

REPORT OF:
New Wave Corporation
d/b/a KOPN, FM Radio
September 30, 2018

Howe & Associates, PC
Columbia, Missouri

New Wave Corporation
d/b/a KOPN, FM Radio
Audited Financial Statements
September 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Wave Corporation

We have audited the accompanying financial statements of New Wave Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018 and the related statements of activities 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.

Auditor's 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 auditor's judgment, including 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.

Basis for Qualified Opinion

New Wave Corporation recorded verbal and monthly pledges as receivables. Monthly pledges were recorded as a twelve month promise to give. Accounting principles generally accepted in the United States of America require verifiable documentation that a promise was made and received to recognize the promise to give. In addition, if the donor can rescind their pledge, it is considered an intention to give rather than a promise to give and should not be recorded as pledge revenue. The effects on the accompanying financial statements of recording these pledges as receivables have not been determined.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of New Wave Corporation as of September 30, 2018, and results of its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Howe & Associates PC.

Howe & Associates, PC
Columbia, Missouri
May 24, 2019

New Wave Corporation
d/b/a KOPN, FM Radio
STATEMENT OF FINANCIAL POSITION
September 30, 2018

ASSETS	
Cash and Cash Equivalents	\$ 113,023
Accounts Receivable	38,184
Prepaid Expenses	2,996
Fixed Assets (net)	54,450
TOTAL ASSETS	<u><u>\$ 208,653</u></u>
LIABILITIES & NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 945
Accrued Vacation	3,642
TOTAL LIABILITIES	<u>4,587</u>
NET ASSETS	
Unrestricted	184,536
Temporarily Restricted	19,530
TOTAL NET ASSETS	<u>204,066</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 208,653</u></u>

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

New Wave Corporation
d/b/a KOPN, FM Radio
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

UNRESTRICTED NET ASSETS

Revenue & Support

Grants	\$ 72,913
Pledges	239,455
Contributions	2,052
Non-Cash Donations	12,000
Underwriting Revenue	36,259
Other Income	953

Total Revenue & Support	<u>363,632</u>
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Net Assets Released from Restriction	<u>12,208</u>
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Increase in Unrestricted Net Assets Before Expenses	<u>375,840</u>
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Expenses

Program Services	106,549
Management & General	104,878
Fundraising	31,904

Total Expenses	<u>243,331</u>
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Change in Unrestricted Net Assets	<u>132,509</u>
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TEMPORARILY RESTRICTED NET ASSETS

Grants	18,091
Net Assets Released from Restriction	(12,208)

Change in Temporarily Restricted Net Assets	<u>5,883</u>
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CHANGE IN NET ASSETS	138,392
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NET ASSETS AT BEGINNING OF YEAR	<u>65,674</u>
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NET ASSETS AT END OF YEAR	<u><u>\$ 204,066</u></u>
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The accompanying notes are an integral part of these financial statements.

New Wave Corporation
d/b/a KOPN, FM Radio
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

	2018
Cash Flow From Operating Activities:	
Change in Net Assets	\$ 138,392
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,663
(Increase)/Decrease in Receivables	(23,226)
(Increase)/Decrease in Prepaid Expenses	(2,996)
Increase/(Decrease) in Accounts Payable	(7,986)
Increase/(Decrease) in Accrued Vacation	2,442
Total Adjustments	(20,103)
Net Cash Used/Provided by Operating Activities	118,289
Cash Flow from Investing Activities:	
Fixed Asset (Purchases)/Disposals	(10,036)
Net Cash Used/Provided by Investing Activities	(10,036)
Cash Flows from Financing Activities:	
Increase/(Decrease) in Note Payable	(15,000)
Net Cash Used/Provided by Financing Activities	(15,000)
Net Increase/(Decrease) in Cash & Cash Equivalents	93,253
Operating Cash at the Beginning of the Year	19,770
Operating Cash at the End of the Year	\$ 113,023
Supplemental Disclosures of Cash Flow Information	
Cash Paid for Interest	\$ 357

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

New Wave Corporation
d/b/a KOPN, FM Radio
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2018

	Program Services	Management and General	Fundraising	Total
Accounting and Legal	\$ -	\$ 8,512	\$ -	\$ 8,512
Advertising and Promotion	1,182	-	122	1,304
Bank Charges	-	2,072	5,399	7,471
Broadcast and Production	6,813	-	-	6,813
Depreciation	10,497	583	583	11,663
Dues and Subscriptions	2,500	-	-	2,500
Engineering Supplies	7,504	145	-	7,649
Equipment Rental	-	273	-	273
Fundraising	-	-	2,347	2,347
Insurance	-	2,140	-	2,140
Interest	-	326	31	357
Maintenance & Repairs	372	74	-	446
Miscellaneous	-	958	-	958
Non-CPB In Kind Expense	12,000	-	-	12,000
Office Expense	25	5,937	163	6,125
Outside Labor	-	12,600	-	12,600
Postage	-	1,755	3,134	4,889
Printing	141	4,164	-	4,305
Program Fees	560	-	-	560
Rent	16,200	4,320	1,080	21,600
Salaries & Payroll Taxes	27,095	45,157	18,062	90,314
Staff Benefits	720	1,200	480	2,400
Telecommunications	164	2,042	-	2,206
Tower Expenses	13,234	2,219	-	15,453
Uncollectible Pledges & Receivables	-	8,390	-	8,390
Utilities	7,542	2,011	503	10,056
TOTAL EXPENSES	<u>\$ 106,549</u>	<u>\$ 104,878</u>	<u>\$ 31,904</u>	<u>\$ 243,331</u>

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

New Wave Corporation
d/b/a KOPN, FM Radio
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

1. Purpose of the Organization

New Wave Corporation, d/b/a KOPN, FM Radio (the Organization) operates to provide a community access, listener sponsored, public radio station. The majority of funding comes from listener pledges and grants from the Corporation for Public Broadcasting.

2. Significant Accounting Policies

Basis of Accounting & Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. Support and revenues are recognized when earned and expenses when incurred.

The financial statements are presented in accordance with the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, FASB ASC 958. Accordingly, these statements present financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization's net assets and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed restrictions, and therefore are expendable for operating purposes. Unrestricted net assets may be designated for specific purposes by the Board of Directors.

Temporarily Restricted - net assets subject to donor-imposed restrictions that will be satisfied either by the passage of time or until a certain event occurs. When the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently Restricted - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors permit the use of all or part of investment earnings for operating or specific purposes. The Organization presently has no permanently restricted net assets.

Use of 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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation, and all deposits were fully insured.

Accounts Receivable

The Organization's accounts receivable consists of membership pledges and services for underwriting. As of September 30, 2018, the Organization deems receivables to be collectible. No allowance for doubtful accounts has been recorded. During the year ended September 30, 2018, the Organization recorded \$8,390 of uncollectible pledges and receivables to correct the receivable balance due to accounting errors in the prior year.

New Wave Corporation
d/b/a KOPN, FM Radio
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

2. Significant Accounting Policies (continued)

Fixed Assets

Property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value on the date of donation. Depreciation is taken over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Contributions & Revenues

All contributions are considered to be available for the general program of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donors are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received.

Income Taxes

The Organization is recognized as a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from the federal income taxes on related income. Accordingly, no provision for income taxes has been included in the financial statements.

Donated Materials, Equipment, and Services

Donated materials and equipment, if any, are recognized at fair value when received as in-kind contributions.

A number of volunteers have donated significant amounts of their time to the Organization; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Contributed professional services are recognized at fair value if the services received require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Those amounts, when reflected in the financial statements as in-kind contributions, are offset by like amounts included in expenses.

Advertising

The Organization expenses marketing and advertising costs as they are incurred.

Functional Allocation of Expenses

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

Subsequent Events

Subsequent events have been evaluated through May 24, 2019, which is the date the financial statements were available to be issued.

New Wave Corporation
d/b/a KOPN, FM Radio
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at September 30, 2018:

Checking Account	\$ 112,678
PayPal	195
Petty Cash	<u>150</u>
Total Cash and Equivalents	<u><u>\$ 113,023</u></u>

4. Fixed Assets

The Organization maintains a library of music. The collection of records, tapes and compact discs number more than 70,000 individual selections and is believed by Management to have both historical significance and market value. Many of the items were donated to the Organization in prior years by the recording industry. In accordance with common industry practices in the public radio industry, the Organization no longer reflects the library as an asset.

Property and equipment consisted of the following at September 30, 2018:

	<u>2018</u>
Transmission Equipment	\$ 269,243
Broadcasting Equipment	47,268
Computer Equipment	23,379
Office Equipment	14,944
Production Equipment	31,393
PTEP Equipment	32,582
Software	11,147
Leasehold Improvements	19,549
Less: Accumulated Depreciation	(395,055)
Net Fixed Assets	<u><u>\$ 54,450</u></u>

Depreciation expense for the year ended September 30, 2018 was \$11,663.

5. Accrued Vacation

The Organization records the value of earned time off as a liability at the end of the year. The total value of such pay as of September 30, 2018 is \$3,642.

6. Note Payable

The Organization had an unsecured short-term note with Central Bank of Boone County with an interest rate of 6%. The outstanding balance of \$15,000 was paid in full during the year ended September 30, 2018.

New Wave Corporation
d/b/a KOPN, FM Radio
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30, 2018:

CPB Restricted Grant for programming	\$ 19,530
Total Temporarily Restricted Net Assets	<u>\$ 19,530</u>

8. Grants

The Organization receives grants from various sources. The amounts of these grants were as follows for the year ended September 30, 2018:

Corporation for Public Broadcasting	\$ 68,968
Missouri Arts Council	15,128
Boone County Community Trust	6,908
Total Grants	<u>\$ 91,004</u>

9. Barter Transactions

The Organization routinely barter for underwriting of products or services. All barter transactions are reported at the estimated fair value of the products and services received. Revenue is reported when the underwriting is broadcast, and expenses is reported when the merchandise or services are received or used.

10. Non-Cash Donations

The Organization receives donations of professional services and products from various sources. The amounts of these donations recorded in the financial statements at fair market value for the year ended September 30, 2018, were as follows:

Professional Services - other	\$ 12,000
Total Non-cash Donations	<u>\$ 12,000</u>

New Wave Corporation
d/b/a KOPN, FM Radio
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

11. Lease Obligations

The Organization rents its primary broadcasting and office facilities under an operating lease agreement with the Dalton Family Trust. The lease term, as amended April 29, 2016, ends June 30, 2021. Monthly payments to the Dalton Family Trust were \$1,925 through June 30, 2018 and increased to \$2,100 beginning July 1, 2018. Monthly payments will be \$2,275 from July 1, 2020 to June 30, 2021. As of September 30, 2018, total lease payments under this agreement were \$21,525.

The Organization leases spaces for a studio-to-transmitter link on top of a nearby building owned by the Housing Authority of the City of Columbia, Missouri. The lease term was October 2013 to December 31, 2016, and was renewed for an additional 36 months from January 2017 through December 31, 2019, and the monthly rent is \$200 plus provision of a \$1,300 a month underwriting announcements. As of September 30, 2018, total lease payments under this agreement were \$3,000.

At September 30, 2018, future minimum lease payments were as follows:

2019	\$	27,600
2020		26,325
2021		20,475
		<u>\$ 74,400</u>

12. Easement Agreement

On April 24, 1987, the curators of the University of Missouri granted to New Wave Corporation a perpetual easement for a radio transmission tower and transmitter building situated in Boone County, Missouri.