

MATA COMMUNITY MEDIA, INC.

FINANCIAL STATEMENTS

December 31, 2013 and 2012

CONTENTS

Independent Auditor's Report.....	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MATA Community Media, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of MATA Community Media, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, 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

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. Those standards require that we 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, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MATA Community Media, Inc. as of December 31, 2013 and 2012, 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.

Wegner CPAs, LLP

Wegner CPAs, LLP
Pewaukee, Wisconsin
February 28, 2014

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Pewaukee Office:
W239 N3490 Pewaukee Road
Suite 200
Pewaukee, WI 53072
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

MATA COMMUNITY MEDIA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 69,107	\$ 65,672
Accounts receivable	6,476	5,812
Total current assets	75,583	71,484
PROPERTY AND EQUIPMENT		
Land	47,900	47,900
Land improvements	14,217	14,217
Building	581,106	581,106
Building improvements	1,515,702	1,515,702
Production equipment	1,716,939	1,709,495
Office furniture and equipment	405,186	405,186
Vehicles	12,367	12,367
Property and equipment	4,293,417	4,285,973
Less accumulated depreciation	2,830,329	2,764,079
Property and equipment - net	1,463,088	1,521,894
Total assets	<u>\$ 1,538,671</u>	<u>\$ 1,593,378</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,780	\$ 12,556
Accrued payroll	20,320	17,831
Deferred revenue	41,667	41,667
Notes payable - current portion	43,522	683,322
Total current liabilities	114,289	755,376
LONG-TERM LIABILITIES		
Notes payable less current portion	625,619	30,059
Deferred loan	500,000	500,000
Total long-term liabilities	1,125,619	530,059
Total liabilities	1,239,908	1,285,435
NET ASSETS		
Unrestricted	298,763	307,943
Total liabilities and net assets	<u>\$ 1,538,671</u>	<u>\$ 1,593,378</u>

See accompanying notes.

MATA COMMUNITY MEDIA, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Operating contracts	\$ 436,882	\$ 432,896
Membership dues	5,830	7,600
Workshop fees	1,330	1,665
Contributions	9,877	800
Interest	132	231
Other	5,419	6,470
Total unrestricted support and revenue	459,470	449,662
EXPENSES		
Personnel	257,275	252,479
Depreciation	66,250	69,550
Interest	45,999	50,800
Utilities	24,254	23,024
Occupancy	14,147	13,399
Professional fees	9,588	18,154
Insurance	12,726	12,610
Telephone	13,579	10,808
Production equipment and supplies	7,450	9,072
Repairs and maintenance	6,112	20,916
Office supplies	1,847	3,808
Dues and subscriptions	1,961	1,708
Miscellaneous	7,462	6,609
Total expenses	468,650	492,937
Change in net assets	(9,180)	(43,275)
Net assets - beginning of year	307,943	351,218
Net assets - end of year	<u>\$ 298,763</u>	<u>\$ 307,943</u>

See accompanying notes.

MATA COMMUNITY MEDIA, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (9,180)	\$ (43,275)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	66,250	69,550
Donated property and equipment	(7,100)	-
(Increase) decrease in assets		
Accounts receivable	(664)	(2,207)
Increase (decrease) in liabilities		
Accounts payable	(3,776)	(274)
Accrued payroll	2,489	5,656
Accrued interest	-	(3,906)
Net cash flows from operating activities	48,019	25,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(344)	(2,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	4,522
Payments on notes payable	(44,240)	(35,704)
Payments on capital lease obligations	-	(14,307)
Net cash flows from financing activities	(44,240)	(45,489)
Change in cash	3,435	(22,040)
Cash - beginning of year	65,672	87,712
Cash - end of year	\$ 69,107	\$ 65,672
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 45,999	\$ 54,706
Noncash investing and financing activities		
Acquisition of equipment with note payable	-	45,478
Donated property and equipment	7,100	-

See accompanying notes.

MATA COMMUNITY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

MATA Community Media, Inc. (MATA) is a nonprofit community service corporation organized to provide the City of Milwaukee public access to its cable system. MATA is an independent organization created by the cable franchisee agreement between the City of Milwaukee and the franchiser, Warner Cable Communications of Milwaukee. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

MATA 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.

Accounts Receivable

MATA considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Acquisitions of operations equipment in excess of \$250 and office equipment and furnishings in excess of \$500 are capitalized. Purchases of property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 5 to 35 years.

Support and Revenue Recognition

Support restricted by the grantor, donor or other outside party is reported as increases in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other restricted support is reported as increases in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue is recognized when MATA has incurred expenditures in accordance with specified requirements. Such amounts earned, but not received, are reported as accounts receivable. Such amounts received, but not earned, are reported as deferred revenue.

Expense Allocation

Directly identifiable expenses are charged to program services and supporting activities. Expenses related to more than one function are charged to program and supporting activities on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

MATA COMMUNITY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

MATA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, MATA qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). MATA's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, MATA is no longer subject to such examinations for tax years before 2010.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through February 28, 2014 the date which the financial statements were available to be issued.

NOTE 2 – CAPITAL LEASE OBLIGATIONS

MATA leased equipment under several capital leases which expired at various dates through December 2012. The capital leases required monthly payments of \$1,642. Capital lease obligations were paid during 2012.

The equipment recorded as capital leases has a cost of \$67,455 and accumulated depreciation of \$67,455 at December 31, 2013 and 2012.

NOTE 3 – NOTES PAYABLE

MATA received loans to purchase equipment and a server. The loans required monthly payments of \$123 and \$107, and expired at various dates through August 2012. These loans were paid during 2012.

In 2012, MATA obtained a loan for equipment that requires monthly payments of \$1,502, including principal and interest at a rate of 5.3%, and expires September 2015. The loan is secured by the equipment. The outstanding balance at December 31, 2013 and 2012 was \$30,059 and \$46,027.

MATA COMMUNITY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 – NOTES PAYABLE (continued)

MATA also has an adjustable rate note with MAD-I, LLC that matures in December 2015 and is secured by property and equipment. At December 31, 2013 the note required monthly payments of \$6,100, including principal and interest at 6.5%. The note was amended with a change in terms to 7% interest starting March 2014, and then to 7.5% interest from January 2015 to December 2015. Principal and interest payments are due the second day of each month in the amount of \$6,130 from March 2014 to December 2014 and then \$6,250 from January 2015 to December 2015. The note also has a covenant that limits capital expenditures to no more than \$50,000 per fiscal year. The outstanding balance at December 31, 2013 and 2012 was \$639,082 and \$667,354.

Principal payments due on notes payable for the years ending December 31 are as follows:

2014	\$ 43,522
2015	<u>625,619</u>
Total	<u>\$ 669,141</u>

NOTE 4 – DEFERRED LOAN

MATA assumed a deferred loan of \$500,000 from the City of Milwaukee in March 2005. The loan is secured by the real estate occupied by MATA at 2404 West Clybourn Street and payable to the City of Milwaukee in event of default and foreclosure of the previously recorded mortgage.

NOTE 5 – ECONOMIC DEPENDENCY

MATA receives approximately 90% of its revenue from the City of Milwaukee under its operating contract. A significant reduction in the level of this funding could have an adverse effect on MATA's activities.

Under the terms of the new cable franchise agreement between the City of Milwaukee and the franchisee (Public and Education Grant), the City of Milwaukee is obligated to make annual payments to MATA in varied amounts, but not less than \$415,000. Future obligations from 2014 through 2016 are \$1,245,000.

NOTE 6 – RETIREMENT PLAN

MATA has a 401(k) retirement plan (Plan). An employee is eligible for participation after one year (equivalent to a 12-month period with at least 1,000 hours of service) and must be at least eighteen years of age. Contributions are made at the discretion of the Board of Directors. No contributions to the Plan were made in 2013 and 2012.

MATA COMMUNITY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 7 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Program service		
Media services	\$ 349,078	\$ 356,709
Supporting activities		
General and administrative	97,326	112,530
Membership development	3,010	3,480
Development	<u>19,236</u>	<u>20,218</u>
Total expenses	<u>\$ 468,650</u>	<u>\$ 492,937</u>