

**TILlicum FOUNDATION  
ASTORIA, OREGON**

**AUDIT REPORT**

**SEPTEMBER 30, 2016**

Prepared By  
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Certified Public Accountant  
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TILlicum FOUNDATION, OREGON

BOARD OF DIRECTORS

President	Roger Rocka
Vice President	Richard Dawson
Treasurer	Julia Read
Secretary	Jack Harris
Director	Richard Hurley
Director	Ray Merritt

STATION MANAGER

Joanne Rideout

OFFICE

1445 Exchange  
Astoria, OR 97103  
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TILlicum FOUNDATION, OREGON

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List of Directors

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**GRIMSTAD & ASSOCIATES**  
Certified Public Accountants

February 27, 2017

**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, 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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. 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 audit opinion.

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### **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, 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.



**Signe Grimstad**  
Certified Public Accountant

TILlicum FOUNDATION, OREGON

STATEMENT OF FINANCIAL POSITION as of September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,952	\$ 54,831
Accounts receivable	<u>16,479</u>	<u>1,767</u>
Total current assets	<u>26,431</u>	<u>56,598</u>
<b>Other Assets</b>		
Land	35,044	35,044
Capital assets, net of depreciation	<u>105,013</u>	<u>108,101</u>
Total other assets	<u>140,057</u>	<u>143,145</u>
Total assets	<u>\$ 166,488</u>	<u>\$ 199,743</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 117,364	\$ 112,768
Payroll taxes	<u>5,169</u>	<u>5,677</u>
Total current liabilities	<u>122,533</u>	<u>118,445</u>
<b>Net Assets</b>		
Unrestricted		
Board designated	22,942	74,430
Undesignated	<u>3,130</u>	<u>(12,459)</u>
Total unrestricted net assets	26,072	61,971
Temporarily restricted	<u>17,883</u>	<u>19,327</u>
Total net assets	<u>43,955</u>	<u>81,298</u>
Total liabilities and net assets	<u>\$ 166,488</u>	<u>\$ 199,743</u>

See accompanying notes to the financial statements.

TILlicum FOUNDATION, OREGON

STATEMENT OF ACTIVITIES  
for the Years Ended September 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Grants	\$ 108,611	\$ 25,000	\$ 133,611	\$ 115,667	\$ 9,500	\$ 125,167
Membership	98,717	0	98,717	104,903	0	104,903
Contributions	51,107	2,520	53,627	65,752	5,500	71,252
Underwriting	83,947	0	83,947	78,926	0	78,926
Fisher Poets Gathering	39,887	0	39,887	44,568	0	44,568
Fundraising	3,879	0	3,879	5,797	0	5,797
Merchandise sales	2,907	0	2,907	0	0	0
Rent	18,239	0	18,239	14,163	0	14,163
Other income	2,894	0	2,894	5,129	0	5,129
Interest income	9	0	9	12	0	12
Released from temporarily restricted	28,964	(28,964)	0	20,673	(20,673)	0
Total support and revenue	439,161	(1,444)	437,717	455,590	(5,673)	449,917
<b>EXPENSES</b>						
Operating program	253,056	0	253,056	237,674	0	237,674
General and administrative	97,022	0	97,022	111,979	0	111,979
Fundraising	124,982	0	124,982	126,238	0	126,238
Total expenses	475,060	0	475,060	475,891	0	475,891
Changes in net assets	(35,899)	(1,444)	(37,343)	(20,301)	(5,673)	(25,974)
NET ASSETS - Beginning of year	61,971	19,327	81,298	82,272	25,000	107,272
NET ASSETS - End of year	\$ 26,072	\$ 17,883	\$ 43,955	\$ 61,971	\$ 19,327	\$ 81,298

See accompanying notes to the financial statements.

TILlicum FOUNDATION, OREGON

STATEMENT OF CASH FLOWS for the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (37,343)	\$ (25,974)
Depreciation and amortization	11,060	11,941
Prior period adjustment	0	0
Adjustments to reconcile changes in net assets to cash provided by operating activities		
(Increase) decrease in accounts receivable	(14,712)	4,266
(Increase) decrease in prepaid expense	0	5,447
Increase (decrease) in accounts payable	4,596	12,854
Increase (decrease) in payroll liabilities	<u>(508)</u>	<u>(626)</u>
Net cash provided (used) by operating activities	<u>(36,907)</u>	<u>7,908</u>
<b>CASH FLOWS FROM CAPITAL &amp; FINANCING ACTIVITIES</b>		
Acquisition of capital assets	<u>(7,972)</u>	<u>(1,500)</u>
Net cash provided (used) by capital and financing activities	<u>(7,972)</u>	<u>(1,500)</u>
Net increase (decrease) in cash and cash equivalents	(44,879)	6,408
CASH AND CASH EQUIVALENTS - Beginning of year	<u>54,831</u>	<u>48,423</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 9,952</u>	<u>\$ 54,831</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	<u>\$ 30</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.



## TILlicUM FOUNDATION, OREGON

### NOTES TO FINANCIAL STATEMENTS as of September 30, 2016 and 2015

#### 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, 2016.

##### 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, 2013 through 2016 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, 2016 and 2015

**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, 2016 and 2015 are classified in the accompanying Statement of Financial Position as follows:

TILlicum FOUNDATION, OREGON

NOTES TO FINANCIAL STATEMENTS  
as of September 30, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

September 30, 2016

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

September 30, 2015

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Cash on hand	\$ 69		
Deposits with financial institutions	<u>54,762</u>		
Total cash and investments	<u>\$ 54,831</u>	<u>\$ 35,504</u>	<u>\$ 19,327</u>

Deposits

At the end of the fiscal years 2016 and 2015, the Foundation's total deposits with financial institutions have a bank value of \$16,528 and \$72,511, respectively. All deposits were covered by federal depository insurance (FDIC).

NOTE 3 - CAPITAL ASSETS

Capital assets subject to depreciation consist of the following:

	<u>2016 Balance</u>	<u>2015 Balance</u>
Building	\$ 198,823	\$ 198,823
Equipment	457,652	449,680
Software	<u>5,466</u>	<u>5,466</u>
	661,941	653,969
Accumulated depreciation	<u>(556,928)</u>	<u>(545,868)</u>
Capital assets, net	<u>\$ 105,013</u>	<u>\$ 108,101</u>

Depreciation expense for the years ended September 30, 2016 and 2015 was \$11,060 and \$11,941, 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, 2016 and 2015

**NOTE 4 - LINE OF CREDIT**

The Foundation has a \$20,000 revolving line of credit, with no outstanding balance at year end for the years ended September 30, 2016 and 2015. 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, 2016 and 2015:

	2016 <u>Balance</u>	2015 <u>Balance</u>
Development	<u>\$ 17,883</u>	<u>\$ 19,327</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, 2016 and 2015 was \$7,985 and \$7,604, respectively.

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

	2016 <u>Balance</u>	2015 <u>Balance</u>
Sept. 30, 2016	\$ 0	\$ 7,984
Sept. 30, 2017	8,383	8,383
Sept. 30, 2018	8,802	8,802
Dec. 31, 2018	<u>2,227</u>	<u>2,227</u>
Total	<u>\$ 19,412</u>	<u>\$ 27,396</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, 2016 and 2015, advertising expense was \$7,168 and \$7,773, 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, 2016 and 2015

**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, 2016 and 2015, grants from the Corporation for Public Broadcasting were approximately 26% and 25%, respectively, of the Foundation's total revenues.

**NOTE 9 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 27, 2017, the date on which the financial statements were available to be issued.