

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 statement of financial position as of June 30, 2017 and 2016, 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 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, 2017 and 2016, 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.



Lawrence P. Lemieux & Associates, LLC

Monroe, Connecticut

December 23, 2017

WMNR FINE ARTS RADIO
STATEMENTS OF FINANCIAL POSITION
June 30,

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 401,063	\$ 490,555
Contributions receivable	4,155	4,927
Pledges receivable	2,211	4,489
Due from affiliate	1,683	-
Prepaid expense	<u>1,118</u>	<u>1,118</u>
Total current assets	410,230	501,089
 Property and equipment		
Audio frequency	128,605	126,180
Radio frequency	692,213	631,274
Office furniture and equipment	160,454	160,454
Leasehold improvements	<u>150,121</u>	<u>150,121</u>
	1,131,393	1,068,029
Less: accumulated depreciation	<u>(881,385)</u>	<u>(852,827)</u>
	250,008	215,202
 Other assets		
Deposits	<u>-</u>	<u>200</u>
	<u>\$ 660,238</u>	<u>\$ 716,491</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 10,609	\$ 14,229
 Net assets		
Unrestricted	<u>649,629</u>	<u>702,262</u>
	<u>\$ 660,238</u>	<u>\$ 716,491</u>

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

	<u>2017</u>			<u>2016</u>		
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Support and Revenue						
Membership contributions	\$ 449,158	\$ -	\$ 449,158	\$ 490,261	\$ -	\$ 490,261
Underwriting	51,819	-	51,819	60,728	-	60,728
Grant (CPB)	65,285	23,022	88,307	69,070	24,180	93,250
Donated services	-	11,719	11,719	-	12,023	12,023
Donated facilities	-	38,500	38,500	-	38,430	38,430
Interest income	1,283	-	1,283	1,114	-	1,114
Total Support and Revenue	<u>567,545</u>	<u>73,241</u>	<u>640,786</u>	<u>621,173</u>	<u>74,633</u>	<u>695,806</u>
Expenses						
Management and general	363,796	11,719	375,515	360,441	12,023	372,464
Program services	256,382	61,522	317,904	255,831	62,610	318,441
Total Expenses	<u>620,178</u>	<u>73,241</u>	<u>693,419</u>	<u>616,272</u>	<u>74,633</u>	<u>690,905</u>
CHANGE IN NET ASSETS	(52,633)	-	(52,633)	4,901	-	4,901
Net assets - beginning of year	<u>702,262</u>	<u>-</u>	<u>702,262</u>	<u>697,361</u>	<u>-</u>	<u>697,361</u>
Net assets - end of year	<u>\$ 649,629</u>	<u>\$ -</u>	<u>\$ 649,629</u>	<u>\$ 702,262</u>	<u>\$ -</u>	<u>\$ 702,262</u>

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

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

	<u>2017</u>	<u>2016</u>
Salaries	\$ 130,198	\$ 125,790
Office supplies and expenses	5,144	7,740
Bank charges	7,135	6,852
Telephone	4,625	4,567
Travel	1,889	1,255
Hospitality	6,256	2,063
Dues and subscriptions	2,889	2,924
Advertising (trade out) - restricted	11,719	12,023
Administrative fees	35,004	35,004
Postage	13,368	13,130
Pledge week	4,974	6,367
Development	20,325	22,201
Computer	15,032	7,743
Maintenance	10,245	13,653
Depreciation	19,420	20,466
Legal & professional	4,738	8,127
Accounting	9,318	10,818
Payroll taxes	8,380	9,905
Internet service	7,641	4,599
Insurance	2,682	2,682
Rent	43,020	42,622
Electric	11,513	11,933
	<u>\$ 375,515</u>	<u>\$ 372,464</u>

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

	<u>2017</u>	<u>2016</u>
Salaries	\$ 100,186	\$ 104,761
Consultants	26,365	35,502
Syndicated programs (CPB) - restricted	23,022	24,180
Syndicated programs	15,781	12,800
Research	8,400	2,310
Transmitter and remote site operations (CPB)	82,101	77,824
Depreciation	9,138	8,638
Broadcast supplies and maintenance	6,747	7,488
Payroll taxes	7,664	6,508
Rent (trade out) - restricted	38,500	38,430
	<u>\$ 317,904</u>	<u>\$ 318,441</u>

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

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (52,633)	\$ 4,901
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	28,558	29,104
	<u>(24,075)</u>	<u>34,005</u>
Changes in assets and liabilities:		
(Increase) decrease in contributions receivable	772	(1,009)
(Increase) decrease in pledges receivable	2,278	(811)
Increase in due from affiliate	(1,683)	-
(Increase) decrease in deposits	200	(200)
Increase (decrease) in accounts payable	<u>(3,620)</u>	<u>2,543</u>
Net cash provided (used) by operating activities	(26,128)	34,528
Cash flows from investing activities:		
Purchase of property and equipment	<u>(63,364)</u>	<u>(42,130)</u>
Net cash used by investing activities	<u>(63,364)</u>	<u>(42,130)</u>
<u>Net change in cash and cash equivalents</u>	(89,492)	(7,602)
Cash and cash equivalents - beginning of year	<u>490,555</u>	<u>498,157</u>
Cash and cash equivalents - end of year	<u>\$ 401,063</u>	<u>\$ 490,555</u>
Supplemental cash flows disclosures:		
Non-cash activities during the year:		
Donated services	\$ (11,719)	\$ (12,023)
Donated facilities	\$ (38,500)	\$ (38,430)
Trade out - services	\$ 11,719	\$ 12,023
Trade out - facilities	\$ 38,500	\$ 38,430

WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 1 – Organization

WMNR Fine Arts Radio (the “Organization” or “WMNR”) is a public radio station, licensed to the Town of Monroe, Connecticut. WMNR broadcasts classical and fine arts radio programming. The Organization operates as a unit reporting to the WMNR Commission, the First Selectmen and the Town Council. WMNR began broadcasting classical and fine arts music in 1982. A portion of WMNR’s revenue is derived from corporate underwriting, private donations and a grant from Corporation for Public Broadcasting (“CPB”). To supplement WMNR’s various income sources the Organization also relies on donated services and facilities (see note 6). WMNR has approximately 55,000 listeners and 5,000 contributing members.

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, 2017 and 2016, 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

WMNR operates as a special revenue fund of the Town of Monroe, Connecticut. WMNR and the Town of Monroe do not appear on the IRS 501 (c) (3) list of tax-deductible groups as this list is only for private non-profit corporations and WMNR is part of a governmental entity. Contributions to WMNR are tax deductible as charitable contributions under Section 170 (c) (1) of the Internal Revenue Code and as such WMNR is exempt from income taxes. 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, 2017.

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

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Note 2 – Summary of Significant Accounting Policies (continued)

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

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 \$44,810 at June 30, 2017 and \$68,527 at June 30, 2016 .

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 Town Council voted to renew the lease exercising the first renewal option which shall commence on May 1, 2018 and shall terminate on April 30, 2023, unless sooner terminated or extended. Commencing on the commencement date of each renewal period Years 2-5, the gross rent for the then applicable renewal period shall 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%.

Future minimum lease payments for the years ended June 30 are as follows:

2018	\$ 44,515 *
2019	48,346 *
2020	49,003 *
2021	49,670 *
2022	<u>50,345 *</u>
	\$ <u>241,879</u>

* Adjusted for percentage increase in CPI – assumed 1.36%
which was the average CPI from 2012 through 2016

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Note 5 – Operating Leases (continued)

WMNR maintains antenna site and transmitter space operating lease agreements in the various locations listed below:

<u>Location</u>	<u>Current</u>	<u>Term</u>	<u>Increases</u>	
	<u>Rent</u>		<u>Date</u>	<u>Amount</u>
Sag Harbor, NY	\$ 600	1/01/17 – 12/31/22	N/A	N/A
West Haven, CT	\$ 165	Monthly	N/A	N/A
Southampton, NY	\$ 400	Monthly	N/A	N/A
New London, CT	\$ 594	Monthly	N/A	N/A
Mt. Kisco, NY	\$ 927	Monthly	Semi-Annual	5%
West Hartford, CT	\$ 501	Monthly	Annual	3%
Guilford, CT	\$ 300	6/25/04 – 6/24/24	N/A	N/A
Seymour, CT	\$ 350	1 Year Minimum	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 antenna sites and transmitter space for the years ended June 30 are as follows:

2018	\$ 49,891
2019	47,098
2020	48,636
2021	50,319
2022	<u>52,160</u>
	\$ <u>248,104</u>

Note 6 - Donated Services and Facilities

When the CPB calculates the amount of its matching grant, it does not assign 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 donated goods and services in these financial statements, as illustrated in the table below, represents a departure from generally accepted accounting principles. The donated goods and services were included in the financial statements so WMNR remains in compliance with the CPB Financial Reporting Guidelines. 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>2017</u>	<u>2016</u>
Revenue		
Donated services	\$ 11,719	\$ 12,023
Donated facility	<u>38,500</u>	<u>38,430</u>
	\$ <u>50,219</u>	\$ <u>50,453</u>
Expenses		
Transmitter site operations	\$ 38,500	\$ 38,430
Advertising	<u>11,719</u>	<u>12,023</u>
	\$ <u>50,219</u>	\$ <u>50,453</u>

Note 7 – Advertising

Advertising costs are expensed as incurred. Total advertising expense for June 30, 2017 and 2016 were \$11,719 and \$12,023 respectively.

Note 8 – Subsequent events

Subsequent events were evaluated through December 23, 2017, the date the financials were available to be issued. There were no material subsequent events.

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