

MEDIA BUSINESS AUTHORITY

**AUDITED
FINANCIAL STATEMENTS
31st DECEMBER 2015**

Richard M. Peterson, CPA
Giorgio E. Fieo, CPA*, CFE
*also licensed in New Jersey

103 Chesley Drive, Suite #102
Media, Penna. 19063-1757
(610) 565-6307 office / (610) 565-6920 fax

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Media Business Authority
Media, Pennsylvania

We have audited the accompanying Statement of Net Assets of the Media Business Authority as of 31st December 2015, along with the related Statement of Activities, and Statement of Cash Flows for the year then ended, and the related notes to said financial statements.

Management's Responsibility. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. The auditor's responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which require that the auditor 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 and 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. Risk assessments involve consideration of 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, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Media Business Authority as of 31st December 2015, and the results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

MD&A. The Management's Discussion & Analysis is not a required part of the basic financial statements, but is rather supplementary information required by generally accepted accounting principles in the United States of America. The Media Business Authority has not presented a Management's Discussion & Analysis in these financial statements.

Report on Summarized Comparative Information. We have previously audited the Media Business Authority's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated 25th July 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended 31st December 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Peterson, Fieo & Co.

Peterson, Fieo & Co.
8th August 2016

Media Business Authority
Statement of Net Assets
as of December 31, 2015

(with Comparative Data as of December 31, 2014)

	<u>2015</u>		Totals 2015	Totals 2014
	Unrestricted	Restricted		
ASSETS				
Cash & Cash Equivalents	\$ 19,172	\$ -	\$ 19,172	\$ 7,156
Accounts Receivable	-	-	-	-
Inventory	8,173	-	8,173	5,719
Capital Assets, net of accumulated depreciation	664	-	664	930
TOTAL ASSETS	\$ 28,009	\$ -	\$ 28,009	\$ 13,805
LIABILITIES & NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 5,840	\$ -	\$ 5,840	\$ 3,181
Accrued Payroll	540	-	540	-
Total Liabilities	6,380	-	6,380	3,181
NET ASSETS				
Invested in Capital Assets, net of related debt	664	-	664	930
Unrestricted	20,965	-	20,965	9,694
Restricted	-	-	-	-
TOTAL NET ASSETS	21,629	-	21,629	10,624
TOTAL LIABILITIES & NET ASSETS	\$ 28,009	\$ -	\$ 28,009	\$ 13,805

The accountants' report and accompanying notes are an integral part of these financial statements.

Media Business Authority
Statement of Activities
for the Year Ended December 31, 2015
(with Comparative Data for the Year Ended December 31, 2014)

	2015		Totals 2015	Totals 2014
	Unrestricted	Restricted		
REVENUES				
Contributions from Borough of Media	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Gross Margin from Special Events	76,310		76,310	51,108
Advertising Revenue	34,980	-	34,980	4,145
Gross Margin from Sales of Inventory	2,545		2,545	588
Interest Income	24		24	5
TOTAL REVENUES	188,859	-	188,859	130,846
EXPENDITURES				
Salaries	101,396		101,396	88,779
Advertising & Promotion	65,462		65,462	31,008
Depreciation	266		266	266
Utilities	1,933		1,933	1,644
Webpage	4,511		4,511	1,480
Supplies & Materials	503		503	316
Professional Fees	1,200		1,200	3,500
Miscellaneous	2,583		2,583	3,655
TOTAL EXPENDITURES / EXPENSES	177,854	-	177,854	130,648
CHANGE IN NET ASSETS	11,005	-	11,005	198
NET ASSETS				
Beginning of Year	10,624	-	10,624	7,870
End of Year	\$ 21,629	\$ -	\$ 21,629	\$ 8,068

The accountants' report and accompanying notes are an integral part of these financial statements.

Media Business Authority
Statement of Cash Flow
for the Year Ended December 31, 2015
(with Comparative Data for the Year Ended December 31, 2014)

	Totals 2015	Totals 2014
Change in Net Assets	\$ 11,005	\$ 198
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	266	266
(Increase) Decrease in Accounts Receivable	-	-
(Increase) Decrease in Inventory	(2,454)	596
Increase (Decrease) in Accounts Payable and Accrued Payroll	3,199	(801)
Total Adjustments	1,011	61
Net Cash Provided (Used) by Operating Activities	12,016	259
Cash Provided (Used) by Investing Activities		
Cash Provided (Used) by Financing Activities	-	-
Net Increase (Decrease) in Cash	12,016	259
Cash, beginning of year	7,156	6,897
Cash, end of year	\$ 19,172	\$ 7,156
<u>Other Information:</u>		
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

The accountants' report and accompanying notes are an integral part of these financial statements.

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**NOTES to FINANCIAL STATEMENTS
31st December 2015**

NOTE 1 PURPOSE & ORGANIZATION

The Media Business Authority (hereinafter the “Authority”) was established by the Borough of Media in 1985 pursuant to the Pennsylvania Municipalities Act of 1945 (P.L. 382) to improve the business district of the Borough. The Authority’s charter will expire in 2035.

NOTE 2 REPORTING ENTITY

In evaluating the Authority as a reporting entity, the Authority has addressed all potential component units for which the Authority may or may not be financially accountable and, as such, be includable within the Authority’s financial statements. The Authority is financially accountable if it appoints a voting majority of another organization’s governing board and (a.) it can impose its will on said organization or (b.) there is a potential for the other organization to provide specific financial benefit to or impose specific financial burden on the Authority. Additionally, the Authority is required to consider other organizations for which the nature and significance of their relationship are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. There are no entities that meet the above criteria, and therefore, the financial statements of the Authority consist only of the funds of the Authority.

NOTE 3 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The Authority adheres to the provisions of GASB No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments” and GASB No. 38, “Certain Financial Statement Note Disclosures.” Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets, a Statement of Changes in Net Assets, and a Statement of Cash Flows. It requires the classification of net assets into three components: (a.) invested in capital assets, net of related debt, (b.) unrestricted, and (c.) restricted. These classifications are defined as follows:

(a.) Invested in capital assets, net of related debt. This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

(b.) Restricted. This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt

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NOTES to FINANCIAL STATEMENTS

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covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. It is comprised of assets net of any related liabilities.

(c.) Unrestricted net assets. This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” Administrative expenses are paid with the use of unrestricted resources.

Financial Statement Presentation. The Authority complies with generally accepted accounting principles applicable to governmental units and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before 30th November 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB pronouncements will prevail. The Authority has elected not to follow FASB pronouncements issued since that date.

Measurement Focus. The statement of net assets and the statement of activities (entity-wide statements) are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The fund financial statements are presented using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Capital Assets. The Authority defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets of the Authority are recorded at either their actual cost or estimated historical cost. Donated assets are valued at their estimated fair value on the date donated. Currently, all capital assets of the Authority are categorized as equipment, with depreciation thereon being computed using the straight-line method over an asset life of five years. Major additions and improvements are capitalized while expenses for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred. Depreciation of all exhaustible capital assets is charged as an expense against operations.

Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

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**NOTES to FINANCIAL STATEMENTS
31st December 2015**

NOTE 4 CASH & CASH EQUIVALENTS

All of the Authority's cash was deposited in demand accounts at FDIC insured financial institutions, where all deposits were fully insured. At 31st December 2015 and 31st December 2014, the carrying amounts of the Authority's deposits were \$19,172 and \$7,156, respectively, and the bank balances were \$25,261 and \$8,829, respectively.

NOTE 5 INVENTORY

The Authority carries an inventory of clothing (e.g., hats, shirts, etc.) and other souvenir items. The Authority reports its inventory at the lower of its cost or resale value, on an average cost basis.

NOTE 6 CHANGES in CAPITAL ASSETS

Changes in Capital Assets for the years ended 31st December 2015 & 2014 are as follows:

December 31, 2015	Beginning of Year	Additions	Deletions	End of Year
Equipment	\$ 57,171	\$ -	\$ -	\$ 57,171
Accumulated Depreciation	56,241	266		56,507
Capital Assets, Net	\$ 930	\$ (266)	\$ -	\$ 664

December 31, 2014	Beginning of Year	Additions	Deletions	End of Year
Equipment	\$ 57,171		\$ -	\$ 57,171
Accumulated Depreciation	55,975	266		56,241
Capital Assets, Net	\$ 1,196	\$ (266)	\$ -	\$ 930

NOTE 7 ACCOUNTS PAYABLE and ACCRUED PAYROLL

Amounts listed as Accounts Payable reflect expenses incurred during the fiscal year but not paid as of December 31st.

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NOTE 8 SALES of INVENTORY

During the course of the year, the MBA offers for sale low cost items promoting the Media Borough. The annual recap of this activity for the year ended 31st December 2015 is as follows:

Sales		\$ 8,884
Cost of Sales:		
Beginning Inventory Cost	\$ 5,719	
Inventory Purchases	8,793	
Less: Ending Inventory Cost	<u>(8,173)</u>	
Cost of Goods Sold		<u>6,339</u>
Gross Margin		<u><u>\$ 2,545</u></u>

NOTE 9 SPECIAL EVENTS

During the course of the year, the MBA operates and coordinates several special events designed to develop and enhance the quality of life in the Borough. These events provided revenue and incurred expenses as follows:

	Year Ended Dec. 31	
	2015	2014
Gross Receipts from Participant Revenue	\$ 127,442	\$ 104,033
Gross Receipts from Sponsorships	53,747	32,784
Total Gross Receipts from Special Events	<u>181,189</u>	<u>136,817</u>
less: Expenses Related to Special Events	<u>104,879</u>	<u>85,751</u>
Gross Margin from Special Events	<u><u>\$ 76,310</u></u>	<u><u>\$ 51,066</u></u>

NOTE 10 ECONOMIC DEPENDENCY

The Authority received approximately 40% and 57% of its revenues from the Borough of Media for years ended 31st December 2015 and 2014, respectively. Further, in addition to its direct appropriation of funds, the Borough of Media provides considerable support (such as use of Borough facilities, insurance coverage, and audit services) to the Authority at no cost. The value of donated facilities and services has not been valued and presented in these financial statements.

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**NOTES to FINANCIAL STATEMENTS
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NOTE 11 LITIGATION

During 2014, the Authority was named as a defendant in civil litigation. The Authority was represented. This litigation was closed during 2016.

As of the date of these statements, the Authority has no other pending or threatened claims or matters of litigation.

NOTE 12 STATEMENT of CASH FLOWS

The Authority has presented its Statement of Cash Flows on the indirect method.

NOTE 13 SUBSEQUENT EVENTS

The Authority has evaluated all events subsequent to the financial statement date of 31st December 2015 through 8th August 2016, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure under FASB ASC 885-10 Subsequent Events.