	<u>9,715</u>	<u>237</u>	<u>1,821</u>	<u>11,773</u>
Total expenses	<u>\$ 266,141</u>	<u>\$ 159,027</u>	<u>\$ 29,672</u>	<u>\$ 454,840</u>

KWMR
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SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended December 31, 2009

	Program Services	Management and General	Fundraising	Total
Payroll and contractors	\$ 113,309	\$ 72,675	\$ 80,548	\$ 266,532
Facilities and equipment	27,818	8,127	4,036	39,981
Acquired programs	14,476	-	-	14,476
Insurance	-	4,783	-	4,783
Professional services	-	6,915	400	7,315
Printing and postage	-	885	9,360	10,245
Depreciation expense	7,719	-	-	7,719
Miscellaneous	<u>1,975</u>	<u>7,837</u>	<u>4,970</u>	<u>14,782</u>
Total expenses	<u>\$ 165,297</u>	<u>\$ 101,222</u>	<u>\$ 99,314</u>	<u>\$ 365,833</u>