

## INDEPENDENT AUDITOR'S REPORT

To the Town of Monroe and  
WMNR Fine Arts Radio

We have audited the accompanying balance sheets of WMNR Fine Arts Radio (a nonprofit organization) as of June 30, 2014 and 2013, 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 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.

### **Basis for Qualified Opinion**

As described in Note 6 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 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 value of on-air volunteers, donated music library and donated programs have not been determined.

**Qualified Opinion**

In our 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 WMNR Fine Arts Radio as of June 30, 2014 and 2013, 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

November 24, 2014

**WMNR FINE ARTS RADIO  
BALANCE SHEETS  
June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 477,625	\$ 422,664
Accounts receivable	4,988	4,928
Contributions receivable	4,350	2,917
Prepaid expenses	<u>1,118</u>	<u>1,118</u>
<b>Total current assets</b>	<b>488,081</b>	<b>431,627</b>
<b>Property and equipment</b>		
Audio frequency	91,329	76,468
Radio frequency	616,724	583,311
Office furniture and equipment	155,499	154,726
Leasehold improvements	<u>142,883</u>	<u>141,540</u>
	1,006,435	956,045
Less: accumulated depreciation	<u>(799,311)</u>	<u>(778,821)</u>
	207,124	177,224
<b>Other assets</b>		
Deposits	<u>200</u>	<u>200</u>
<b>Total assets</b>	<b><u>\$ 695,405</u></b>	<b><u>\$ 609,051</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 4,141	\$ 5,626
Due to general fund	<u>-</u>	<u>2,955</u>
<b>Total current liabilities</b>	<b>4,141</b>	<b>8,581</b>
<b>Net assets - unrestricted</b>	<u>691,264</u>	<u>600,470</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 695,405</u></b>	<b><u>\$ 609,051</u></b>

**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, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Unrestricted revenues</b>		
Contributions	\$ 546,184	\$ 565,724
Underwriting	59,231	5,588
Interest income	1,060	1,417
Donated services	9,655	8,653
Donated facilities	38,150	38,430
Grant (CPB)	<u>93,310</u>	<u>90,999</u>
<b>Total unrestricted revenue</b>	<b>747,590</b>	<b>710,811</b>
<b>Expenses</b>		
Management and general	384,695	492,642
Program services	<u>272,101</u>	<u>225,759</u>
	<u>656,796</u>	<u>718,401</u>
<b>Increase (decrease) in net assets</b>	<b>90,794</b>	<b>(7,590)</b>
<b>Net assets - beginning</b>	<u>600,470</u>	<u>608,060</u>
<b>Net assets - ending</b>	<u>\$ 691,264</u>	<u>\$ 600,470</u>

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**WMNR FINE ARTS RADIO**  
**STATEMENTS OF FUNCTIONAL EXPENSES - MANAGEMENT AND GENERAL**  
**For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Salaries	\$ 133,035	\$ 204,439
Office supplies and expenses	3,963	6,513
Bank charges	5,993	6,003
Telephone	5,197	10,714
Travel	1,962	534
Hospitality	3,102	2,299
Dues and subscriptions	3,505	2,374
Advertising	9,655	8,653
Administrative fees	30,000	30,000
Postage	12,856	12,746
Pledge week	4,648	5,567
Development	24,348	28,302
Computer	9,312	9,119
Maintenance	3,567	4,101
Depreciation	13,672	15,339
Legal & professional	14,327	19,619
Accounting	10,441	21,114
Payroll taxes	10,177	14,101
Internet service	4,071	5,654
Insurance	2,682	2,682
Rent	67,350	71,830
Electric	10,832	10,939
	<u>\$ 384,695</u>	<u>\$ 492,642</u>

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**WMNR FINE ARTS RADIO**  
**STATEMENTS OF FUNCTIONAL EXPENSES - PROGRAM**  
**For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Salaries	\$ 89,904	\$ 11,256
Consultants	13,856	13,742
Syndicated programs (CPB)	37,429	43,137
Research	4,235	4,020
Program guide	1,800	2,990
Transmitter and remote site operations (CPB)	89,544	112,396
Depreciation	6,818	10,391
Broadcast supplies and maintenance	9,123	11,874
Payroll taxes	6,878	861
Rent	12,514	15,092
	<u>\$ 272,101</u>	<u>\$ 225,759</u>

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

**WMNR FINE ARTS RADIO  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Cash provided (used) by operating activities</b>		
Increase (decrease) in net assets	\$ 90,794	\$ (7,590)
<b>Adjustments to reconcile decrease in net assets to net cash provided by operating activities</b>		
Depreciation	20,490	25,730
Donated service revenue	(9,655)	(8,653)
Donated facility revenue	(38,150)	(38,430)
Donated consulting expense	9,655	8,653
Donated transmitter site operations	38,150	38,430
(Increase)/decrease in accounts receivable	(1,494)	2,020
Decrease in accounts payable	(1,485)	(3,139)
Increase/(decrease) in other current liabilities	<u>(2,955)</u>	<u>2,955</u>
<b>Net cash provided by operating activities</b>	105,350	19,976
<b>Cash used by investing activities</b>		
Purchases of property and equipment	<u>(50,389)</u>	<u>(74,547)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	54,961	(54,571)
Cash and cash equivalents - beginning of year	<u>422,664</u>	<u>477,235</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 477,625</u></u>	<u><u>\$ 422,664</u></u>

**WMNR FINE ARTS RADIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**Note 1 - Significant accounting policies**

**Date of Management Evaluation** - Management has evaluated subsequent events through November 24, 2014, the date on which the financial statements were available to be issued.

**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.

**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, 2014. (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 - 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 6).

**Note 3 – 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 \$146,289 at June 30, 2014 and \$55,228 at June 30, 2013.

**Note 4 - Contributions receivable**

The total amount of contributions receivable are considered to be fully collectable within one year.

**Note 5 – 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 \$3,467.50/ month for the lease year ending April 30, 2014. 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, 2014, the aggregate future minimum payments under the current lease are as follows:

<u>Year ending</u>	<u>Payment</u>
June 30, 2015	\$ 42,445 *
June 30, 2016	\$ 43,719 *
June 30, 2017	\$ 45,030 *
June 30, 2018	<u>\$ 39,612 *</u>
	<u>\$ 170,806</u>

\* Adjusted for Percentage increase in CPI

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

<b>Location</b>	<b>Current Rent</b>	<b>Term</b>	<b>Increases</b>	
			<b>Date</b>	<b>Amount</b>
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, 2014, 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, 2015	\$ 39,912
June 30, 2016	39,912
June 30, 2017	35,412
June 30, 2018	28,467
June 30, 2019	<u>26,928</u>
	<u>\$170,631</u>

#### **Note 6 - 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.

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>2014</u>	<u>2013</u>
<b>Revenue</b>		
Donated services	\$ 9,655	\$ 8,653
Donated facility	<u>38,150</u>	<u>38,430</u>
	\$ <u>47,805</u>	\$ <u>47,083</u>

**Expenses**

Transmitter site operations	\$ 38,150	\$ 38,430
Advertising	<u>9,655</u>	<u>8,653</u>
	\$ <u>47,805</u>	\$ <u>47,083</u>

**Note 7 – 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.

**Note 8 – Advertising**

Advertising costs are expensed as incurred. Total advertising expense for June 30, 2014 and 2013 were \$9,655 and \$8,653 respectively.