

Audited Financial Statements

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

Years Ended June 30, 2016 and 2015

Audited Financial Statements

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COOPERATIVE CORPORATION**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pocahontas Communications Cooperative Corporation
Charleston, WV

We have audited the accompanying financial statements of Pocahontas Communications Cooperative Corporation, which comprise the statements of financial position as of June 30, 2016 and 2015 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.

Auditors' 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 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 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.

Auditors' Responsibility (Continued)

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 Pocahontas Communications Cooperative Corporation, as of June 30, 2016 and 2015, 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.

Gray, Griffith & Mays, a.c.

October 10, 2016

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

STATEMENT OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:			
Cash and cash equivalents		\$ 282,110	\$ 285,617
Pledges receivable		25,355	22,305
Grants Receivables		1,500	1,500
		<u>308,965</u>	<u>309,422</u>
Property and equipment			
Buildings		308,257	308,257
Broadcasting and production equipment		631,949	631,949
Office equipment		40,191	40,191
Total depreciable assets		980,397	980,397
Less: accumulated depreciation		(780,280)	(749,134)
Total net depreciable assets		<u>200,117</u>	<u>231,263</u>
Intangible assets:			
Licenses (at cost)		56,520	56,160
Less: accumulated amortization		(25,639)	(25,510)
Total net intangible assets		<u>30,881</u>	<u>30,650</u>
Total assets		<u>\$ 539,963</u>	<u>\$ 571,335</u>

<u>LIABILITIES AND NET ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Current liabilities:		
Accounts payable	\$ 1,501	\$ -
Taxes withheld and accrued expenses	1,115	1,219
Refundable advances	<u>63,869</u>	<u>90,109</u>
Total current liabilities	<u>66,485</u>	<u>91,328</u>
Net assets:		
Unrestricted:		
Undesignated	447,719	454,063
Designated	<u>8,063</u>	<u>8,248</u>
Total unrestricted net assets	<u>455,782</u>	<u>462,311</u>
Temporarily restricted	<u>17,696</u>	<u>17,696</u>
Total net assets	<u>473,478</u>	<u>480,007</u>
Total liabilities and net assets	<u>\$ 539,963</u>	<u>\$ 571,335</u>

The accompanying notes are an integral part of these financial statements

POCAHONTAS COMMUNICATIONS COOPERATIVE CORPORATION

STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	2016	2015
Public Support and revenues:		
Corporation for Public Broadcasting grants	\$ 275,008	\$ 200,141
Other grants	-	1,777
Contributions	92,562	77,535
Vista income	-	1,282
Underwriting	95,526	92,015
Special events and projects	13,266	12,160
Interest	1,213	2,190
Insurance proceeds	-	3,151
Released from restrictions	-	2,438
	477,575	392,689
Operating Expenses:		
Wages and payroll taxes	303,305	301,968
Vista expenses	-	5,126
Employee benefits	6,818	8,338
Pension expense	14,000	14,000
Equipment repairs and maintenance	1,902	3,692
Depreciation	31,146	32,121
Amortization expense	129	129
Professional fees	21,815	17,837
Travel, entertainment and conferences	5,275	6,111
Communications	20,302	19,457
Audio supplies	821	404
Program expense	21,446	20,664
Insurance	16,905	16,561
Rent	401	401
Fundraising expenses	2,140	1,835
Administrative and general expenses	37,699	42,572
	484,104	491,216
Total operating expenses		
	484,104	491,216
Decrease in unrestricted funds	(6,529)	(98,527)

Changes in temporarily restricted net assets:		
Released from restrictions	<u>-</u>	<u>(2,439)</u>
Decrease in temporarily restricted net assets	<u>-</u>	<u>(2,439)</u>
Decrease in net assets	(6,529)	(100,966)
Net assets, beginning of year	<u>480,007</u>	<u>580,973</u>
Net assets, end of year	<u>\$ 473,478</u>	<u>\$ 480,007</u>

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

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (6,529)	\$ (100,966)
Adjustments to reconcile net cash provided by operating activities:		
Depreciation	31,146	32,121
Amortization	129	129
(Increase) decrease in receivables	(3,050)	2,920
Increase (decrease) in payables and other	1,397	(13,190)
Increase (decrease) in refundable advances	<u>(26,240)</u>	<u>46,143</u>
Net cash (used in) provided by operating activities	<u>(3,147)</u>	<u>(32,843)</u>
Cash flows used in investing activities:		
Aquisition of licenses	(360)	-
Purchase of property and equipment	<u>-</u>	<u>(2,438)</u>
Net cash used in investing activities	<u>(360)</u>	<u>(2,438)</u>
Net decrease in cash and cash equivalents	(3,507)	(35,281)
Cash and cash equivalents, beginning of year	<u>285,617</u>	<u>320,898</u>
Cash and cash equivalents, end of year	<u>\$ 282,110</u>	<u>\$ 285,617</u>

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

POCAHONTAS COMMUNICATIONS COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Pocahontas Communications Cooperative Corporation is a not-for-profit organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. It was organized to operate non-commercial radio stations in Pocahontas County, West Virginia and Highland and Bath Counties, Virginia. The Organization also produces books and music representing the history and culture of the listening area. The Organization's Department of the Treasury information returns are subject to examination, generally for three years after the filing date.

Basis of Presentation

Financial statement presentation follows the recommendations of generally accepted accounting principles for Not-for-Profit Organizations. Under these standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted Net Assets, Temporarily Restricted Net Assets and Permanently Restricted Net Assets.

Cash and cash equivalents

For the statement of cash flows, cash and cash equivalents includes all cash on hand and demand deposits with banks and other financial institutions that have no donor restrictions placed on them. Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to cash or are so near to maturity that their value is easily determined. The organization had no cash equivalents for the years ended June 30, 2016 and 2015.

Pledges receivable

Pledges receivable are recorded at the amount of the original pledge. Management will hold a pledge for 12 months at the end of which unpaid pledges are written off. At year end, all pledges are considered by management to be collectible.

POCAHONTAS COMMUNICATIONS COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are carried at cost which is depreciated over estimated useful lives of the assets. Depreciation is computed on the straight-line method. Maintenance and repairs are charged to operations as they are incurred. Betterments and renewals are capitalized. The Organization does not capitalize items costing less than \$500, or has an estimated life of less than 3 years.

The Organization uses land belonging to various local entities under long-term agreements that either do not charge rent or the rent is nominal. These are generally small plots and fair rental value is not determinable.

Advertising

Advertising costs are expensed as incurred, and are nominal for the years presented.

Pension

The Organization has adopted a simplified employee pension plan (SEP) that covers all employees at least twenty-one (21) years old, have been employed three (3) years, and earned at least \$327 in the previous year. The contribution is determined annually by the Board of Directors and is funded during March for the prior calendar year.

Intangible assets

The Organization amortizes its station licenses over 20 years using the straight-line method.

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.

POCAHONTAS COMMUNICATIONS COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated services

The Organization utilizes the services of many volunteers for many different tasks. None of these volunteer hours meet the qualification for recognition in the financial statements under generally accepted accounting principles.

Revenue recognition

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated purpose or timing 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 with restrictions that are met during the same period that the receipt is recognized are classified as unrestricted.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets at June 30, 2016 and 2015.

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

June 30, 2016 and 2015

2 – REFUNDABLE ADVANCES

At June 30, 2016 and 2015, the Organization had unspent amounts from grants that had restrictions. Those restrictions included the refunding of unused grants to the grantor if they were not used within a specified time. Below is a list of those refundable advances.

Grantor	Purpose	2016	2015
Corporation for Public Broadcasting	WLS Programming	9,873	12,654
Corporation for Public Broadcasting	WLS Operating	36,726	33,159
Corporation for Public Broadcasting	WWMR Operating	7,386	31,460
Corporation for Public Broadcasting	WWMR Programming	9,884	12,836
Total refundable advances		<u>\$ 63,869</u>	<u>\$ 90,109</u>

3 – LINE OF CREDIT

At June 30, 2016, the organization had a \$50,000 line of credit available from a local bank. There was no outstanding balance as of June 30, 2016. The line of credit expired on August 3, 2016. However, it was renewed for an additional year, subsequent to year end.

4 – DESIGNATED UNRESTRICTED NET ASSETS

Designated net assets are funds set aside for a specific purpose by the Board of Directors. The decision to set these funds aside can be reversed by the Board at any time and, therefore, they are not temporarily restricted. The Designated Unrestricted Net Assets at June 30, 2016 and 2015 were:

	2016	2015
WLS Steering Committee	<u>\$ 8,063</u>	<u>\$ 8,248</u>

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2016 and 2015

5 – RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for:

	<u>2016</u>	<u>2015</u>
Emergency response equipment	\$ <u>17,696</u>	\$ <u>17,696</u>
Total restricted net assets	\$ <u>17,696</u>	\$ <u>17,696</u>

6 – CONCENTRATIONS

During the year, the Organization may have had deposits in financial institutions greater than the FDIC insured limits.

For the years ended June 30, 2016 and 2015, the Corporation for Public Broadcasting contributed approximately 57% and 50%, respectively, of the Organization's total revenue. If these funds were curtailed, it could have a significant impact on the operations of the Organization.

7 – LICENSES

The Organization's various radio stations operate under six (6) licenses granted by the Federal Communication Commission (FCC). Licenses are generally renewed every eight (8) years. All licenses that the stations operate under were renewed effective September 27, 2011 for a term expiring on October 1, 2019. The Organization obtained a seventh (7) license on May 23, 2013.

8 – BENEFICIAL INTERESTS

The Organization has a beneficial interest in two individual's wills. The amount of the interest is not determinable and therefore no receivable has been booked.

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2016 and 2015

9 – FUNCTIONAL EXPENSES

The Organization's purpose is to operate non-commercial radio stations. Expenses related to providing these services for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Programs	\$ 444,265	\$ 446,809
General and administrative	37,699	42,572
Fundraising	<u>2,140</u>	<u>1,835</u>
	<u>\$ 484,104</u>	<u>\$ 491,216</u>

10 – SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions occurring after June 30, 2016 through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued. No significant events were noted requiring adjustment to or disclosure of in the financial statements.