

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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, 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 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 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, 2016 and 2015, and the changes in its net assets and its cash flows for the year 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

December 20, 2016

WMNR FINE ARTS RADIO
STATEMENTS OF FINANCIAL POSITION
June 30,

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 490,555	\$ 498,157
Contributions receivable	4,927	3,918
Pledges receivable	4,489	3,678
Prepaid expense	<u>1,118</u>	<u>1,118</u>
Total current assets	501,089	506,871
 Property and equipment		
Audio frequency	126,180	99,331
Radio frequency	631,274	623,984
Office furniture and equipment	160,454	158,613
Leasehold improvements	<u>150,121</u>	<u>143,971</u>
	1,068,029	1,025,899
Less: accumulated depreciation	<u>(852,827)</u>	<u>(823,722)</u>
	215,202	202,177
 Other assets		
Deposits	<u>200</u>	<u>-</u>
	<u>\$ 716,491</u>	<u>\$ 709,048</u>
 Liabilities and Net Assets		
 Liabilities		
Accounts payable	\$ 14,229	\$ 11,687
 Net Assets		
Unrestricted	<u>702,262</u>	<u>697,361</u>
	<u>\$ 716,491</u>	<u>\$ 709,048</u>

WMNR FINE ARTS RADIO
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2016

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Support and Revenue			
Membership contributions	\$ 490,261	\$ -	\$ 490,261
Underwriting	60,728	-	60,728
Grant from the Corporation for Public Broadcasting (CPB)	69,070	24,180	93,250
Donated services and in-kind contributions	-	12,023	12,023
Donated facilities	-	38,430	38,430
Interest income	1,114	-	1,114
	<u>621,173</u>	<u>74,633</u>	<u>695,806</u>
Expenses			
Management and general	384,380	12,023	396,403
Program services	231,892	62,610	294,502
	<u>616,272</u>	<u>74,633</u>	<u>690,905</u>
CHANGE IN NET ASSETS	4,901	-	4,901
Net assets - beginning of year	<u>697,361</u>	<u>-</u>	<u>697,361</u>
Net assets - end of year	<u>\$ 702,262</u>	<u>\$ -</u>	<u>\$ 702,262</u>

WMNR FINE ARTS RADIO
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2015

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Support and Revenue			
Membership contributions	\$ 483,607	\$ -	\$ 483,607
Underwriting	59,535	-	59,535
Grant from the Corporation for Public Broadcasting (CPB)	70,427	25,223	95,650
Donated services and in-kind contributions	-	8,832	8,832
Donated facilities	-	38,220	38,220
Interest income	1,124	-	1,124
Total Support and Revenue	<u>614,693</u>	<u>72,275</u>	<u>686,968</u>
Expenses			
Management and general	378,764	8,832	387,596
Program services	229,832	63,443	293,275
Total Expenses	<u>608,596</u>	<u>72,275</u>	<u>680,871</u>
 CHANGE IN NET ASSETS	 6,097	 -	 6,097
Net assets - beginning of year	<u>691,264</u>	<u>-</u>	<u>691,264</u>
Net assets - end of year	<u>\$ 697,361</u>	<u>\$ -</u>	<u>\$ 697,361</u>

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

	<u>2016</u>	<u>2015</u>
Salaries	\$ 125,790	\$ 131,496
Office supplies and expenses	7,741	6,027
Bank charges	6,852	6,155
Telephone	4,567	4,458
Travel	1,255	1,098
Hospitality	2,063	2,662
Dues and subscriptions	2,924	2,834
Advertising - restricted	12,023	8,832
Administrative fees	35,004	30,000
Postage	13,130	12,587
Pledge week	6,367	6,085
Development	22,201	27,457
Computer	7,743	9,731
Maintenance	13,653	5,015
Depreciation	20,466	17,304
Legal & professional	8,127	8,860
Accounting	10,818	7,668
Payroll taxes	9,905	11,727
Internet service	4,599	4,140
Insurance	2,682	2,682
Rent	66,560	66,132
Electric	11,933	14,646
	<u>\$ 396,403</u>	<u>\$ 387,596</u>

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

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

	<u>2016</u>	<u>2015</u>
Salaries	\$ 104,761	\$ 101,778
Consultants	35,502	31,643
Syndicated programs (CPB) - restricted	24,180	25,223
Syndicated programs (CPB)	12,800	12,529
Research	2,310	4,485
Program guide	-	1,200
Transmitter and remote site operations (CPB)	77,824	79,370
Depreciation	8,638	7,108
Broadcast supplies and maintenance	7,488	9,296
Payroll taxes	6,508	6,264
Rent	14,491	14,379
	<u>\$ 294,502</u>	<u>\$ 293,275</u>

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

	<u>2016</u>	<u>2015</u>
Cash Provided by Operating Activities		
Change in Net Assets	\$ 4,901	\$ 6,097
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	29,104	24,412
Donated service revenue	(12,023)	(8,832)
Donated facility revenue	(38,430)	(38,220)
Donated consulting expense	12,023	8,832
Donated transmitter site operations	38,430	38,220
Changes in Operating Assets and Liabilities:		
Contributions receivable	(1,009)	1,071
Pledges receivable	(811)	672
Other assets	(200)	-
Accounts payable	<u>2,543</u>	<u>7,545</u>
Total Adjustments	<u>29,627</u>	<u>33,700</u>
Net Cash Provided by Operating Activities	34,528	39,797
Cash Used by Investing Activities		
Acquisition of property and equipment	<u>(42,130)</u>	<u>(19,264)</u>
<u>Net Change in Cash and Cash Equivalents</u>	(7,602)	20,533
Cash and cash equivalents - beginning of year	<u>498,157</u>	<u>477,624</u>
Cash and cash equivalents - end of year	<u>\$ 490,555</u>	<u>\$ 498,157</u>

WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 1 – Organization

WMNR Fine Arts Radio (the “Organization” or “WMNR”) 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. WMNR began broadcasting classical and fine arts music in 1982. A portion of WMNR’s revenue is derived from corporate underwriting and a grant from Corporation for Public Broadcasting (“CPB”). In addition, revenue is recognized from donated services and facilities (see note 6). WMNR has approximately 60,000 listeners and 6,000 contributing members and is funded entirely by those listeners, foundations and businesses.

Note 2 – Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with Financial Accounting Standards Board (“FASB”) guidance on reporting information regarding its financial position and activities for not-for-profit organizations. Under that guidance, WMNR is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Further, contributions are recognized as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Contributions: All contributions are recognized as unrestricted support unless their use is specifically restricted by the donor. When a donor restriction expires, the stipulated time restriction ends, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. The Organization has no permanently restricted net assets.

Non-cash Contributions: Management includes a value for donated professional services, donated facilities and donated premiums, which is consistent with the method used by the CPB to calculate its matching grant (see note 6).

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents. The Organization’s cash and cash equivalents consist of amounts held in a checking account, a money market account and a petty cash account.

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Note 2 – Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

The allowance for doubtful accounts is evaluated by management on an annual basis, based on historical performance levels of the varying types of contributions, matching gifts, corporate underwriting and individual memberships. Accounts receivable are recorded on the financial statements net of allowance for doubtful accounts. As of June 30, 2016 and 2015 the allowance for doubtful accounts was \$0.

Property and Equipment

Property and equipment are carried at cost, if purchased, or at fair value on dates donated, if contributed. WMNR reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Equipment and furniture are depreciated over seven years; leasehold improvements are depreciated over thirty-nine 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 as an other income (expense) item for the period. It is the Organization's policy to capitalize equipment costing greater than \$500 and estimated to last greater than three years. Repairs and maintenance to existing facilities are charged as expenses as incurred. Minor replacements are charged to expenses as incurred.

Income Taxes

As a special revenue fund of the Town of Monroe, WMNR is exempt from income taxes. Due to 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. The Organization believes all tax positions taken past and present 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, 2016.

Compensated Absences

Employees of WMNR 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 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. WMNR's management regularly assesses these

Note 2 – Summary of Significant Accounting Policies (continued)

estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

Reclassifications

Certain 2015 account balances have been reclassified to ensure that the 2016 comparative financial statements meet the CPB Financial Reporting Guidelines.

Note 3 – Uninsured Cash Balances

WMNR Fine Arts Radio maintains a checking account at an accredited local 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 \$68,527 at June 30, 2016 and \$67,412 at June 30, 2015.

Note 4 - 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 an individual credit evaluation and specific circumstances of the listener.

Note 5 – Operating Leases

WMNR Fine Arts Radio leases 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 is \$3,547.67 per month for lease year 2. 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%. Current minimum payments for the years ended June 30:

2017	\$ 43,900 *
2018	45,217 *
2019	46,574 *
2020	47,971 *
2021	<u>49,410 *</u>
	\$ <u>233,072</u>

* Adjusted for Percentage increase in CPI – Assumed 3%

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Note 5 – Operating Leases (continued)

WMNR maintains antenna site and transmitter space operating lease agreements in various locations throughout Fairfield, Litchfield, Hartford, New Haven and Westchester Counties as well as Long Island, New York.

<u>Location</u>	<u>Current</u>	<u>Term</u>	<u>Increases</u>	
	<u>Rent</u>		<u>Date</u>	<u>Amount</u>
Southampton, NY	\$ 500	Monthly	N/A	N/A
West Haven, CT	\$ 165	10/1/13 – 9/30/18	N/A	N/A
Southampton, NY	\$ 400	Monthly	N/A	N/A
New London, CT	\$ 602	7/17/02 – 7-17/17	N/A	N/A
Mt. Kisco, NY	\$ 905	Monthly	Semi-Annual	5%
West Hartford, CT	\$ 498	Monthly	Annual	3%
Guilford, CT	\$ 300	6/25/04 – 6/24/24	N/A	N/A
Seymour, CT	\$ 163	Monthly	N/A	N/A
Warren, CT	\$ 360	Quarterly	N/A	N/A
Middlefield, CT	\$ 1,560	Per Year	N/A	N/A

The aggregate future minimum payments on the above tower leases are as follows for the years ended June 30:

2017	\$ 45,396
2018	38,774
2019	36,687
2020	36,192
2021	<u>36,192</u>
	<u>\$ 193,241</u>

Note 6 - Donated Services and Facilities

When the CPB 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'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.

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Note 6 - Donated Services and Facilities (continued)

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

	<u>2016</u>	<u>2015</u>
Revenue		
Donated services	\$ 12,023	\$ 8,832
Donated facility	<u>38,430</u>	<u>38,220</u>
	\$ <u>50,453</u>	\$ <u>47,052</u>
Expenses		
Transmitter site operations	\$ 38,430	\$ 38,220
Advertising	<u>12,023</u>	<u>8,832</u>
	\$ <u>50,453</u>	\$ <u>47,052</u>

Note 7 – Advertising

Advertising costs are expensed as incurred. Total advertising expense for June 30, 2016 and 2015 were \$12,023 and \$8,832 respectively.

Note 8 – Subsequent events

Subsequent events were evaluated through December 20, 2016; the date the financials were available to be issued. There were no material subsequent events.