

**TILlicum FOUNDATION
ASTORIA, OREGON**

AUDIT REPORT

SEPTEMBER 30, 2017

Prepared By
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
Newport, Oregon 97365

TILlicum FOUNDATION, OREGON

BOARD OF DIRECTORS

President	Richard Dawson
Vice President	David Campiche
Treasurer	Julia Read
Secretary	Jack Harris
Director	LinMarie DiCianni
Director	Joan Herman
Director	Richard Hurley
Director	Roger Rocka
Director	Martha Wharton

STATION MANAGER

Joanne Rideout

OFFICE

1445 Exchange
Astoria, OR 97103
503-325-0010

TILlicum FOUNDATION, OREGON

TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page

List of Directors

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

GRIMSTAD & ASSOCIATES
Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tillicum Foundation
Astoria, Oregon

I have audited the accompanying financial statements of Tillicum Foundation (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 3 to the financial statements, donated property and equipment have not been recorded in the financial statements. Accounting principles generally accepted in the United States of America require that such donated property and equipment to be recorded at its fair value at the date of receipt. The effects on the accompanying financial statements of the failure to record donated property and equipment have not been determined.

Qualified Opinion

In my opinion, except for the 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 Tillicum Foundation as of September 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.



Signe Grimstad
Certified Public Accountant
Newport, Oregon
May 11, 2018

TILlicUM FOUNDATION, OREGON

STATEMENT OF FINANCIAL POSITION as of September 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 30,004	\$ 9,952
Accounts receivable	3,657	16,479
Total current assets	33,661	26,431
Other Assets		
Land	35,044	35,044
Capital assets, net of depreciation	96,952	105,013
Total other assets	131,996	140,057
Total assets	\$ 165,657	\$ 166,488
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 115,633	\$ 117,364
Payroll taxes	4,715	5,169
Line of credit	10,000	0
Total current liabilities	130,348	122,533
Net Assets		
Unrestricted		
Board designated	33,120	22,942
Undesignated	(3,811)	3,130
Total unrestricted net assets	29,309	26,072
Temporarily restricted	6,000	17,883
Total net assets	35,309	43,955
Total liabilities and net assets	\$ 165,657	\$ 166,488

See accompanying notes to the financial statements.

TILLICUM FOUNDATION, OREGON

STATEMENT OF ACTIVITIES
for the Years Ended September 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Grants	\$ 94,660	\$ 25,952	\$ 120,612	\$ 108,611	\$ 25,000	\$ 133,611
Membership	121,756	0	121,756	98,717	0	98,717
Contributions	53,212	0	53,212	51,107	2,520	53,627
Underwriting	78,875	0	78,875	83,947	0	83,947
Fisher Poets Gathering	48,548	0	48,548	39,887	0	39,887
Fundraising	3,318	0	3,318	3,879	0	3,879
Merchandise sales	1,513	0	1,513	2,907	0	2,907
Rent	9,826	0	9,826	18,239	0	18,239
Other income	2,680	0	2,680	2,894	0	2,894
Interest income	6	0	6	9	0	9
Released from temporarily restricted	37,835	(37,835)	0	28,964	(28,964)	0
Total support and revenue	452,229	(11,883)	440,346	439,161	(1,444)	437,717
EXPENSES						
Operating program	232,591	0	232,591	253,056	0	253,056
General and administrative	93,274	0	93,274	97,022	0	97,022
Fundraising	123,127	0	123,127	124,982	0	124,982
Total expenses	448,992	0	448,992	475,060	0	475,060
Changes in net assets	3,237	(11,883)	(8,646)	(35,899)	(1,444)	(37,343)
NET ASSETS - Beginning of year	26,072	17,883	43,955	61,971	19,327	81,298
NET ASSETS - End of year	\$ 29,309	\$ 6,000	\$ 35,309	\$ 26,072	\$ 17,883	\$ 43,955

See accompanying notes to the financial statements.

TILlicum FOUNDATION, OREGON

STATEMENT OF CASH FLOWS for the Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (8,646)	\$ (37,343)
Depreciation and amortization	10,459	11,060
Adjustments to reconcile changes in net assets to cash provided by operating activities		
(Increase) decrease in accounts receivable	12,822	(14,712)
Increase (decrease) in accounts payable	(1,731)	4,596
Increase (decrease) in payroll liabilities	<u>(452)</u>	<u>(508)</u>
Net cash provided (used) by operating activities	<u>12,452</u>	<u>(36,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(2,400)</u>	<u>(7,972)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw down credit line	20,000	0
Repayment	<u>(10,000)</u>	<u>0</u>
Net cash provided (used) by financing activities	<u>10,000</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	20,052	(44,879)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>9,952</u>	<u>54,831</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 30,004</u>	<u>\$ 9,952</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid	<u>\$ 435</u>	<u>\$ 30</u>

See accompanying notes to the financial statements.

TILlicum FOUNDATION, OREGON

NOTES TO FINANCIAL STATEMENTS

as of September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Tillicum Foundation (Foundation) was established to provide the northern Oregon coast with education and cultural enrichment by operating a local community radio station. To accomplish its mission, the Foundation operates three radio stations: KMUN, KTCB and KCPB. The Foundation's primary funding sources are memberships and grants.

Basis of Accounting and Presentation

The accounts of the Foundation are maintained on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Foundation 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. The Foundation had no permanently restricted assets as of September 30, 2017.

Pledges and Donor Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services

The Foundation receives donated services from a variety of unpaid volunteers. No amounts are recognized in the accompanying statement of activities as the criteria for recognition of such volunteer effort under FASB ASC 958-605-25-16 is not satisfied.

Income Taxes

The Foundation is a not-for-profit organization exempt from income taxes under Section 501(c)3 of the Internal Revenue Code.

The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for the years ended September 30, 2014 through 2017 are subject to examination by the IRS, generally for three years after they were filed.

Cash & Cash Equivalents

Cash consists of funds in demand deposit and money market accounts. For purposes of the statement of cash flows, the Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

TILlicum FOUNDATION, OREGON

NOTES TO FINANCIAL STATEMENTS
as of September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable consist of billings for underwriting radio programming. Receivables are reported at the amount anticipated to be collected at year end. The direct write-off method is utilized.

Capital Assets

Assets are stated at cost, or if donated, at approximate fair value at the date of donation. Assets with a useful life in excess of one year are capitalized. When items are retired or sold, the cost is removed from the accounts, and any resulting gain or loss is recognized. The cost of repair and maintenance is expensed when incurred. The Foundation's capitalization policy is to capitalize all property and equipment with a cost of \$2,500 if purchased, and a fair value of \$2,500 at date of donation if received by contribution.

The Foundation amortizes loan fees over the life of the loan. Depreciation expense is calculated for capital assets using the straight-line method over the useful lives of each asset as follows:

	<u>Years</u>
Buildings	10 - 40
Equipment	5 - 7
Software	3 - 7

Functional Allocation of Expenses

The costs of providing the Foundation's programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Fair Value

Financial instruments held by the Foundation include cash and cash equivalents, the values of which approximate fair value because of the short maturities. The carrying amounts of investments are at fair value. See Note 2.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments as of September 30, 2017 and 2016 are classified in the accompanying Statement of Financial Position as follows:

TILlicum FOUNDATION, OREGON

NOTES TO FINANCIAL STATEMENTS
as of September 30, 2017 and 2016

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

September 30, 2017

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Cash on hand	\$ 56		
Deposits with financial institutions	29,948		
Total cash and investments	\$ 30,004	\$ 24,004	\$ 6,000

September 30, 2016

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Cash on hand	\$ 126		
Deposits with financial institutions	9,826		
Total cash and investments	\$ 9,952	\$ 9,375	\$ 577

Deposits

At the end of the fiscal years 2017 and 2016, the Foundation's total deposits with financial institutions have a bank value of \$34,358 and \$16,528, respectively. All deposits were covered by federal depository insurance (FDIC).

NOTE 3 - CAPITAL ASSETS

Capital assets subject to depreciation consist of the following:

	<u>2017 Balance</u>	<u>2016 Balance</u>
Building	\$ 198,823	\$ 198,823
Equipment	460,052	457,652
Software	5,466	5,466
	664,341	661,941
Accumulated depreciation	(567,388)	(556,928)
Capital assets, net	\$ 96,952	\$ 105,013

Depreciation expense for the years ended September 30, 2017 and 2016 was \$10,459 and \$11,060, respectively.

The Foundation has not recorded significant donated property and equipment in the financial statement presentation, and there are insufficient records regarding the property and equipment that are present. Accordingly, it may be difficult for an observer to draw an accurate conclusion as to the historical value of the Foundation's property and equipment.

TILlicum FOUNDATION, OREGON

NOTES TO FINANCIAL STATEMENTS as of September 30, 2017 and 2015

NOTE 4 - LINE OF CREDIT

The Foundation has a \$20,000 revolving line of credit, with a \$10,000 outstanding balance at year end September 30, 2017. In 2016 there was no balance owing. Bank advances on the credit line are payable on demand and carry an interest rate of 6.25%. The Foundation's land and building are pledged as collateral to secure the credit line.

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes at September 30, 2017 and 2016:

	2017 <u>Balance</u>	2016 <u>Balance</u>
Development	\$ <u>6,000</u>	\$ <u>17,883</u>

NOTE 6 - LEASE

The Foundation leases tower space under a renewable agreement through December 31, 2018. The lease runs on a calendar year, subject to a five percent per year increase. Each year an additional amount may be assessed to reflect any increase in property taxes on the site. Total lease expense for the years ended September 30, 2017 and 2016 was \$8,385 and \$7,985, respectively.

Future minimum lease payments remaining under the current lease ending December 31, 2018:

	2017 <u>Balance</u>	2016 <u>Balance</u>
Sept. 30, 2017	\$ 0	8,383
Sept. 30, 2018	8,802	8,802
Dec. 31, 2018	<u>2,227</u>	<u>2,227</u>
Total	<u>\$ 11,029</u>	<u>\$ 19,412</u>

NOTE 7 - ADVERTISING

The Foundation uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the years ended September 30, 2017 and 2016, advertising expense was \$9,130 and \$7,168, respectively.

NOTE 8 - RISKS AND UNCERTAINTIES/CONCENTRATIONS

The Foundation relies primarily on outside donations and grants to sustain its operations. Were these donations or grants to decrease or discontinue, it could significantly impact the Foundation's ability to continue its operations.

TILlicum FOUNDATION, OREGON

NOTES TO FINANCIAL STATEMENTS
as of September 30, 2017 and 2016

NOTE 8 - RISKS AND UNCERTAINTIES/CONCENTRATIONS - Continued

Amounts received or receivable from grantor agencies could be subject to audit and adjustments by grantor agencies. Any disallowed costs, including amounts already collected, may constitute a liability of the Foundation. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time.

For the years ended September 30, 2017 and 2016, grants from the Corporation for Public Broadcasting were approximately 26% and 26%, respectively, of the Foundation's total revenues.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2018, the date on which the financial statements were available to be issued.