

## 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, 2018 and 2017, 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.

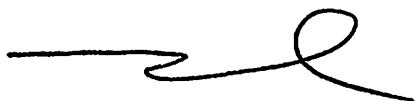
### Basis for Qualified Opinion

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, 2018 and 2017, 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

December 7, 2018

**WMNR FINE ARTS RADIO**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30,**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 343,554	\$ 401,063
Contributions receivable	3,912	4,155
Pledges receivable	1,525	2,211
Refundable expenses	2,603	1,683
Prepaid expense	<u>1,618</u>	<u>1,118</u>
Total current assets	353,212	410,230
 <b>Property and equipment</b>		
Audio frequency	129,086	128,605
Radio frequency	693,023	692,213
Office furniture and equipment	160,454	160,454
Leasehold improvements	<u>152,639</u>	<u>150,121</u>
	1,135,202	1,131,393
Less: accumulated depreciation	<u>(913,678)</u>	<u>(881,385)</u>
	<u>221,524</u>	<u>250,008</u>
	 <u>\$ 574,736</u>	 <u>\$ 660,238</u>
 <b>Liabilities and Net Assets</b>		
 <b>Liabilities</b>		
Accounts payable	\$ 4,336	\$ 10,609
 <b>Net assets</b>		
Unrestricted	<u>570,400</u>	<u>649,629</u>
	 <u>\$ 574,736</u>	 <u>\$ 660,238</u>

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

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

	<b>2018</b>			<b>2017</b>		
	<b><u>UNRESTRICTED</u></b>	<b><u>RESTRICTED</u></b>	<b><u>TOTAL</u></b>	<b><u>UNRESTRICTED</u></b>	<b><u>RESTRICTED</u></b>	<b><u>TOTAL</u></b>
<b>Support and Revenue</b>						
Membership contributions	\$ 448,642	\$ -	\$ 448,642	\$ 449,158	\$ -	\$ 449,158
Underwriting	43,179	-	43,179	51,819	-	51,819
Grant (CPB)	63,700	22,650	86,350	65,285	23,022	88,307
Donated services	-	12,455	12,455	-	11,719	11,719
Donated facilities	-	38,290	38,290	-	38,500	38,500
Interest income	2,511	-	2,511	1,283	-	1,283
Total Support and Revenue	<u>558,032</u>	<u>73,395</u>	<u>631,427</u>	<u>567,545</u>	<u>73,241</u>	<u>640,786</u>
<b>Expenses</b>						
Management and general	354,101	12,455	366,556	363,796	11,719	375,515
Program services	<u>283,160</u>	<u>60,940</u>	<u>344,100</u>	<u>256,382</u>	<u>61,522</u>	<u>317,904</u>
Total Expenses	<u>637,261</u>	<u>73,395</u>	<u>710,656</u>	<u>620,178</u>	<u>73,241</u>	<u>693,419</u>
 <b>CHANGE IN NET ASSETS</b>	 (79,229)	 -	 (79,229)	 (52,633)	 -	 (52,633)
Net assets - beginning of year	<u>649,629</u>	<u>-</u>	<u>649,629</u>	<u>702,262</u>	<u>-</u>	<u>702,262</u>
Net assets - end of year	<u>\$ 570,400</u>	<u>\$ -</u>	<u>\$ 570,400</u>	<u>\$ 649,629</u>	<u>\$ -</u>	<u>\$ 649,629</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>2018</u>	<u>2017</u>
Salaries	\$ 115,408	\$ 130,198
Office supplies and expenses	4,690	5,144
Bank charges	6,641	7,135
Telephone	4,727	4,625
Travel	1,035	1,889
Hospitality	6,871	6,256
Dues and subscriptions	2,850	2,889
Advertising (trade out) - restricted	12,455	11,719
Administrative fees	37,392	35,004
Postage	15,162	13,368
Pledge week	4,191	4,974
Development	14,224	20,325
Computer	15,977	15,032
Maintenance	5,350	10,245
Depreciation	23,117	19,420
Legal & professional	8,080	4,738
Accounting	11,522	9,318
Payroll taxes	7,045	8,380
Internet service	9,378	7,641
Insurance	2,682	2,682
Rent	44,515	43,020
Electric	13,244	11,513
	<u>\$ 366,556</u>	<u>\$ 375,515</u>

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

	<u>2018</u>	<u>2017</u>
Salaries	\$ 121,718	\$ 9,311
Consultants	26,847	26,365
Syndicated programs (CPB) - restricted	22,650	23,022
Syndicated programs	17,166	15,781
Research	5,700	8,400
Transmitter and remote site operations (CPB)	87,750	82,101
Depreciation	9,176	9,138
Broadcast supplies and maintenance	5,492	6,747
Payroll taxes	9,311	131,029
Rent (trade out) - restricted	38,290	38,500
	<u>\$ 344,100</u>	<u>\$ 350,394</u>

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

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (79,229)	\$ (52,633)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	<u>32,293</u>	<u>28,558</u>
	(46,936)	(24,075)
Changes in assets and liabilities:		
Decrease in contributions receivable	243	772
Decrease in pledges receivable	686	2,278
Increase in due from affiliate	(920)	(1,683)
Increase in prepaid expense	(500)	-
Decrease in deposits	-	200
Decrease in accounts payable	<u>(6,273)</u>	<u>(3,620)</u>
Net cash provided (used) by operating activities	(53,700)	(26,128)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(3,809)</u>	<u>(63,364)</u>
Net cash used by investing activities	<u>(3,809)</u>	<u>(63,364)</u>
<b><u>Net change in cash and cash equivalents</u></b>	(57,509)	(89,492)
Cash and cash equivalents - beginning of year	<u>401,063</u>	<u>490,555</u>
Cash and cash equivalents - end of year	<u>\$ 343,554</u>	<u>\$ 401,063</u>
<b>Supplemental cash flows disclosures:</b>		
Non-cash activities during the year:		
Donated services	\$ (12,455)	\$ (11,719)
Donated facilities	\$ (38,290)	\$ (38,500)
Trade out - services	\$ 12,455	\$ 11,719
Trade out - facilities	\$ 38,290	\$ 38,500

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

**WMNR FINE ARTS RADIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**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 50,000 listeners and 4,000 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, 2018, and 2017, 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, 2018.

### **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 at June 30, 2018 and 2017 were \$0 and \$44,810, respectively.

## 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 donor.

## 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 exercise the first renewal option on May 1, 2018 extending the lease through April 30, 2023. 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:

2019	\$ 45,156 *
2020	45,806 *
2021	46,466 *
2022	47,135 *
2023	<u>47,814 *</u>
	\$ <u>232,377</u>

\* Adjusted for percentage increase in CPI – assumed 1.44%  
which was the average CPI from 2014 through 2018

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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	\$ 663	Monthly	Annual	4%
Mt. Kisco, NY	\$ 1,040	Monthly	Semi-Annual	5%
West Hartford, CT	\$ 544	Monthly	Annual	3%
Guilford, CT	\$ 300	6/25/04 – 6/24/24	N/A	N/A
Seymour, CT	\$ 513	10/1/17 – 9/30/18	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	\$ 55,158
2019	50,918
2020	52,988
2021	55,233
2022	<u>57,671</u>
	\$ <u>271,967</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>2018</u>	<u>2017</u>
<b>Revenue</b>		
Donated services	\$ 12,455	\$ 11,719
Donated facility	<u>38,290</u>	<u>38,500</u>
	\$ <u>50,745</u>	\$ <u>50,219</u>
<b>Expenses</b>		
Transmitter site operations	\$ 38,290	\$ 38,500
Advertising	<u>12,455</u>	<u>11,719</u>
	\$ <u>50,745</u>	\$ <u>50,219</u>

**Note 7 – Advertising**

Advertising costs are expensed as incurred. Total advertising expense for June 30, 2018 and 2017 were \$12,455 and \$11,719, respectively.

**Note 8 – Subsequent events**

Subsequent events were evaluated through December 7, 2018, the date the financials were available to be issued. There were no material subsequent events.

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