

WMNR FINE ARTS RADIO
Financial Statements for Years Ended
June 30, 2015 and 2014
and Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

To the Town of Monroe and
WMNR Fine Arts Radio

We have audited the accompanying financial statements of WMNR Fine Arts Radio (a nonprofit organization) which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of activities, functional expenses 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 audit. We conducted our audit 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 qualified audit opinion.

Basis for Qualified Opinion

As described in Note 8 to the financial statements, the value of on-air volunteers, donated music library and donated programs have not been recorded in the financial statements. Accounting principles generally accepted in the United States of America require that the value of on-air volunteers, donated music library and donated programs to be recorded at its fair market value at the date of receipt. The

effects on the accompanying financial statements of the failure to record the value of on-air volunteers, donated music library and donated programs have not been determined.

Qualified Opinion

In our opinion, except for the possible 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 WMNR Fine Arts Radio as of June 30, 2015 and 2014, 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.

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Lawrence P. Lemieux & Associates, LLC
Monroe, Connecticut

January 4, 2016

**WMNR FINE ARTS RADIO
BALANCE SHEETS
June 30, 2015 and 2014**

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 498,157	\$ 477,625
Accounts receivable	3,918	4,988
Contributions receivable	3,678	4,350
Prepaid expenses	<u>1,118</u>	<u>1,118</u>
Total current assets	506,871	488,081
Property and equipment		
Audio frequency	99,331	91,329
Radio frequency	623,984	616,724
Office furniture and equipment	158,613	155,499
Leasehold improvements	<u>143,971</u>	<u>142,883</u>
	1,025,899	1,006,435
Less: accumulated depreciation	<u>(823,722)</u>	<u>(799,311)</u>
	202,177	207,124
Other assets		
Deposits	<u>-</u>	<u>200</u>
Total assets	<u>\$ 709,048</u>	<u>\$ 695,405</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 11,687	\$ 4,141
Net assets - unrestricted	<u>697,361</u>	<u>691,264</u>
Total liabilities and net assets	<u>\$ 709,048</u>	<u>\$ 695,405</u>

The accompanying auditors' report and notes are an integral part of this statement

WMNR FINE ARTS RADIO
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted revenues		
Contributions	\$ 483,607	\$ 546,184
Underwriting	59,535	59,231
Interest income	1,124	1,060
Donated services	8,832	9,655
Donated facilities	38,220	38,150
Grant (CPB)	<u>95,650</u>	<u>93,310</u>
Total unrestricted revenue	686,968	747,590
Expenses		
Management and general	387,596	384,695
Program services	<u>293,275</u>	<u>272,101</u>
	<u>680,871</u>	<u>656,796</u>
Increase in net assets	6,097	90,794
Net assets - beginning	<u>691,264</u>	<u>600,470</u>
Net assets - ending	<u><u>\$ 697,361</u></u>	<u><u>\$ 691,264</u></u>

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WMNR FINE ARTS RADIO
STATEMENTS OF FUNCTIONAL EXPENSES - MANAGEMENT AND GENERAL
For the Years Ended June 30, 2015 and 2014

	2015	2014
Salaries	\$ 131,496	\$ 133,035
Office supplies and expenses	6,027	3,963
Bank charges	6,155	5,993
Telephone	4,458	5,197
Travel	1,098	1,962
Hospitality	2,662	3,102
Dues and subscriptions	2,834	3,505
Advertising	8,832	9,655
Administrative fees	30,000	30,000
Postage	12,587	12,856
Pledge week	6,085	4,648
Development	27,457	24,348
Computer	9,731	9,312
Maintenance	5,015	3,567
Depreciation	17,304	13,672
Legal & professional	8,860	14,327
Accounting	7,668	10,441
Payroll taxes	11,727	10,177
Internet service	4,140	4,071
Insurance	2,682	2,682
Rent	66,132	67,350
Electric	14,646	10,832
	<u>\$ 387,596</u>	<u>\$ 384,695</u>

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WMNR FINE ARTS RADIO
STATEMENTS OF FUNCTIONAL EXPENSES - PROGRAM
For the Years Ended June 30, 2015 and 2014

	2015	2014
Salaries	\$ 101,778	\$ 89,904
Consultants	31,643	13,856
Syndicated programs (CPB)	37,752	37,429
Research	4,485	4,235
Program guide	1,200	1,800
Transmitter and remote site operations (CPB)	79,370	89,544
Depreciation	7,108	6,818
Broadcast supplies and maintenance	9,296	9,123
Payroll taxes	6,264	6,878
Rent	14,379	12,514
	<u>\$ 293,275</u>	<u>\$ 272,101</u>

WMNR FINE ARTS RADIO
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash provided by operating activities		
Increase in net assets	\$ 6,097	\$ 90,794
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	24,411	20,490
Donated service revenue	(8,832)	(9,655)
Donated facility revenue	(38,220)	(38,150)
Donated consulting expense	8,832	9,655
Donated transmitter site operations	38,220	38,150
(Increase)/decrease in accounts receivable	1,742	(1,494)
Increase/(decrease) in accounts payable	7,546	(1,485)
Increase/(decrease) in other current liabilities	<u>-</u>	<u>(2,955)</u>
Net cash provided by operating activities	39,796	105,350
Cash used by investing activities		
Purchases of property and equipment	<u>(19,264)</u>	<u>(50,389)</u>
Net increase in cash and cash equivalents	20,532	54,961
Cash and cash equivalents - beginning of year	<u>477,625</u>	<u>422,664</u>
Cash and cash equivalents - end of year	<u><u>\$ 498,157</u></u>	<u><u>\$ 477,625</u></u>

The accompanying auditors' report and notes are an integral part of this statement

WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 1 - Significant accounting policies

Basis of accounting - The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions are recorded when pledges are received.

Cash and cash equivalents - Cash and cash equivalents consist of amounts held in a checking accounts, petty cash accounts and investment accounts.

Property and equipment - It is the Organization's policy to capitalize the cost of property and equipment with an estimated useful life of more than three years. Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets, ranging from three to twenty-five years. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the account, and any related gain or loss is reflected in income for the period.

Compensated absences - Employees of WMNR Fine Arts Radio are entitled to paid vacation and paid sick days depending on job classification and length of service. It is impracticable to estimate the amount of compensation for future absences as they are immaterial and, accordingly, no liability has been recorded in the accompanying financial statements. Management's policy is to recognize the costs of compensated absences when actually paid to employees.

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 - Income taxes

As a special revenue fund of the Town of Monroe, WMNR Fine Arts Radio is exempt from income taxes. The Organization has evaluated its tax positions. As a result of the fact that the Organization is not required to file any tax returns, Internal Revenue Service regulations concerning open tax years subject to examination are not relevant. The organization is not currently under audit nor has the organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal year ended June 30, 2015. (See note 3)

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Note 3 - Organization

WMNR Fine Arts Radio is a special revenue fund under the direction of the Town of Monroe, Connecticut, broadcasting fine arts radio programming. The Organization operates as a unit reporting to the WMNR Commission, the First Selectmen as well as the Town Council. The Organization's primary revenue source is contributions from listeners. Revenue is also derived from corporate underwriting and a grant from CPB. In addition, revenue is recognized from donated services and facilities (see note 7).

Note 4 – Uninsured cash balances

WMNR Fine Arts Radio maintains a checking account at a bank. All noninterest-bearing transaction accounts at banks are fully insured by the FDIC. Interest bearing accounts are insured by the FDIC up to \$250,000. Amounts in excess of insured limits were approximately \$67,412 at June 30, 2015 and \$146,289 at June 30, 2014.

Note 5 – Accounts receivable

Accounts receivable represents billed amounts for underwriting uncollected prior to June 30, 2015. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be noncollectable or establishes an allowance for doubtful accounts. Accounts receivable are recorded on the financial statements net of allowance for doubtful accounts. As of June 30, 2015 the allowance for doubtful accounts is \$0.

Note 6 - Contributions receivable

The total amount of contributions receivable are considered to be fully collectable. Receivables past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the listener.

Note 7 – Operating leases

WMNR Fine Arts Radio leases office space in Monroe, Connecticut, under an operating lease which was entered into on May 31, 2012. The term of this lease commenced on May 1, 2013 and will terminate on April 30, 2018, unless sooner terminated or extended as hereinafter provided. Base rent will be \$3,519.51/ month for the lease year ending April 30, 2015. Rent for years 3 through 5 will increase by the percentage of increase, if any, in the Consumer Price Index (CPI) for the month of December in the last year of the then applicable term over the CPI for the month of December of the preceding year. In no event shall the percentage of increase exceed 3%. At June 30, 2015, the aggregate future minimum payments under the current lease are as follows:

<u>Year ending</u>	<u>Payment</u>
June 30, 2016	\$ 42,276 *
June 30, 2017	\$ 43,545 *
June 30, 2018	\$ 44,851 *

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June 30, 2019	\$ 46,197 *
June 30, 2020	<u>\$ 47,583 *</u>
	<u>\$ 224,452</u>

* Adjusted for Percentage increase in CPI – Assumed 3%

WMNR Fine Arts Radio also leases transmitter space on a month-to-month basis in various locations as follows:

Location	Current		Increases	
	Rent	Term	Date	Amount
Bedford Hills, NY	\$703	Monthly	N/A	N/A
West Haven, CT	\$116	10/1/13 – 9/30/18	N/A	N/A
Southampton, NY	\$400	Monthly	N/A	N/A
New London, CT	\$495	7/17/02 – 7-17/17	7/17/13	5%
Sag Harbor, NY	\$500	10/01/11 – 9/30/16	N/A	N/A
West Hartford, CT	\$443	Monthly	Annual	3%
Guilford, CT	\$250	6/25/04 – 6/24/24	N/A	N/A
Seymour, CT	\$149	Monthly	N/A	N/A
Warren, CT	\$120	Monthly	N/A	N/A
Southington, CT	\$150	Monthly	N/A	N/A

At June 30, 2015, the aggregate future minimum payments under the above tower leases for the ensuing five years are as follows:

<u>Year ending</u>	<u>Payment</u>
June 30, 2016	\$ 39,912
June 30, 2017	35,412
June 30, 2018	28,467
June 30, 2019	26,928
June 30, 2020	<u>26,580</u>
	<u>\$ 157,299</u>

Note 8 - Donated services and facilities

When the Corporation for Public Broadcasting calculates the amount of its matching grant, it does not allow a value for on-air volunteers, donated music library or donated programs to be included in the calculation. As a result, management does not include a value for on-air volunteers, donated music library and donated programs in the financial statements.

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Management does, however, include a value for donated professional services, donated facilities and donated premiums, which is consistent with the method used by the Corporation for Public Broadcasting to calculate its matching grant.

Management's decision to include the value of some donated goods and services in these financial statements while not including others, as illustrated in the table below, represents a departure from generally accepted accounting principles. It was not practicable to determine the effects of this inconsistent application of accounting principles.

The value of donated materials and services included in the financial statements and the corresponding expenses are as follows:

	<u>2015</u>	<u>2014</u>
Revenue		
Donated services	\$ 8,832	\$ 9,655
Donated facility	<u>38,220</u>	<u>38,150</u>
	<u>\$ 47,052</u>	<u>\$ 47,805</u>
Expenses		
Transmitter site operations	\$ 38,220	\$ 38,150
Advertising	<u>8,832</u>	<u>9,655</u>
	<u>\$ 47,052</u>	<u>\$ 47,805</u>

Note 9 – Advertising

Advertising costs are expensed as incurred. Total advertising expense for June 30, 2015 and 2014 were \$8,832 and \$9,655 respectively.

Note 10 – Subsequent events

Subsequent events were evaluated through January 4, 2016; the date the financials were available to be issued.

There were no material subsequent events.