

Audited Financial Statements

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

Years Ended June 30, 2017 and 2016

Audited Financial Statements

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COOPERATIVE CORPORATION**

Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pocahontas Communications Cooperative Corporation
Dunmore, West Virginia

We have audited the accompanying financial statements of Pocahontas Communications Cooperative Corporation, which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities and changes in net assets 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 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.

Auditor's 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, 2017 and 2016, 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.

November 1, 2017

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:			
Cash and cash equivalents		\$ 372,154	\$ 282,110
Pledges receivable		22,641	25,355
Grants Receivables		-	1,500
		<u> </u>	<u> </u>
Total current assets		<u>394,795</u>	<u>308,965</u>
Property and equipment			
Buildings		308,257	308,257
Broadcasting and production equipment		644,933	631,949
Office equipment		40,191	40,191
		<u> </u>	<u> </u>
Total depreciable assets		993,381	980,397
Less: accumulated depreciation		(810,774)	(780,280)
		<u> </u>	<u> </u>
Total net depreciable assets		<u>182,607</u>	<u>200,117</u>
Intangible assets:			
Licenses (at cost)		31,420	30,881
		<u> </u>	<u> </u>
Total assets		<u>\$ 608,822</u>	<u>\$ 539,963</u>

<u>LIABILITIES AND NET ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Current liabilities:		
Accounts payable	\$ -	\$ 1,501
Taxes withheld and accrued expenses	13,817	1,115
Refundable advances	<u>97,771</u>	<u>63,869</u>
Total current liabilities	<u>111,588</u>	<u>66,485</u>
Net assets:		
Unrestricted:		
Undesignated	471,756	447,719
Designated	7,782	8,063
Total unrestricted net assets	<u>479,538</u>	<u>455,782</u>
Temporarily restricted	<u>17,696</u>	<u>17,696</u>
Total net assets	<u>497,234</u>	<u>473,478</u>
Total liabilities and net assets	<u>\$ 608,822</u>	<u>\$ 539,963</u>

The accompanying notes are an integral part of these financial statements

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Public Support and revenues:		
Corporation for Public Broadcasting grants	\$ 213,574	\$ 275,008
Contributions	183,917	92,562
Underwriting	94,304	95,526
Special events and projects	12,143	13,266
Interest	<u>1,345</u>	<u>1,213</u>
Total public support and revenues	<u>505,283</u>	<u>477,575</u>
Operating Expenses:		
Wages and payroll taxes	316,210	303,305
Employee benefits	7,068	6,818
Pension expense	14,000	14,000
Equipment repairs and maintenance	1,783	1,902
Depreciation	30,494	31,146
Professional fees	12,258	21,815
Travel, entertainment and conferences	5,956	5,275
Communications	20,553	20,302
Audio supplies	509	821
Program expense	17,657	21,446
Insurance	17,243	16,905
Rent	401	401
Fundraising expenses	1,281	2,140
Administrative and general expenses	<u>36,114</u>	<u>37,828</u>
Total operating expenses	<u>481,527</u>	<u>484,104</u>
Change in net assets	23,756	(6,529)
Net assets, beginning of year	<u>473,478</u>	<u>480,007</u>
Net assets, end of year	<u>\$ 497,234</u>	<u>\$ 473,478</u>

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

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 23,756	\$ (6,529)
Adjustments to reconcile net cash provided by operating activities:		
Depreciation	30,494	31,146
(Increase) decrease in receivables	4,214	(3,050)
Increase (decrease) in payables and other	11,201	1,397
Increase (decrease) in refundable advances	33,902	(26,240)
	103,567	(3,276)
Net cash (used in) provided by operating activities		
Cash flows used in investing activities:		
Aquisition of licenses	(539)	(231)
Purchase of property and equipment	(12,984)	-
	(13,523)	(231)
Net cash used in investing activities		
Net decrease in cash and cash equivalents	90,044	(3,507)
Cash and cash equivalents, beginning of year	282,110	285,617
Cash and cash equivalents, end of year	\$ 372,154	\$ 282,110

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

POCAHONTAS COMMUNICATIONS COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016

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 estimated useful lives of equipment is five to twenty years and twenty years for the buildings.

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 intends to renew its station licenses indefinitely. Prior licenses have been fully amortized and current station licenses will be carried at cost until such time when the Organization decides not to renew a license. At that time the remaining value of the license will be amortized over the remainder of its useful life 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, 2017 and 2016

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, 2017 and 2016.

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2017 and 2016

2 – REFUNDABLE ADVANCES

At June 30, 2017 and 2016, the Organization had unspent amounts from grants that had restrictions. Those restrictions include the refunding of unused grants to the grantor if they are not used by September 30, 2017. Below is a list of those refundable advances.

Grantor	Purpose	2017	2016
Corporation for Public Broadcasting	WVLS Programming	\$ 57,005	\$ 9,873
Corporation for Public Broadcasting	WVLS Operating	11,086	36,726
Corporation for Public Broadcasting	WVLR Operating	18,583	7,386
Corporation for Public Broadcasting	WVLR Programming	11,097	9,884
Total refundable advances		<u>\$ 97,771</u>	<u>\$ 63,869</u>

3 – LINE OF CREDIT

At June 30, 2017, the organization had a \$50,000 line of credit available from a local bank. There was no outstanding balance as of June 30, 2017. The line of credit expired on August 3, 2017. However, it was in the process of being 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, 2017 and 2016 were:

	2017	2016
WVLS Steering Committee	<u>\$ 7,782</u>	<u>\$ 8,063</u>

**POCAHONTAS COMMUNICATIONS
COOPERATIVE CORPORATION**

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2017 and 2016

5 – RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for:

	<u>2017</u>	<u>2016</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, 2017 and 2016, the Corporation for Public Broadcasting contributed approximately 42% and 57%, 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. The six older licenses were originally amortized over their initial period and are carried at an amortized basis of \$0. The new licenses will be recorded at cost until a decision to not renew is determined.

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, 2017 and 2016

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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Programs	\$ 444,132	\$ 444,136
General and administrative	36,114	37,828
Fundraising	<u>1,281</u>	<u>2,140</u>
	<u>\$ 481,527</u>	<u>\$ 484,104</u>

10 – SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions occurring after June 30, 2017 through the date of the Independent Auditor's 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.