

KWMR
(A California Nonprofit Corporation)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
December 31, 2011 and 2010**

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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, 2011 and 2010, 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, 2011 and 2010, 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 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 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 taken as a whole.

Doran & Associates

May 16, 2012

KWMR
(A California Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 43,882	\$ 59,024
Grants receivable (Note 1)	35,613	44,887
Prepaid expenses	<u>-</u>	<u>653</u>
Total current assets	79,495	104,564
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$115,569 at 2011 and \$107,674 at 2010 (Notes 1 and 2)	<u>28,572</u>	<u>28,992</u>
Total assets	<u>\$ 108,067</u>	<u>\$ 133,556</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 8,780</u>	<u>\$ 29,888</u>
Total liabilities	<u>8,780</u>	<u>29,888</u>
Net assets:		
Unrestricted	46,253	43,016
Temporarily restricted (Note 3)	<u>53,034</u>	<u>60,652</u>
Total net assets	<u>99,287</u>	<u>103,668</u>
Total liabilities and net assets	<u>\$ 108,067</u>	<u>\$ 133,556</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, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND TRANSFERS			
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 4)	<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 5)	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 6)	<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>
EXPENSES			
Program services (see Note 4)	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 ACTIVITIES (CONTINUED)
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 4)	<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 5)	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 6)	<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 CASH FLOWS
For the years ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (4,381)</u>	<u>\$ (69,248)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	7,895	7,895
Donation of vehicle	(7,475)	-
Changes in assets and liabilities:		
Grants receivable	9,274	1,195
Prepaid expenses	653	1,507
Accounts payable and accrued expenses	<u>(21,108)</u>	<u>27,677</u>
Total adjustments	<u>(10,761)</u>	<u>38,274</u>
Net cash used by operating activities	<u>(15,142)</u>	<u>(30,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture, equipment and leasehold improvements	-	(879)
Sale of investments	<u>-</u>	<u>2,699</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>1,820</u>
Net decrease in cash and cash equivalents	(15,142)	(29,154)
Cash and cash equivalents, beginning of year	<u>59,024</u>	<u>88,178</u>
Cash and cash equivalents, end of year	<u>\$ 43,882</u>	<u>\$ 59,024</u>
Supplementary information:		
Non-cash transactions:		
Donation of vehicle	<u>\$ 7,475</u>	<u>\$ -</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, 2011 and 2010

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 4). 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, 2011 and 2010.

Advertising - The Station expenses advertising costs as incurred. Advertising expense totaled \$1,489 and \$1,385 for the years ended June 30, 2011 and 2010, respectively.

KWMR
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2011 and 2010

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 16, 2012, 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.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2011 and 2010

NOTE 2 FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

Furniture, Equipment and Leasehold Improvements, at Cost	Furniture and Fixtures	Equipment and Vehicles	Leasehold Improve- ments	Total
Balance, December 31, 2009	\$ 2,227	\$ 128,082	\$ 5,478	\$ 135,787
Additions	-	879	-	879
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
<u>Accumulated Depreciation</u>				
Balance, December 31, 2009	2,227	92,074	5,478	99,779
Depreciation expense	-	7,895	-	7,895
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
Furniture, equipment and leasehold improvements, net	<u>\$ -</u>	<u>\$ 28,572</u>	<u>\$ -</u>	<u>\$ 28,572</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, 2011 and 2010, were restricted to the following uses:

Corporation for Public Broadcasting:	2011	2010
Time-restricted	\$ 26,319	\$ 33,127
Purpose restricted	19,024	16,621
	45,343	49,748
Equipment upgrade	4,691	7,904
Environmental Education Program	3,000	3,000
	<u>\$ 53,034</u>	<u>\$ 60,652</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2011 and 2010

NOTE 4 IN-KIND GOODS AND SERVICES

The Corporation received the benefit of in-kind professional services and goods in 2011 and 2010, which were recorded at fair value 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>Fair Value Measurements at December 31, 2011, Using</u>				
<u>Description</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>	<u>Total</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>

<u>Fair Value Measurements at December 31, 2010, Using</u>				
<u>Description</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>	<u>Total</u>
In-kind legal services	\$ -	\$ 13,058	\$ -	\$ 13,058

The Station benefits from the services of approximately 225 volunteers, who assist with events and pledge drives, and provide on-air programming. It is estimated that program hosts provided 4,416 hours to KWMR in 2011 and 2010, 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 2011 would increase by \$114,816.

NOTE 5 SPECIAL EVENTS

During the years ended December 31, 2011 and 2010, the Station held several special events, as follows:

<u>2011:</u>	<u>Golf Tournament</u>	<u>Far West Fest</u>	<u>Other</u>	<u>Total</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>

KWMR
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2011 and 2010

NOTE 5 SPECIAL EVENTS (Continued)

2010:	Art Auction	Far West Fest	Other	Total
Income	\$ 11,682	\$ 8,180	\$ 5,094	\$ 24,956
Expenses	(2,206)	-	(2,915)	(5,121)
	\$ 9,476	\$ 8,180	\$ 2,179	\$ 19,835

NOTE 6 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, 2011 and 2010, as follows:

	2011	2010
Corporation for Public Broadcasting:		
Time-restricted	\$ 33,127	\$ 33,958
Purpose restricted	16,185	12,124
	49,312	46,082
Equipment upgrade	3,213	-
News Programs	-	10,000
	\$ 52,525	\$ 56,082

NOTE 7 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, 2011 and 2010, the Station contributed \$5,252 and \$6,830, 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, 2011 and 2010, the Station paid a total of \$17,106 and \$15,466, respectively, under these leases.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2011 and 2010

NOTE 8 LEASE (Continued)

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

Year ending <u>December 31,</u>	
2012	\$ 16,686
2013	17,184
2014	17,700
2015	18,234
2016	<u>9,252</u>
	<u>\$ 79,056</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, 2011 and 2010, 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.

SUPPLEMENTARY INFORMATION

KWMR
(A California Nonprofit Corporation)

SCHEDULES OF FUNCTIONAL EXPENSES
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>
Total expenses	<u><u>\$ 204,685</u></u>	<u><u>\$ 75,793</u></u>	<u><u>\$ 38,497</u></u>	<u><u>\$ 318,975</u></u>

KWMR
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SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
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>