

PHILIP A. SCHEIDT
Certified Public Accountant

REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Nathan B. Stubblefield Foundation, Inc.
Tampa, Florida

I have audited the accompanying statements of financial position of Nathan B. Stubblefield Foundation (a nonprofit organization) as of September 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Nathan B. Stubblefield Foundation, Inc. as of September 30, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses on pages 5 and 6 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Temple Terrace, Florida
February 3, 2013

NATHAN B. STUBBLEFIELD FOUNDATION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012 AND 2011

	2012	2011
Assets		
Current Assets		
Cash		
Unrestricted	\$ 673,916	\$ 586,222
Restricted	-	-
Short term investments	213,332	192,748
Accounts receivable	1,986	836
Grants receivable	-	15,283
Other receivables	2,000	6,000
Prepaid expense and deposits	45,361	65,405
Total current assets	<u>936,595</u>	<u>866,494</u>
Property and Equipment		
Land	321,727	321,727
Building	1,931,201	1,931,201
Office furniture and equipment	277,412	277,412
Broadcast equipment	523,356	515,288
Production equipment	328,261	328,868
Music library	343,218	343,218
Less accumulated depreciation	<u>(1,346,649)</u>	<u>(1,197,955)</u>
Net property and equipment	<u>2,378,526</u>	<u>2,519,759</u>
Total Assets	<u><u>3,315,121</u></u>	<u><u>3,386,253</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	23,884	33,293
Deferred revenue	10,313	41,664
Current portion of long-term debt	28,795	26,485
Total current liabilities	<u>62,992</u>	<u>101,442</u>
Long-Term Debt		
Long-term debt, net of current maturities	<u>593,207</u>	<u>622,273</u>
Total long-term debt	<u>593,207</u>	<u>622,273</u>
Other Noncurrent Liabilities		
Accrued post-employment benefits	<u>87,722</u>	<u>70,010</u>
Total other noncurrent liabilities	<u>87,722</u>	<u>70,010</u>
Total Liabilities	<u>743,921</u>	<u>793,725</u>
Net Assets		
Unrestricted	2,571,200	2,592,528
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	<u>2,571,200</u>	<u>2,592,528</u>
Total Liabilities and Net Assets	<u><u>\$ 3,315,121</u></u>	<u><u>\$ 3,386,253</u></u>

The accompanying notes are an integral part of the financial statements

NATHAN B. STUBBLEFIELD FOUNDATION
STATEMENT OF ACTIVITY
SEPTEMBER 30, 2012 AND 2011

	2012	2011
Changes in unrestricted net assets		
Revenues and gains		
Contributions	\$ 1,051,342	\$ 1,140,344
Grants	113,859	123,652
Cultural performances	317,382	302,898
Underwriting	63,421	50,557
Subcarrier and channel revenue	70,350	44,267
Advertising	-	-
Sales	12,862	12,381
Other revenue	18,694	5,042
Unrealized gain or loss on investment	18,489	(3,111)
Interest	1,525	778
Dividends (reinvested)	2,096	2,363
Donated services, property and equipment	54,769	110,062
Total unrestricted revenues and gains	<u>1,724,789</u>	<u>1,789,233</u>
Net assets released from restrictions		
Mortgage campaign	558	942
Satisfaction of grantor restrictions	40,213	137,611
Total net assets released from restrictions	<u>40,771</u>	<u>138,553</u>
Total unrestricted revenues, gains and other support	<u>1,765,560</u>	<u>1,927,786</u>
Expenses		
Program services		
Programming and production	580,729	516,275
Broadcasting	192,060	228,532
Program information	19,873	20,334
Cultural performances	282,483	216,137
Total program services	<u>1,075,145</u>	<u>981,278</u>
Supporting services		
Fundraising	105,842	111,945
Management & general	605,901	610,881
Total supporting services	<u>711,743</u>	<u>722,826</u>
Total unrestricted expense	<u>1,786,888</u>	<u>1,704,104</u>
Increase (decrease) in unrestricted net assets	(21,328)	223,682
Net assets, beginning of year	2,592,528	2,368,846
Net assets, end of year	<u>\$ 2,571,200</u>	<u>\$ 2,592,528</u>

The accompanying notes are an integral part of the financial statements

NATHAN B. STUBBLEFIELD FOUNDATION
STATEMENT OF CASH FLOW
SEPTEMBER 30, 2012 AND 2011

	2012	2,011
Cash Flows From Operating Activity		
Change in unrestricted net assets	\$ (21,328)	\$ 223,682
Adjustments to reconcile change in unrestricted net assets to net cash used by operating activities		
Depreciation	154,520	145,443
Loss on disposal of equipment	523	23,866
Unrealized gain or loss on investment	(18,488)	3,111
Reinvested dividends from investments	(2,096)	(2,364)
Changes in operating assets and liabilities		
Accounts receivable	18,133	(20,308)
Grants receivable	-	-
Prepaid expense and deposits	20,044	10,167
Accounts payable	(9,409)	12,757
Deferred revenue	(31,351)	(6,549)
Accrued post-employment benefits	17,712	(22,769)
Net cash provided from operating activities	<u>128,260</u>	<u>367,036</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(13,810)</u>	<u>(144,944)</u>
Net cash provided/used in investing activities	(13,810)	(144,944)
Cash Flows From Financing Activities		
Capital campaign, net of related expense	-	-
Payments on long-term debt	<u>(26,756)</u>	<u>27,409</u>
Net cash provided/used in financing activities	(26,756)	27,409
Net change in cash	87,694	194,683
Cash, Beginning of Year	586,222	391,539
Cash, End of Year	<u><u>\$ 673,916</u></u>	<u><u>\$ 586,222</u></u>

The accompanying notes are an integral part of the financial statements

NATHAN B. STUBBLEFIELD FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
SEPTEMBER 30, 2012

	Programming & Production	Broadcasting	Program Information	Cultural Performances	Total Program Services	Fundraising	Management & General	Total
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,893	\$ -	\$ 2,893
Bad debts	-	-	-	-	-	1,100	-	1,100
Bank charges	-	-	-	-	-	-	28,022	28,022
Computer support	13,603	17,146	-	1,753	32,502	6,204	9,919	48,625
Conferences	99	-	-	-	99	607	130	836
Cultural performances	-	-	-	218,804	218,804	-	-	218,804
Depreciation	67,598	49,093	1,934	1,289	119,914	2,578	32,028	154,520
Development expense	-	-	-	11,523	11,523	965	-	12,488
Dues	1,588	200	-	775	2,563	-	4,965	7,528
Employee benefits	31,328	-	1,693	5,080	38,101	6,774	39,794	84,669
Engineering	89,082	16,539	-	-	105,621	-	-	105,621
Insurance	30,210	1,441	1,174	4,314	37,139	1,812	11,996	50,947
Interest	31,014	1,747	1,310	874	34,945	1,747	6,989	43,681
ISP	-	891	-	-	891	-	3,999	4,890
Legal	-	6,780	-	-	6,780	-	-	6,780
Office	-	-	-	-	-	-	10,745	10,745
Other expense	6,415	524	-	-	6,939	-	833	7,772
Other taxes	-	-	-	-	-	-	1,063	1,063
Outreach	-	-	1,101	-	1,101	-	-	1,101
Payroll taxes	17,046	-	921	2,764	20,731	3,686	21,653	46,070
Postage	-	73	-	72	145	12,516	1,644	14,305
Premiums	-	-	-	-	-	13,362	-	13,362
Printing	-	-	-	-	-	4,529	291	4,820
Professional fees	-	-	-	-	-	-	74,800	74,800
Programming	55,064	-	-	-	55,064	-	-	55,064
Rating services	2,575	-	-	-	2,575	-	-	2,575
Rent	-	76,734	-	-	76,734	-	-	76,734
Repairs	1,643	677	-	-	2,320	-	30,860	33,180
Salaries	217,186	-	11,740	35,219	264,145	46,959	275,885	586,989
Staffing & hiring	-	-	-	-	-	-	7,487	7,487
Station functions	-	-	-	-	-	-	1,230	1,230
Subscriptions	918	-	-	-	918	-	-	918
Supplies	-	9776	-	-	9,776	100	-	9,876
Telephone	6,817	1,162	-	-	7,979	-	8,409	16,388
Travel	115	-	-	16	131	10	180	321
Utilities	852	9,277	-	-	10,129	-	32,979	43,108
Webcasting	7,576	-	-	-	7,576	-	-	7,576
	<u>\$ 580,729</u>	<u>\$ 192,060</u>	<u>\$ 19,873</u>	<u>\$ 282,483</u>	<u>1,075,145</u>	<u>\$ 105,842</u>	<u>\$ 605,901</u>	<u>\$ 1,786,888</u>

The accompanying notes are an integral part of the financial statements

NATHAN B. STUBBLEFIELD FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
SEPTEMBER 30, 2011

	Programming & Production	Broadcasting	Program Information	Cultural Performances	Total Program Services	Fundraising	Management & General	Total
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,086	\$ -	\$ 3,086
Bad debts	-	-	-	-	-	-	100	100
Bank charges	-	-	-	-	-	-	28,533	28,533
Computer support	13,550	18,540	-	2,060	34,150	6,472	10,071	50,693
Conferences	-	-	-	-	-	-	312	312
Cultural performances	-	-	-	191,456	191,456	-	-	191,456
Depreciation	66,966	39,805	1,943	1,296	110,010	2,591	32,842	145,443
Development expense	-	-	-	-	-	11,303	-	11,303
Dues	200	-	-	996	1,196	60	3,900	5,156
Employee benefits	15,137	-	818	818	16,773	2,864	21,274	40,911
Engineering	22,653	54,195	-	-	76,848	-	-	76,848
Insurance	29,358	1,417	1,135	5,709	37,619	1,669	11,585	50,873
Interest	32,233	1,816	1,362	908	36,319	1,816	7,264	45,399
ISP	2,352	1,188	-	-	3,540	-	1,908	5,448
Legal	-	10,486	-	-	10,486	-	-	10,486
Office	298	-	-	-	298	-	11,370	11,668
Other expense	-	23,568	-	-	23,568	-	32	23,600
Other taxes	-	-	-	-	-	-	1,311	1,311
Outreach	-	-	2,548	-	2,548	-	-	2,548
Payroll taxes	16,608	-	898	898	18,404	3,142	23,341	44,887
Postage	-	-	-	47	47	18,444	3,842	22,333
Premiums	-	-	-	-	-	16,146	-	16,146
Printing	-	-	-	319	319	3,649	2,628	6,596
Professional fees	-	-	-	-	-	-	67,316	67,316
Programming	71,014	-	-	-	71,014	-	-	71,014
Rating service	2,035	-	-	-	2,035	-	-	2,035
Rent	-	63,519	-	-	63,519	-	-	63,519
Repairs	6,099	2,804	-	-	8,903	-	35,938	44,841
Salaries	215,146	-	11,630	11,630	238,406	40,703	302,367	581,476
Staffing & hiring	-	-	-	-	-	-	598	598
Station functions	-	-	-	-	-	-	1,356	1,356
Subscriptions	553	-	-	-	553	-	-	553
Supplies	7,174	-	-	-	7,174	-	-	7,174
Telephone	6,948	1,140	-	-	8,088	-	8,391	16,479
Travel	366	-	-	-	366	-	856	1,222
Utilities	440	10,054	-	-	10,494	-	33,746	44,240
Webcasting	7,145	-	-	-	7,145	-	-	7,145
	<u>\$ 516,275</u>	<u>\$ 228,532</u>	<u>\$ 20,334</u>	<u>\$ 216,137</u>	<u>\$ 981,278</u>	<u>\$ 111,945</u>	<u>\$ 610,881</u>	<u>\$ 1,704,104</u>

The accompanying notes are an integral part of the financial statements

NATHAN B. STUBBLEFIELD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 and 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Organization*

Nathan B. Stubblefield Foundation, Inc. is a listener-sponsored non-commercial community radio station serving the Tampa Bay area. The station provides radio programming and cultural performances for the community. Revenues consist primarily of listener donations, grants and admission fees to cultural performances.

(b) *Method of Accounting*

The financial statements of the corporation have been prepared utilizing the accrual basis.

(c) *Financial Statement Presentation*

The corporation adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the corporation is required to present a statement of cash flows.

(d) *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, including asset lives and collectibility of pledges. Accordingly, actual results could differ from those estimates.

(e) *Capitalization Policy*

All equipment over \$250 is capitalized and depreciated as described in paragraph (h) below, with the exception of computers, broadcast and production equipment which are determined to be replacements of existing equipment. These items are recorded as repairs.

(f) *Cash and Cash Equivalents*

The corporation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

(g) *Investments*

Investments are composed of mutual funds managed by Pax World Funds, and are valued at their fair market on the date of the balance sheet as determined by reference to published financial resources. This represents a level 1 measurement as described in footnote 14. There are no other assets or liabilities that are presented with fair value measurements. The investment gains or losses are determined by the change in value of the fund, not including the effect of reinvested dividends and capital gains of (\$2,096) in 2012 and (\$2,363) in 2011. These amounts are included in the statement of activities. The balance in the fund as of September 30, 2012 was \$213,332 and September 30, 2011 was \$192,748. These amounts represent a concentration of credit risk.

NATHAN B. STUBBLEFIELD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 and 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) *Property and Equipment*

Property and equipment are recorded at cost, or in the case of donated property, at their estimated fair market on the date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

(i) *Revenue Recognition*

Unrestricted contributions, pledges and grants are recorded as revenue in the statements of activity when received. Other unrestricted revenues are recognized as earned either upon receipt or accrual. Expenditures of unrestricted net assets are recognized as expenses when expended or upon incurrence of the related liability.

(j) *Restricted Support*

The corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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. Equipment acquired with restricted funds cannot be disposed of without permission of the donor or grantor. These assets are not shown as restricted since they are not normally sold.

(k) *Contributions*

The corporation has adopted SFAS No 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

(l) *Pledges*

Nathan B Stubblefield Foundation engages in fund raising campaigns by broadcasting on-air appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the corporation for enhancement of program offerings and other operating expenses. Financial contributions are generally evidenced by pledges received from responding listeners. These pledges are not legally enforceable and are not recognized as assets. Contributions and collected pledges are components of the unrestricted net assets inasmuch as their usage is not limited to specific activities of the corporation. This usage is consistent with appeals for contributions and pledges.

(m) *Program Underwriting*

Revenue for program underwriting is recorded on a pro rata basis for the period covered.

NATHAN B. STUBBLEFIELD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 and 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) *Donated Services*

The corporation receives a significant amount of donated services from unpaid volunteers who assist in broadcasting, fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been met. Donated professional services have been recognized as revenue and expense. These services include legal services, accounting, media services, office expense, repairs and engineering. The value of these services was \$54,769 in 2012 and \$50,062 in 2011.

(o) *Cultural Performances*

The corporation sponsored cultural performances and sold promotional items. The cultural performances are conducted to bring artists and speakers to the area to supplement the programming that is broadcast by the corporation and to educate the community. Promotional items that advertise the station are sold to promote the station and supplement revenues. The revenues and direct cost of these activities are as follows:

	<u>2012</u>		<u>2011</u>	
	Performances	Sales	Performances	Sales
Gross proceeds	\$ 317,382	\$ 17,009	\$ 302,898	\$ 16,221
Direct costs	<u>218,804</u>	<u>4,147</u>	<u>191,456</u>	<u>3,840</u>
Net proceeds	<u>\$ 98,578</u>	<u>\$ 12,862</u>	<u>\$ 111,442</u>	<u>\$ 12,381</u>

(p) *Income Taxes*

The Corporation is recognized as a tax exempt organization under § 501 (c) (3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. The Corporation has unrelated business income from the sale of advertising and certain products and services. The corporation has reported losses from these activities which has resulted in a net operating loss carry-forward of \$80,770.

(2) CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

As of September 30, 2012 \$449,500 and as of September 30, 2011 \$585,722 was held on deposit at The Bank of Tampa.

(3) ACCOUNTS RECEIVABLE

There are no Pledges receivable as of September 30, 2011. Accounts receivables are reported based on subsequent collections so no allowance for doubtful accounts is needed.

(4) ENDOWMENT

In 2010 the station received a contribution of \$10,000 that was intended to start an endowment fund. The terms of the donation allow the board of directors to use the money at their discretion. The donation was used to acquire a CD. The value of the CD, \$10,043 for 2012, and \$10,037 for 2011 is included in unrestricted cash.

NATHAN B. STUBBLEFIELD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 and 2011

(5) OPERATING LEASE OBLIGATIONS

On September 20, 2005, the corporation signed a ten year lease with American Towers, Inc., for the right to install and operate the station's transmitter and antenna at 13623 Rodine Road near Riverview, Florida. The terms of the lease became effective January 1, 2006. The initial lease payments were \$3,900 per month, and are to be escalated 5% on the anniversary of the commencement date each year. The corporation is committed to lease payments (excluding CAM) of \$65,073 in 2013, \$68,322 in 2014, \$71,736 in 2015, and \$18,150 in the remaining three months of the lease.

On June 22, 2011, the corporation signed a lease with American Towers, Inc., for the right to install and operate the station's backup antenna at 13623 Rodine Road near Riverview, Florida. The terms of the lease became effective April 1, 2011, and are in effect until January 1, 2016. The corporation is committed to lease payments (excluding CAM), \$10,500 in 2013, \$11,016 in 2014, \$11,454 in 2015, and \$2,919 in the remaining three months of the lease.

(6) LONG-TERM DEBT

The corporation obtained a mortgage, secured by property and equipment located at the studio at 1210 East Martin Luther King Boulevard on October 7, 2005 in the amount of \$1,063,528, to replace the indebtedness on the construction loan. The loan terms were last adjusted in June of 2011 and will now balloon September 26, 2018. Monthly payments will be \$5,824.99 and the interest rate will be 6.75% during the next eighty-one months, at which time the rate will be adjusted.

Long term debt maturing in the next five years is as follows:

September 26, 2013	\$ 26,795
September 26, 2014	\$ 30,800
September 26, 2015	\$ 32,944
September 26, 2016	\$ 35,238
September 26, 2017	\$ 37,692
After September 26, 2017	\$ 456,533
	<u>\$ 622,002</u>

(7) COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two fiscal years as described in the Communications Act, 47 United States Code Annotated Section 386 (k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The station uses these funds for purposes relating primarily to the production and acquisition of programming. Also, the Grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

NATHAN B. STUBBLEFIELD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 and 2011

The Grants are reported on the accompanying financial statements as unrestricted and restricted operating funds, however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of Grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission. The Community Service Grants received and expended during the five most recent fiscal years were as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 168,867
2009	\$ 143,029
2010	\$ 160,749
2011	\$ 148,065
2012	\$ 154,072

Congress has expressed an intent to eventually phase out this funding.

(8) FUNCTIONAL EXPENSES

The allocation of joint costs, including fund-raising costs, in the statements of functional expenses are based on time summaries of employees and space analysis of facilities provided by station management. The fund-raising costs are related to the station's on-air pledge drives conducted during the year when they ask for donations during regular programming and development expense.

(9) INTEREST

Interest paid in 2012 was \$43,681 and in 2011 was \$45,399. There was no accrued interest. Construction loan interest in the amount of \$10,566 was included in the cost of the building put in service in 2005.

(10) FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"> • Quoted prices for similar assets or liabilities in active markets; • Quoted prices for identical or similar assets or liabilities in inactive markets; • Inputs other than quoted prices that are observable for the asset or liability; • Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |

NATHAN B. STUBBLEFIELD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 and 2011

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The only assets measured are described in footnote 1g.

(11) CONTINGENT LIABILITIES

Equipment obtained with state grants in the amount of \$248,366 cannot be sold without the permission of the State of Florida. Equipment obtained with grants from the Corporation for Public Broadcasting in the amount of \$128,748 cannot be sold within ten years to an entity that is not CSG eligible. These grant funds must be returned to CPB if WMNF is not CSG eligible within ten years of the grant.

(12) LOSS ON DISPOSAL OR RETIREMENT OF EQUIPMENT

Broadcast equipment was retired or sold at a loss in the amounts of \$523 in 2012 and \$23,568 in 2011. These amounts are included in "Other expense" in the statement of functional expenses.

(13) SUBSEQUENT EVENTS


These Financial statements considered subsequent events, including the collectibility of accounts receivables, through January 28th, 2013, the date the financial statements were prepared. The financial statements were issued February 3rd, 2013.

PHILIP A. SCHEIDT
Certified Public Accountant

**REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY INFORMATION**

The Board of Directors
Nathan B. Stubblefield Foundation, Inc.
Tampa, Florida

I have audited the financial statements of Nathan B. Stubblefield Foundation as of and for the years ended September 30, 2012 and 2011 and have issued my report thereon dated February 3rd, 2013, which contained an unqualified opinion on those financial statements. My audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information which includes comparative data, analysis of discretionary funds available and budget results is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information, including historical amounts from eight years prior to this audit engagement, (2003 to 2010) is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Temple Terrace, Florida
February 3, 2013

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The corporation has a long history of maintaining cash balances necessary to withstand most unforeseen emergencies. This exhibit shows the amount of unrestricted cash and cash equivalents at the end of each of the last ten years. It should be noted that these are typically the lowest balances of the fiscal year. It is the policy of the corporation to have its semi-annual fund drive the first week in the fiscal year, at which time the cash balances increase substantially. The cash equivalents consist of an investment in Pax World Fund.

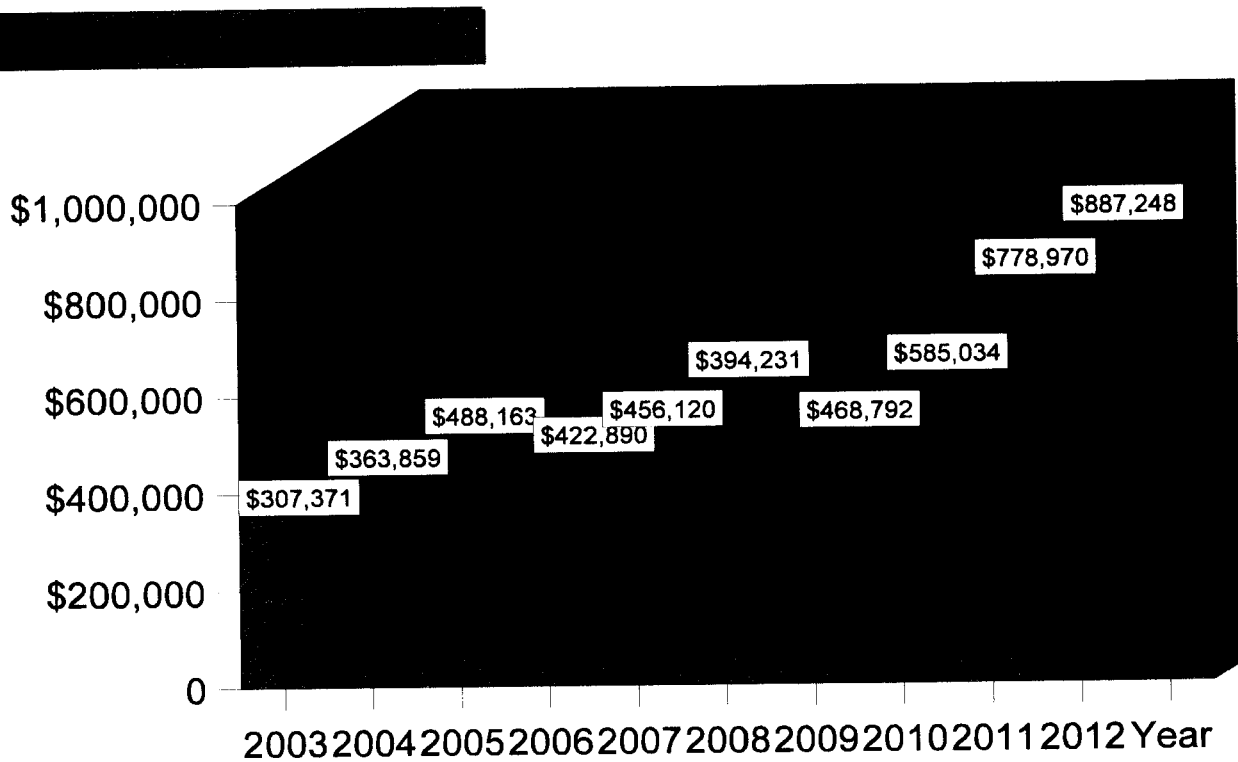


Exhibit 1 shows the total cash revenues for each of the last five years. The amounts include contributions from the public, grants from the Corporation for Public Broadcasting and the State of Florida, and net revenue from cultural events in addition to other cash revenues. It is the normal policy of the corporation to have two seven-day and two three-day fund raising drives per year.

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Exhibit 1

	<u>9-30-12</u>	<u>9-30-11</u>	<u>9-30-10</u>	<u>9-30-09</u>	<u>9-30-08</u>
Cash Revenues:					
Contributions	\$ 1,051,342	\$ 1,140,344	\$ 1,198,017	\$ 1,097,118	\$ 1,116,668
Cultural performances-net	98,578	111,442	52,999	130,912	101,716
Grants	154,072	261,263	237,685	257,607	273,944
Interest	1,525	778	680	647	7,838
Sales	12,862	12,381	14,131	21,674	19,537
Signal lease	70,350	44,267	6,373	12,500	28,000
Underwriting	63,421	50,557	43,386	46,199	49,051
Other revenue	<u>18,694</u>	<u>5,042</u>	<u>49,667</u>	<u>9,478</u>	<u>18,181</u>
Total Cash Revenue	<u>\$ 1,470,844</u>	<u>\$ 1,626,074</u>	<u>\$ 1,602,938</u>	<u>\$ 1,576,135</u>	<u>\$ 1,614,935</u>

The corporation has a policy to improve the quality of the broadcasting, without jeopardizing its financial health. If there are significant cash reserves, it is the policy to improve the quality of the equipment, and to increase salaries in order to prevent employee turnover. Over the last several years the corporation has budgeted revenues at or slightly below budgeted expenditures. In a for-profit environment this would be viewed as "breaking even". In order to evaluate the financial history of the corporation, it is necessary to discuss a concept that is not ordinarily used.

In exhibit 2 expenditures for the last five years are classified as either "non-discretionary" or "discretionary". Non-discretionary expenditures are those that must be paid. Discretionary expenditures are those expenditures that the board authorizes only if funds are available. These are normally expenditures for fixed assets, debt retirement or additional services. It can be seen from this exhibit that most of the discretionary expenditures have been for asset acquisitions and debt retirement. In a for-profit environment, the goal is to reduce expenditures while increasing profit. In a not-for-profit environment the goal is to minimize non-discretionary expenditures, while maximizing discretionary expenditures with available funds. The amounts shown on this schedule are cash expenditures, and do not include donated services and materials, non-cash adjustments or depreciation.

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Exhibit 2

**Non-Discretionary
Cash Expenditures:**

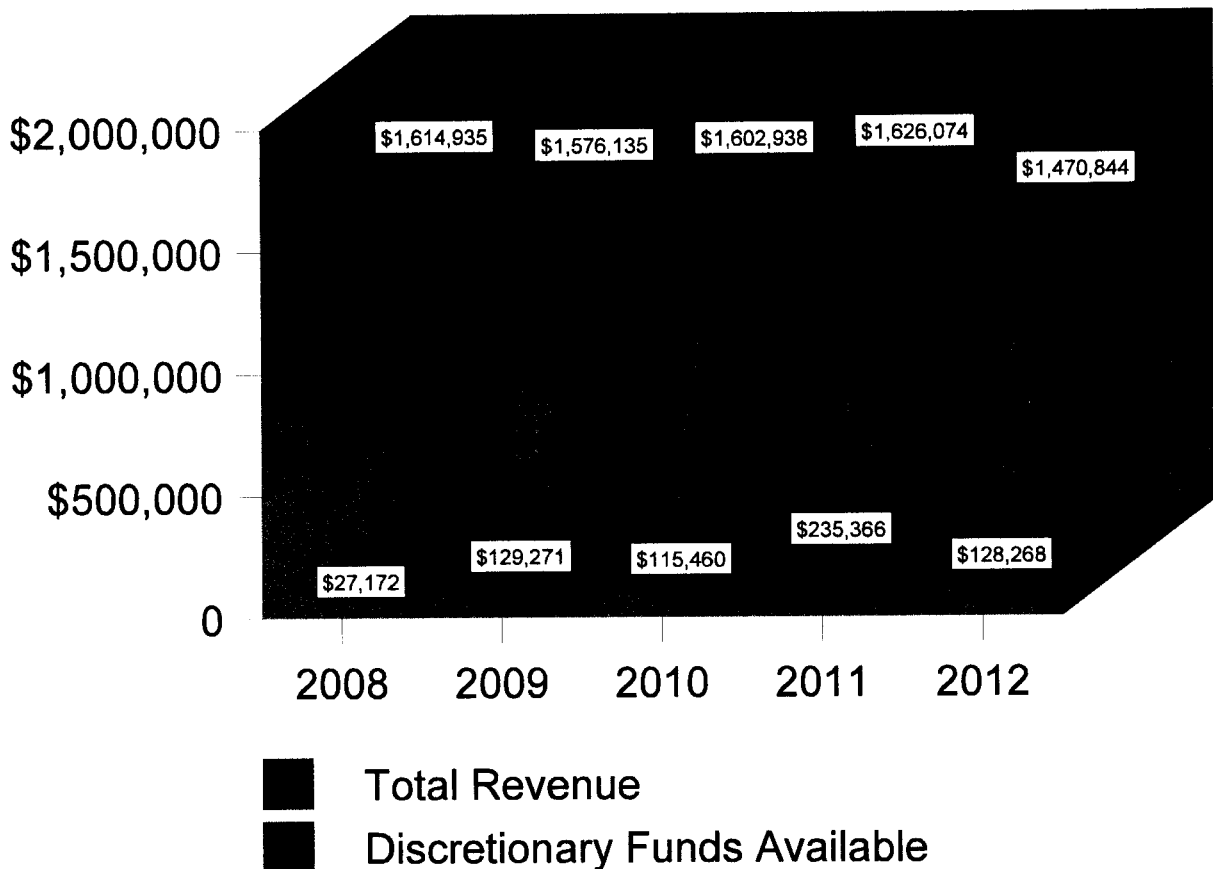
	2012	2011	2010	2009	2008
Bank charges	\$ 28,022	\$ 28,533	\$ 30,965	\$ 30,035	\$ 31,312
Computer expense	48,075	50,693	60,910	54,237	69,660
Development expense	12,488	11,303	12,654	7,571	-
Engineering	92,602	75,537	71,104	58,835	52,430
Insurance	50,947	50,873	53,139	53,985	67,868
ISP	4,890	5,448	6,677	9,725	9,481
Debt service	69,900	71,887	72,549	72,266	97,577
Legal fees	6,780	10,486	3,948	9,424	5,580
Office supplies	10,745	11,568	12,253	8,130	15,928
Taxes	1,063	1,311	892	1,254	412
Postage	14,305	19,583	16,990	30,267	44,577
Premiums	13,362	16,146	32,510	19,629	32,960
Professional fees	33,600	30,600	42,210	32,000	36,150
Printing	4,820	6,596	6,615	15,105	18,901
Programming	55,064	61,829	63,791	91,134	95,520
Rent	76,734	63,519	56,209	53,532	50,983
Repairs	33,180	44,841	42,715	42,287	67,273
Staffing & hiring	7,487	598	2,169	5,515	1,621
Supplies	9,876	7,174	6,224	12,085	6,018
Telephone	16,388	16,479	17,430	20,696	22,490
Travel	321	1,222	840	2,030	2,382
Utilities	43,108	44,240	46,407	46,846	47,728
Website expenses	7,576	7,145	9,971	6,863	6,758
Asset acquisitions (Grant)	-	63,054	-	24,617	-
Salaries, payroll taxes and benefits ¹	<u>701,243</u>	<u>690,043</u>	<u>818,306</u>	<u>738,796</u>	<u>804,154</u>
Total non-discretionary cash disbursements	<u>\$ 1,342,576</u>	<u>\$ 1,390,708</u>	<u>\$ 1,487,478</u>	<u>\$ 1,446,864</u>	<u>\$ 1,587,763</u>

**Discretionary Cash
Disbursements:**

Various discretionary expenses	\$ 16,414	\$ 21,939	\$ 23,669	\$ 54,677	\$ 62,977
Additional debt payment	-	963	3,763	38,129	49,291
Asset acquisitions	<u>13,810</u>	<u>14,078</u>	<u>-</u>	<u>10,425</u>	<u>52,663</u>
Total discretionary cash disbursements	<u>\$ 30,224</u>	<u>\$ 36,980</u>	<u>\$ 27,432</u>	<u>\$ 103,231</u>	<u>\$ 164,931</u>

¹There is a discretionary element in this item that has not been calculated.

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The information in the chart above presents the relationship of discretionary funds available to total revenue. The exhibit shows that there have been funds available for discretionary expenditures, which means that all non-discretionary expenses have been paid. This is important to a potential lender because the loan repayments are a non-discretionary item. The “discretionary funds available” closely approximate what net income would be if this were a “for-profit” entity. The reason is that in a for-profit environment the goal is to maximize net income, while in a non-profit environment, the goal is to maximize services to the users. The discretionary funds, by definition, would usually not be spent if the goal is to maximize profits. The standard accounting model is revenue less expenses equals profit. The model the station uses is revenue less non-discretionary expenses equals discretionary funds available.

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The corporation's ability to adhere to the budget is demonstrated in the next exhibit. Budgeted cash revenues are compared to actual cash revenues and budgeted cash expenditures are compared to actual cash expenditures. The result of combining the two variances provides a "*net budget variance*". In 2012 revenues were \$34,085 under budget, while disbursements were \$8,184 over budget. The net effect on the change in cash was an unfavorable net budget variance of \$25,901.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actual Revenue	\$ 1,470,844	\$ 1,626,074	\$ 1,602,938	\$ 1,576,135	\$ 1,614,935
Budgeted Revenue	<u>1,504,929</u>	<u>1,537,249</u>	<u>1,533,000</u>	<u>1,509,721</u>	<u>1,672,500</u>
Variance	-34,085	88,825	69,938	66,414	-57,565
Actual Expenditures	1,372,800	1,487,676	1,524,458	1,474,296	1,690,994
Budgeted Expenditures	<u>1,380,984</u>	<u>1,547,054</u>	<u>1,522,450</u>	<u>1,509,060</u>	<u>1,669,797</u>
Variance	8,184	59,378	-2,008	34,764	-21,197
Net Budget Variance	\$ <u>-25,901</u>	\$ <u>148,203</u>	\$ <u>101,178</u>	\$ <u>-78,762</u>	\$ <u>-74,276</u>

Volunteers play a very important role in the operation of WMNF. The majority of all programming is produced by volunteers. Many of the programmers have never been in broadcasting prior to their roles as volunteer programmers. Nathan B. Stubblefield provides a valuable service to the community by educating these people in such skills as public speaking, and providing them with the technological expertise to handle sophisticated equipment. There are programmers that have been on the air since 1979. Using dozens of programmers keeps a freshness to the programming that is not available on commercial stations. Volunteers also provide many services that are not directly related to broadcasting,

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such as clerical assistance and answering phones during pledge drives.

Over the years many professionals have donated services and local businesses have donated products and services to help support the station. The continued success of the station is dependent on the support of the community.

