

GASTON COLLEGE - WSGE 91.7 FM
(A Program of Gaston College)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

AND REPORT OF INDEPENDENT AUDITOR

GASTON COLLEGE – WSGE 91.7 FM
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**REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** 19-20

Report of Independent Auditor

Members of the Board of Trustees
Gaston College – WSGE 91.7 FM
Gastonia, North Carolina

Report on the Financial Statements

We have audited the accompanying statements of net position of Gaston College – WSGE 91.7 FM (the “Station”), as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Station’s basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Station’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 Station’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 opinions.

Opinion

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the net position of the Station as of June 30, 2016 and 2015, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

The accompanying financial statements represent the financial position of the Station, a program of Gaston College. These financial statements are not intended to be a complete presentation of the financial position of Gaston College, taken as a whole. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Charlotte, North Carolina
November 17, 2016

***Gaston College - WSGE 91.7 FM
Management's Discussion and Analysis
Years Ending June 30, 2016 and 2015***

The following is a discussion and analysis of WSGE 91.7 FM's financial performance, providing an overview of the activities for fiscal year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes.

Nature of Activities

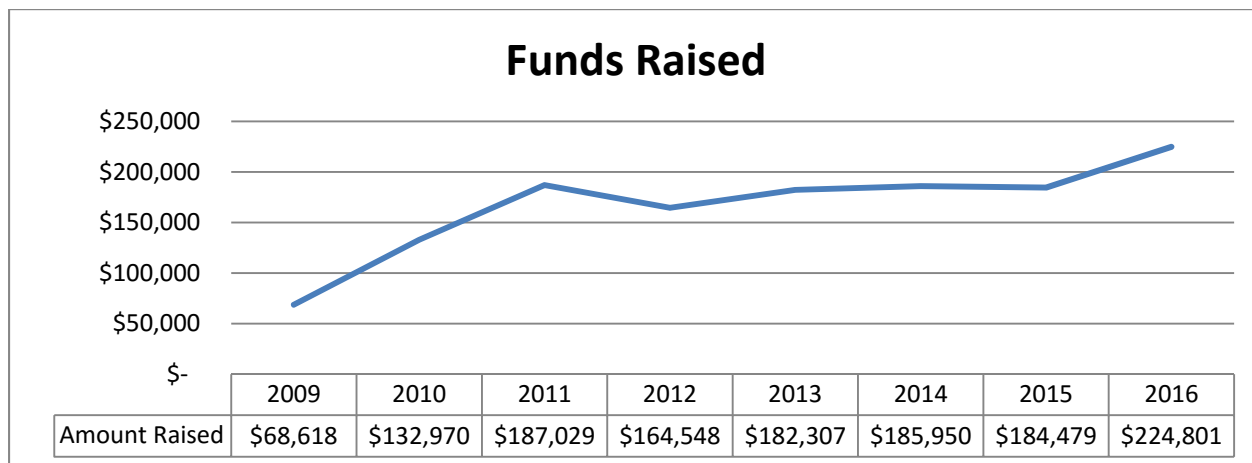
WSGE 91.7 FM (the "Station") began broadcasting on October 27, 1980 on the assigned frequency 91.7 FM. The mission of WSGE 91.7 FM is to provide distinctive music and information programming designed to stimulate, educate, and entertain. WSGE 91.7 FM serves the public's interest, while advancing the educational goals of Gaston College by providing a unique alternative to commercial broadcasting in Gaston, Lincoln, and surrounding counties.

The Station receives funding from several sources. Gaston College provides financial support directly to the Station. WSGE 91.7 FM also receives gifts and holds membership drives to raise funds needed to support operations. The funds raised are held by the Gaston College Foundation, Inc. which is a legally separate nonprofit organization incorporated on December 26, 1980. The Station also received an operating grant from the Corporation for Public Broadcasting for the past five years; however, this grant ended effective September 30, 2015.

Financial Highlights:

- WSGE 91.7 FM received funding from the North Carolina Legislature for the years 2002 through 2009.
- When State funding was cut in 2010, the Station applied for a grant from the Corporation of Public Broadcasting. WSGE 91.7 FM received a grant from the Corporation of Public Broadcasting for the first time in 2011. Effective September 30, 2015, the Radio Station was no longer eligible to receive this grant from the Corporation for Public Broadcasting.
- Fundraising has increased 228% since 2009. The Station holds membership drives each year to raise needed funds. The Station raises funds by accepting gifts from the public sector and underwriting agreements from the business sector. Funds raised can fluctuate from year to year. Fundraising increased during year 2016 due to increased efforts with the loss of the grant from the Corporation for Public Broadcasting.

***Gaston College - WSGE 91.7 FM
Management's Discussion and Analysis
Years Ending June 30, 2016 and 2015***



Overview of the Financial Statements

This discussion and analysis is an introduction to the Station's basic financial statements. The Station's basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The basic financial statements are prepared using the accrual basis of accounting. The financial statements are accompanied by Notes to the Financial Statements which provide more detailed information about the financial statements. The Corporation for Public Broadcasting also requires an Annual Financial Report.

The Statement of Net Position presents information on the Station's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position measure whether the Station's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position describes changes in the Station's net position during the fiscal year. Revenue and expense are presented in a format that distinguishes between operating and nonoperating revenue and expense.

The Statement of Cash Flows provides detail on the Station's cash activity for the year. The direct method is used to present cash flows. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Station's financial statements.

The Corporation for Public Broadcasting requires information in addition to that required by accounting principles generally accepted in the United States of America. The Station must submit an Annual Financial Report (AFR) to the Corporation for Public Broadcasting by November 30th of each year.

***Gaston College - WSGE 91.7 FM
Management's Discussion and Analysis
Years Ending June 30, 2016 and 2015***

Statement of Net Position

Net position serves as a useful indicator of the Foundation's financial position. The net position of the Station increased \$21,798.22 or 19.33% during fiscal year 2016.

**Condensed Statement of Net Position
For the Fiscal Years Ended June 30, 2016, 2015 and 2014**

	FY 2016	FY 2015	FY 2014
Cash	\$ 90,881.41	\$ 171,701.12	\$ 220,496.49
Accounts Receivable	27,718.42	14,411.50	11,386.08
Prepaid Expenses	11,777.52	8,914.33	-
Capital Assets	10,354.84	14,264.07	20,199.81
Total Assets	140,732.19	209,291.02	252,082.38
Accounts Payable	6,156.29	5,087.42	2,335.32
Unearned Revenue	-	91,425.92	65,961.25
Total Liabilities	6,156.29	96,513.34	68,296.57
Net Position:			
Invested in Capital Assets	10,354.84	14,264.07	20,199.81
Unrestricted	124,221.06	98,513.61	163,586.00
Total Net Position	\$ 134,575.90	\$ 112,777.68	\$ 183,785.81

Total assets decreased by \$68,558.83 or 32.75% during fiscal year 2016 mainly due to a decrease in cash, depreciation on capital assets, and an increase in accounts receivable and prepaid expenses. In addition, prepaid expenses were not recorded during the year 2014.

Total liabilities decreased by \$90,357.05 or 93.6% during fiscal year 2016. Current accounts payable increased due to a slight increase in part-time payroll during the year. Unearned revenue decreased during the year due to the ending of the grant from the Corporation for Public Broadcasting effective September 30, 2015.

***Gaston College - WSGE 91.7 FM
Management's Discussion and Analysis
Years Ending June 30, 2016 and 2015***

The increase in net position during the year 2016 occurred largely due to the increase in accounts receivable, a decrease in unearned revenue over the prior year, an increase in nonoperating revenues, and a decrease in spending. Operating and nonoperating revenues were \$625,092.51 for fiscal year 2016 and \$542,094.52 for fiscal year 2015, resulting in a \$82,997.99 increase. Spending was \$603,294.29 for fiscal year 2016 and \$613,102.65 for fiscal year 2015, resulting in a \$9,808.36 decrease.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the Station. The net position of the Station increased \$21,798.22 or 19.33% during fiscal year 2016.

**Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2016 and 2015 and 2014**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Revenues			
Operating Revenues	\$ -	\$ -	\$ 15,182.99
Total Operating Revenue	<u>-</u>	<u>-</u>	<u>15,182.99</u>
Expenses			
Operating Expenses:			
Salaries and Benefits	299,336.64	292,485.85	271,804.94
Supplies and Materials	150,668.14	150,115.66	320,862.69
Services	153,289.51	170,501.14	65,985.73
Scholarships		-	500.00
Total Expenses	<u>603,294.29</u>	<u>613,102.65</u>	<u>659,153.36</u>
Operating Loss	<u>(603,294.29)</u>	<u>(613,102.65)</u>	<u>(643,970.37)</u>
Nonoperating Revenues			
State Aid	193,969.58	102,995.30	98,102.30
County Appropriations	53,672.72	52,196.30	50,676.00
Non-capital Grants	12,362.74	58,741.33	107,142.73
Non-capital Grants and Gifts	224,801.43	184,478.90	170,766.82
Other Nonoperating Revenues	140,284.04	143,527.53	150,523.96
Investment and Other Income (net)	2.00	155.16	419.24
Total Nonoperating Revenues	<u>625,092.51</u>	<u>542,094.52</u>	<u>577,631.05</u>
Change in Net Position	<u>21,798.22</u>	<u>(71,008.13)</u>	<u>(66,339.32)</u>
NET POSITION			
Beginning of Year	<u>112,777.68</u>	<u>183,785.81</u>	<u>250,125.13</u>
End of Year	<u>\$ 134,575.90</u>	<u>\$ 112,777.68</u>	<u>\$ 183,785.81</u>

The Station did not have operating revenues during fiscal years 2016 and 2015 as the Radio Station did not sponsor the Beach Blast fundraising event during those years.

***Gaston College - WSGE 91.7 FM
Management's Discussion and Analysis
Years Ending June 30, 2016 and 2015***

Net position increased during fiscal year 2016 due to revenues outweighing expenses. Revenues were \$625,092.51 for fiscal year 2016 and \$542,094.52 for fiscal year 2015. Support from Gaston College and fundraising revenues increased during fiscal year 2016. The grant from the Corporation for Public Broadcasting ended during fiscal year 2016.

Requests for Information

This report is intended to provide a summary of the financial condition of Gaston College – WSGE 91.7 FM. Questions or requests for additional information should be addressed to:

Shelly Alman, Assistant Controller
Gaston College
201 Highway 321 South
Dallas, NC 28034

***Gaston College - WSGE 91.7 FM
Statements of Net Position
Years Ended June 30, 2016 and 2015***

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 90,881.41	87,661.95
Restricted Cash and Cash Equivalents	-	84,039.17
Receivables, Net (Note 2)	27,718.42	14,411.50
Prepaid Expenses	<u>11,777.52</u>	<u>8,914.33</u>
Total Current Assets	130,377.35	195,026.95
Noncurrent Assets:		
Capital Assets - Depreciable, Net (Note 3)	<u>10,354.84</u>	<u>14,264.07</u>
Total Assets	<u>140,732.19</u>	<u>209,291.02</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	6,156.29	5,087.42
Unearned Revenue	<u>-</u>	<u>91,425.92</u>
Total Liabilities	<u>6,156.29</u>	<u>96,513.34</u>
NET POSITION		
Investment in Capital Assets	10,354.84	14,264.07
Unrestricted	<u>124,221.06</u>	<u>98,513.61</u>
Total Net Position	\$ <u>134,575.90</u>	\$ <u>112,777.68</u>

Gaston College - WSGE 91.7 FM
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Operating Revenues		
Sales and Services, Net	\$ -	\$ -
Total Operating Revenues	<u>-</u>	<u>-</u>
Expenses		
Operating Expenses (Notes 6)		
Salaries and Benefits	299,336.64	292,485.85
Supplies and Materials	150,668.14	150,115.66
Services	153,289.51	170,501.14
Total Operating Expenses	<u>603,294.29</u>	<u>613,102.65</u>
Operating Loss	(603,294.29)	(613,102.65)
Nonoperating Revenues		
State Aid	193,969.58	102,995.30
County Appropriations (Note 4)	53,672.72	52,196.30
Noncapital Grants	12,362.74	58,741.33
Noncapital Gifts, Net	224,801.43	184,478.90
Other Nonoperating Revenues (Note 5)	140,284.04	143,527.53
Investment Income, Net	2.00	155.16
Net Nonoperating Revenues	<u>625,092.51</u>	<u>542,094.52</u>
Change in Net Position	21,798.22	(71,008.13)
Beginning Net Position	112,777.68	183,785.81
Ending Net Position	<u>\$ 134,575.90</u>	<u>\$ 112,777.68</u>

The accompanying notes to the financial statements are an integral part of this statement.

Gaston College - WSGE 91.7 FM
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net Cash Flows Used in Operating Activities		
Received from Customers	\$ -	\$ -
Payments to Employees and Fringe Benefits	(298,673.83)	(288,753.95)
Payments to Vendors and Suppliers	(302,505.55)	(324,575.19)
Net Cash Used in Operating Activities	<u>(601,179.38)</u>	<u>(613,329.14)</u>
Cash Flows from Noncapital Financing Activities		
State Aid Received	193,969.58	102,995.30
County Appropriations	53,672.72	52,196.30
Noncapital Grants Received	12,362.74	58,741.33
Noncapital Gifts and Endowments Received	120,068.59	206,918.15
Other Receipts	140,284.04	143,527.53
Net Cash Provided by Noncapital Financing Activities	<u>520,357.67</u>	<u>564,378.61</u>
Cash Flows from Investing Activities		
Investment Income	2.00	155.16
Net Cash Provided by Investing Activities	<u>2.00</u>	<u>155.16</u>
Net Decrease in Cash and Cash Equivalents	(80,819.71)	(48,795.37)
Cash and Cash Equivalents		
Beginning of Year	<u>171,701.12</u>	<u>220,496.49</u>
Ending of Year	<u>\$ 90,881.41</u>	<u>\$ 171,701.12</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (603,294.29)	\$ (613,102.65)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	3,909.23	5,935.74
Prepaid Items	(2,863.19)	(8,914.33)
Accounts Payable and Accrued Liabilities	1,068.87	2,752.10
Net Cash Used in Operating Activities	<u>\$ (601,179.38)</u>	<u>\$ (613,329.14)</u>
Noncash Investing, Capital, and Financing Activities:		
Increase in Receivables Related to Nonoperating Income	\$ 7,556.69	\$ 3,025.42

***Gaston College - WSGE 91.7 FM
Notes to Financial Statements
Years Ended June 30, 2016 and 2015***

Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (“GAAP”), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. WSGE 91.7 (the “Station”) is a program of Gaston College which is a component with of the State of North Carolina and an integral part of the State’s *Comprehensive Annual Financial Report*.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Foundations and Universities*, the full scope of the Station’s activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

C. Basis of Accounting - The financial statements of the Station have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the Station receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

***Gaston College - WSGE 91.7 FM
Notes to Financial Statements
Years Ended June 30, 2016 and 2015***

Note 1 - Significant Accounting Policies (continued)

- D. Cash and Cash Equivalents** - The Station does not maintain bank accounts in its own name but has a share of the Gaston College Foundation, Inc.'s accounts. This classification includes cash on deposit in private bank accounts and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The Station has cash on hand in the College's accounts. The Station reports unspent cash received from the Corporation for Public Broadcasting as unearned revenue on the Statement of Net Position as this money is restricted in nature.
- E. Receivables** - Receivables consist of contribution pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- F. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at the fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.
- The Station capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation and amortization are completed using the straight line method over the estimated useful lives of the assets, generally 5 to 75 years for equipment.
- G. In-Kind Support** - The Station records various types of in-kind support, including contributed facilities, professional services, advertising, and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in the Administrative costs (indirect) expense.
- H. Deferred Outflows and Inflows of Resources** - Deferred Outflows of Resources represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred Inflows of Resources represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Station had no deferred outflows or inflows of resources at June 30, 2016 and 2015.

Gaston College - WSGE 91.7 FM
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

Note 1 - Significant Accounting Policies (continued)

I. Net Position - The Station's net position is classified as follows:

Investment in Capital Assets - This represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Unrestricted Net Position - Unrestricted net position includes resources derived from unrestricted gifts and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the Station. Both restricted and unrestricted net positions include consideration of deferred inflows and outflows of resources.

J. Revenue and Expense Recognition - The Station classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Stations' principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and sales and services of auxiliary enterprises. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state aid that represent subsidies or gifts to the Station, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions, if any, are presented separately after nonoperating revenues and expenses.

K. Unearned Revenue - Unearned revenue includes grant income that has been received as of year-end but not expended.

Gaston College - WSGE 91.7 FM
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

Note 1 - Significant Accounting Policies (continued)

L. Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reports amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Receivables

Receivables at June 30, 2016 were as follows:

	<u>Gross</u> <u>Receivables</u>	<u>Less</u> <u>Allowance</u> <u>for Doubtful</u> <u>Accounts</u>	<u>Net</u> <u>Receivables</u>
Current Receivables:			
Pledges	\$ 24,587.39	\$ (2,619.20)	\$ 21,968.19
Other	5,750.23	-	5,750.23
Total Current Receivables	<u>\$ 30,337.62</u>	<u>\$ (2,619.20)</u>	<u>\$ 27,718.42</u>

Receivables at June 30, 2015 were as follows:

	<u>Gross</u> <u>Receivables</u>	<u>Less</u> <u>Allowance</u> <u>for Doubtful</u> <u>Accounts</u>	<u>Net</u> <u>Receivables</u>
Current Receivables:			
Pledges	\$ 16,547.36	\$ (2,135.86)	\$ 14,411.50
Total Current Receivables	<u>\$ 16,547.36</u>	<u>\$ (2,135.86)</u>	<u>\$ 14,411.50</u>

***Gaston College - WSGE 91.7 FM
Notes to Financial Statements
Years Ended June 30, 2016 and 2015***

Note 3 - Capital Assets

Capital asset activity for the years ended June 30, 2016 and 2015 follows:

	2016			
	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	\$ 39,092.20	\$ -	\$ -	\$ 39,092.20
Accumulated Depreciation	<u>(24,828.13)</u>	<u>(3,909.23)</u>	<u>-</u>	<u>(28,737.36)</u>
Total Capital Assets	<u>\$ 14,264.07</u>	<u>\$ (3,909.23)</u>	<u>\$ -</u>	<u>\$ 10,354.84</u>

	2015			
	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	\$ 39,092.20	\$ -	\$ -	\$ 39,092.20
Accumulated Depreciation	<u>(18,892.39)</u>	<u>(5,935.74)</u>	<u>-</u>	<u>(24,828.13)</u>
Total Capital Assets	<u>\$ 20,199.81</u>	<u>\$ (5,935.74)</u>	<u>\$ -</u>	<u>\$ 14,264.07</u>

Note 4 - Tower Lease and County Funding

The College has a lease for broadcast tower space that was incurred on behalf of the Station. Rent is \$4,243.60 per month through August 2014. Beginning September 2014 and annually thereafter, the rent increases 3% annually. Total rent expense was \$53,672.72 for the year ended June 30, 2016 and \$52,196.30 for the year ended June 30, 2015.

The Station receives funding from Gaston County to offset the cost of the lease. This income is reported as nonoperating county appropriations in the Statement of Revenues, Expenses, and Changes in Net Position.

Gaston College - WSGE 91.7 FM
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

Note 4 - Tower Lease and County Funding (continued)

Remaining minimum rental payments due on the lease are as follows:

2017	\$	55,375.03
2018		57,036.28
2019		58,747.37
2020		40,241.47
	\$	<u>211,400.15</u>

Note 5 - Related Parties

In addition to the tower lease in Note 4, the College provides support to the Station through an indirect cost allowance. Support received was \$140,284.04 for the year ended June 30, 2016 and \$143,527.53 for the year ended June 30, 2015.

Note 6 - Operating Expenses by Function

The Station's operating expenses by functional classification for the years ended June 30, 2016 and 2015 are presented as follows:

	2016				
	Salaries and and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Total
<u>Program Services:</u>					
Programming and Production	\$ 71,685.71	\$ -	\$ 38,365.83	\$ -	\$ 110,051.54
Broadcasting	39,315.89	9,876.02	66,484.96	-	115,676.87
Programming and Promotion	18,390.58	-	-	-	18,390.58
<u>Support Services:</u>					
Management and General	42,305.64	140,792.12	16,772.45	-	199,870.21
Fundraising/Membership	108,536.00	-	31,666.27	-	140,202.27
Underwriting Grant Solicitation	19,102.82	-	-	-	19,102.82
Total	\$ <u>299,336.64</u>	\$ <u>150,668.14</u>	\$ <u>153,289.51</u>	\$ <u>-</u>	\$ <u>603,294.29</u>

***Gaston College - WSGE 91.7 FM
Notes to Financial Statements
Years Ended June 30, 2016 and 2015***

Note 6 - Operating Expenses by Function (continued)

	2015				
	Salaries and and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Total
<u>Program Services:</u>					
Programming and Production	\$ 74,270.15	\$ -	\$ 61,681.28	\$ -	\$ 135,951.43
Broadcasting	57,868.99	5,935.74	71,485.20	-	135,289.93
Programming and Promotion	19,504.65	-	-	-	19,504.65
<u>Support Services:</u>					
Management and General	38,875.97	144,179.92	12,004.95	-	195,060.84
Fundraising/Membership	87,714.91	-	25,329.71	-	113,044.62
Underwriting Grant Solicitation	14,251.18	-	-	-	14,251.18
Total	\$ 292,485.85	\$ 150,115.66	\$ 170,501.14	\$ -	\$ 613,102.65

Note 7 - Risk Management

The Station is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

As a component unit of Gaston College, the Station is covered by College insurance policies. The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Gaston College - WSGE 91.7 FM
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

Note 7 - Risk Management (continued)

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. Losses from employee dishonesty for employees paid from County and Institutional funds are covered by a private insurance company policy with coverage of \$100,000 per occurrence and \$1,000 deductible. As the employees of the station are also College employees, they are covered through the College's policy.

Note 8 - Economic Dependency

The Station is economically dependent upon funds and resources provided by its related organization, Gaston College. As a result, the Station's ability to maintain its operations could be adversely affected should such support from the College decline significantly. It is anticipated that for the year ended June 30, 2017, the Station will continue to receive similar support from the College.

Note 9 - Subsequent Events

The Station has evaluated subsequent events through November 17, 2016, the date on which the financial statements were available to be issued.

Note 10 - Audit Hours and Cost

This audit required 82 audit hours at an approximate cost of \$7,500. The cost represents 5.33% of the Station's total assets and 1.24% of total expenses subjected to audit.

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Board of Trustees
Gaston College – WSGE 91.7 FM
Gastonia, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gaston College – WSGE 19.7 FM (the “Station”) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Station’s basic financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Station’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Station’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Charlotte, North Carolina
November 17, 2016