

**TILlicum FOUNDATION  
ASTORIA, OREGON**

**AUDIT REPORT**

**SEPTEMBER 30, 2015**

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	Roger Rocka
Treasurer	Julia Read
Secretary	Jack Harris
Director	Ray Merritt
Director	Margaret Frimoth
Director	Karri Gallagher
Director	Richard Dawson
Director	Bob Westerberg

**STATION MANAGER**

Joanne Rideout

**OFFICE**

1445 Exchange  
Astoria, OR 97103  
503-325-0010

TILlicum FOUNDATION, OREGON

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List of Directors

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**GRIMSTAD & ASSOCIATES**  
Certified Public Accountants

February 26, 2016

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Tillicum Foundation  
Astoria, Oregon

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

I have audited the accompanying financial statements of Tillicum Foundation (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the year 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 audit 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.

### **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, 2015 and 2014, and the changes in its net assets and its cash flows for the year 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, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 54,831	\$ 48,423
Accounts receivable	1,767	6,033
Prepaid expense	0	5,447
Total current assets	56,598	59,903
<b>Other Assets</b>		
Land	35,044	35,044
Capital assets, net of depreciation	108,101	118,542
Total other assets	143,145	153,586
Total assets	\$ 199,743	\$ 213,489
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 112,768	\$ 99,914
Payroll taxes	5,677	3,333
Compensated absences	0	2,970
Total current liabilities	118,445	106,217
<b>Net Assets</b>		
Unrestricted		
Board designated	74,430	56,874
Undesignated	(12,459)	25,398
Total unrestricted net assets	61,971	82,272
Temporarily restricted	19,327	25,000
Total net assets	81,298	107,272
Total liabilities and net assets	\$ 199,743	\$ 213,489

See accompanying notes to the financial statements.

**TILlicUM FOUNDATION, OREGON**

STATEMENT OF ACTIVITIES  
for the Years Ended September 30, 2015 and 2014

	<b>2015</b>			<b>2014</b>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Grants	\$ 115,667	\$ 9,500	\$ 125,167	\$ 116,581	\$ 34,700	\$ 151,281
Membership	104,903	0	104,903	98,171	0	98,171
Contributions	65,752	5,500	71,252	45,527	2,711	48,238
Underwriting	78,926	0	78,926	74,182	0	74,182
Fisher Poets Gathering	44,568	0	44,568	26,907	0	26,907
Fundraising	5,797	0	5,797	6,244	0	6,244
Rent	14,163	0	14,163	12,073	0	12,073
Other income	5,129	0	5,129	4,930	0	4,930
Interest income	12	0	12	7	0	7
Released from temporarily restricted	20,673	(20,673)	0	34,991	(34,991)	0
<b>Total support and revenue</b>	<u>455,590</u>	<u>(5,673)</u>	<u>449,917</u>	<u>419,613</u>	<u>2,420</u>	<u>422,033</u>
<b>EXPENSES</b>						
Operating program	237,674	0	237,674	249,739	0	249,739
General and administrative	111,979	0	111,979	90,952	0	90,952
Fundraising	126,238	0	126,238	97,424	0	97,424
<b>Total expenses</b>	<u>475,891</u>	<u>0</u>	<u>475,891</u>	<u>438,115</u>	<u>0</u>	<u>438,115</u>
<b>Changes in net assets</b>	<u>(20,301)</u>	<u>(5,673)</u>	<u>(25,974)</u>	<u>(18,502)</u>	<u>2,420</u>	<u>(16,082)</u>
<b>NET ASSETS - Beginning of year</b>						
As originally stated	82,272	25,000	107,272	112,278	22,580	134,858
Prior period adjustment	0	0	0	(11,504)	0	(11,504)
<b>NET ASSETS - Beginning of year restated</b>	<u>82,272</u>	<u>25,000</u>	<u>107,272</u>	<u>100,774</u>	<u>22,580</u>	<u>123,354</u>
<b>NET ASSETS - End of year</b>	<u>\$ 61,971</u>	<u>\$ 19,327</u>	<u>\$ 81,298</u>	<u>\$ 82,272</u>	<u>\$ 25,000</u>	<u>\$ 107,272</u>

See accompanying notes to the financial statements.

**TILlicum FOUNDATION, OREGON**

STATEMENT OF CASH FLOWS for the Years Ended September 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (25,974)	\$ (16,082)
Depreciation and amortization	11,941	15,616
Prior period adjustment	0	(11,504)
Adjustments to reconcile changes in net assets to cash provided by operating activities		
(Increase) decrease in accounts receivable	4,266	0
(Increase) decrease in prepaid expense	5,447	(2,951)
Increase (decrease) in accounts payable	12,854	27,261
Increase (decrease) in payroll liabilities	(626)	(1,180)
Net cash provided (used) by operating activities	7,908	11,160
<b>CASH FLOWS FROM CAPITAL &amp; FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(1,500)	0
Line of credit proceeds	0	551
Debt principal payments	0	(5,187)
Net cash provided (used) by capital and financing activities	(1,500)	(4,636)
Net increase (decrease) in cash and cash equivalents	6,408	6,524
CASH AND CASH EQUIVALENTS - Beginning of year	48,423	41,899
CASH AND CASH EQUIVALENTS - End of year	\$ 54,831	\$ 48,423
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	\$ 0	\$ 52

See accompanying notes to the financial statements.

## TILlicum FOUNDATION, OREGON

### NOTES TO FINANCIAL STATEMENTS as of September 30, 2015 and 2014

#### **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, 2015.

##### **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, 2012 through 2015 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, 2015 and 2014

**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, 2015 and 2014 are classified in the accompanying Statement of Financial Position as follows:

**TILlicum FOUNDATION, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of September 30, 2015 and 2014

**NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

**September 30, 2015**

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

**September 30, 2014**

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Cash on hand	\$ 137		
Deposits with financial institutions	48,286		
Total cash and investments	\$ 48,423	\$ 23,423	\$ 25,000

**Deposits**

At the end of the fiscal years 2015 and 2014, the Foundation's total deposits with financial institutions have a bank value of \$72,511 and \$61,801, respectively. All deposits were covered by federal depository insurance (FDIC).

**NOTE 3 - CAPITAL ASSETS**

Capital assets subject to depreciation consist of the following:

	<u>2015 Balance</u>	<u>2014 Balance</u>
Building	\$ 198,823	\$ 198,823
Equipment	449,680	448,180
Software	5,466	5,466
	653,969	652,469
Accumulated depreciation	(545,868)	(533,927)
Capital assets, net	\$ 108,101	\$ 118,542

Depreciation expense for the years ended September 30, 2015 and 2014 was \$11,941 and \$15,616, 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, 2015 and 2014

#### NOTE 4 - LINE OF CREDIT

The Foundation has a \$30,000 revolving line of credit, with no outstanding balance at year end for the years ended September 30, 2015 and 2014. 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, 2015 and 2014:

	2015 <u>Balance</u>	2014 <u>Balance</u>
Development	\$ <u>19,327</u>	\$ <u>25,000</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, 2015 and 2014 was \$7,604 and \$7,303, respectively.

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

	2015 <u>Balance</u>	2014 <u>Balance</u>
Sept. 30, 2015	\$ 0	\$ 7,604
Sept. 30, 2016	7,984	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>\$ 27,396</u>	<u>\$ 35,000</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, 2015 and 2014, advertising expense was \$7,773 and \$725, respectively.

#### NOTE 8 - PRIOR PERIOD ADJUSTMENT

In the year ended September 30, 2015, the Foundation determined that certain errors in classification between temporarily restricted and unrestricted revenues and between board designated and undesignated unrestricted net assets in the preceding year. Accordingly, the Foundation has restated the amounts of affected balances for the year ended September 30, 2014.

**TILlicum FOUNDATION, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of September 30, 2015 and 2014

**NOTE 8 - PRIOR PERIOD ADJUSTMENT - Continued**

	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
<b>Statement of Activities:</b>			
Fisher Poets Gathering revenues, unrestricted	\$ 0	\$ 26,907	\$ 26,907
Fisher Poets Gathering revenues, temporarily restricted	26,907	0	(26,907)
<b>Release from temporary restriction:</b>			
Unrestricted revenue	61,898	34,991	(26,907)
Temporarily restricted revenue	(61,898)	(34,991)	26,907
 <b>Statement of Financial Position:</b>			
<b>Unrestricted net assets</b>			
Board - designated	42,486	56,874	14,388
- undesignated	39,786	25,398	(14,388)

The Foundation's adjustment to beginning unrestricted net assets for the year ended September 30, 2014 represents \$10,230 in accounts payable not recognized in the prior year and other corrections, totaling \$1,274, to other accounts.

**NOTE 9 - 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.

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, 2015 and 2014, grants from the Corporation for Public Broadcasting were approximately 25% and 27%, respectively, of the Foundation's total revenues.

**NOTE 10 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 26, 2016, the date on which the financial statements were available to be issued.