

WMNR FINE ARTS RADIO
Financial Statements for Years Ended
June 30, 2019 and 2018
and Independent Auditors' Report

INDEPENDENT AUDITORS' 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, 2019 and 2018, 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, 2019 and 2018, 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 16, 2019

WMNR FINE ARTS RADIO
STATEMENTS OF FINANCIAL POSITION
As of June 30,

	2019	2018
Assets		
Cash and cash equivalents	\$ 362,757	\$ 343,554
Contributions receivable	9,132	3,912
Pledges receivable	3,166	1,525
Refundable expenses	-	2,603
Prepaid expenses	10,216	1,618
Property and equipment, net	<u>205,586</u>	<u>221,524</u>
Total assets	<u>\$ 590,857</u>	<u>\$ 574,736</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 7,702	\$ 4,336
Due to related parties	193	-
Deferred revenue	<u>4,375</u>	<u>-</u>
Total liabilities	12,270	4,336
Net Assets		
Without donor restrictions	<u>578,587</u>	<u>570,400</u>
Total liabilities and net assets	<u>\$ 590,857</u>	<u>\$ 574,736</u>

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

**WMNR FINE ARTS RADIO
STATEMENT OF ACTIVITIES
For the Years Ended June 30,**

	<u>2019</u>			<u>2018</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Membership contributions	\$ 474,505	\$ -	\$ 474,505	\$ 423,642	\$ -	\$ 423,642
Major gifts and bequests	50,000	-	50,000	25,000	-	25,000
Underwriting	45,236	-	45,236	43,179	-	43,179
Grant (CPB)	63,021	22,757	85,778	63,700	22,650	86,350
Donated services	-	18,657	18,657	-	12,455	12,455
Donated facilities	-	38,290	38,290	-	38,290	38,290
Interest income	4,796	-	4,796	2,511	-	2,511
Total revenues and other support	<u>637,558</u>	<u>79,704</u>	<u>717,262</u>	<u>558,032</u>	<u>73,395</u>	<u>631,427</u>
Expenses						
Management and general	363,206	18,657	381,863	354,101	12,455	366,556
Program services	266,165	61,047	327,212	283,160	60,940	344,100
Total expenses	<u>629,371</u>	<u>79,704</u>	<u>709,075</u>	<u>637,261</u>	<u>73,395</u>	<u>710,656</u>
Change in net assets from operations	8,187	-	8,187	(79,229)	-	(79,229)
Net assets, beginning of year	570,400	-	570,400	649,629	-	649,629
Net assets, end of year	<u>\$ 578,587</u>	<u>\$ -</u>	<u>\$ 578,587</u>	<u>\$ 570,400</u>	<u>\$ -</u>	<u>\$ 570,400</u>

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

	2019	2018
Salaries	\$ 119,737	\$ 115,408
Office supplies and expenses	4,398	4,690
Bank charges	7,906	6,641
Telephone	4,033	4,727
Travel	-	1,035
Hospitality	3,879	6,871
Dues and subscriptions	2,970	2,850
Advertising (trade out) - restricted	18,657	12,455
Administrative fees	37,392	37,392
Postage	13,253	15,162
Pledge week	5,143	4,191
Development	15,906	14,224
Computer	17,601	15,977
Maintenance	5,108	5,350
Depreciation	23,961	23,117
Legal and professional	9,098	8,080
Accounting	10,315	11,522
Payroll taxes	7,794	7,045
Internet service	10,918	9,378
Insurance	2,682	2,682
Rent	48,389	44,515
Electric	12,723	13,244
	<u>\$ 381,863</u>	<u>\$ 366,556</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,

	2019	2018
Salaries	\$ 124,860	\$ 121,718
Salaries (CPB) - restricted	644	-
Syndicated programs (CPB) - restricted	22,064	22,650
Syndicated programs	-	17,166
Consultants	23,406	26,847
Research	7,420	5,700
Transmitter and remote site operations (CPB)	63,021	63,700
Transmitter and remote site operations (non-CPB)	24,292	24,050
Depreciation	9,492	9,176
Broadcast supplies and maintenance	4,122	5,492
Payroll taxes	9,552	9,311
Payroll taxes (CPB) - restricted	49	-
Rent (trade out) - restricted	38,290	38,290
	<u>\$ 327,212</u>	<u>\$ 344,100</u>

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

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 8,187	\$ (79,229)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,453	32,293
Increase (decrease) in contributions receivable	(5,220)	243
Increase (decrease) in pledges receivable	(1,641)	686
Decrease in refundable expenses	2,603	-
(Increase) decrease in due from/to related parties	193	(920)
Increase in prepaid expenses	(8,599)	(500)
Increase (decrease) in accounts payable	3,366	(6,273)
Increase in deferred revenue	4,375	-
	<u>36,717</u>	<u>(53,700)</u>
Net cash provided by (used in) operating activities	<u>36,717</u>	<u>(53,700)</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(17,514)</u>	<u>(3,809)</u>
Net cash used in investing activities	<u>(17,514)</u>	<u>(3,809)</u>
Net increase (decrease) in cash and cash equivalents	19,203	(57,509)
Cash and cash equivalents, beginning of year	<u>343,554</u>	<u>401,063</u>
Cash and cash equivalents, end of year	<u>\$ 362,757</u>	<u>\$ 343,554</u>
Supplemental cash flows disclosures:		
Non-cash activities during the year:		
Donated services	\$ (18,657)	\$ (12,455)
Donated facilities	\$ (38,290)	\$ (38,290)
Trade out - services	\$ 18,657	\$ 12,455
Trade out - facilities	\$ 38,290	\$ 38,290

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

WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 1 – Description of the 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 3,500 contributing members.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation - The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At June 30, 2019 and 2018, the Organization has no net assets with donor restrictions imposed.

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating activities. Operating activities consist of those items attributable to the Organization's ongoing broadcasts and fine arts radio programming.

Cash and 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.

Concentrations of credit risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

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WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

As of June 30, 2019, The Organization's contributions receivable consisted of unconditional promises to give in the amount of \$9,132 all of which are expected to be collected within one year. As of June 30, 2018, contributions receivable consisted of unconditional promises to give in the amount of \$3,912.

Deferred revenue – Deferred revenue represents revenue received for a bus trip that has been organized by the Organization, which took place in July 2019. The amounts deferred as of June 30, 2019 and 2018 were \$4,375 and \$0, respectively.

Due to related parties – Amounts reported as due to related parties, included in the accompanying statements of financial position, arise principally from the collaborative activities between the Organization and the Town of Monroe (the Town). The Town initiates transfers from the Organization's bank account to their bank account. Subsequently, the Town disperses the appropriate amount of payroll to each employee.

Property and equipment – Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. 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 renewals and betterments acquired for greater than \$500 and expense normal repairs and maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicated that the carrying amount of long-lived assets may not be recovered.

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in

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WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In addition, 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).

Functional expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

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. Actual results could differ from those estimates.

Income taxes – The Organization operates as a special revenue fund of the Town of Monroe, Connecticut. The Organization 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 the Organization is part of a governmental entity. Contributions to the Organization are tax deductible as charitable contributions under Section 170 (c) (1) of the Internal Revenue Code and as such the Organization 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, 2019.

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.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

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WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retroactively to all periods presented.

Note 3 – Availability and Liquidity

The following represents the Organization’s financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 362,757	\$ 343,554
Contributions receivable	9,132	3,912
Pledges receivable	3,166	1,525
Financial assets available to meet general expenditures over the next twelve months	\$ 375,055	\$ 348,991

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is deposited into its money market account.

Note 4 – Property and Equipment, Net

Property and equipment, net consisted of the following at June 30, 2019 and 2018:

	2019	2018
Audio frequency	\$ 130,288	\$ 129,086
Radio frequency	701,792	693,023
Office furniture and equipment	167,997	160,454
Leasehold improvements	152,639	152,639
Less: accumulated depreciation	(947,130)	(913,678)
Property and equipment, net	\$ 205,586	\$ 221,524

For the years ended June 30, 2019 and 2018, depreciation expense totaled \$33,453 and \$32,293, respectively.

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WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 5 – Lease Commitments

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:

Fiscal Year End	Rental Expense
2020	\$ 49,110 *
2021	49,842 *
2022	50,584 *
2023	51,338 *
2024	52,103 *
	\$ 252,977

* Adjusted for percentage increase in CPI – assumed 1.49%
which was the average CPI from 2015 through 2019

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

The Organization leases from Bark Out Loud Dogs Media, LLC in Sag Harbor, NY for \$600 per month, with no annual increases. The lease runs through December 2022.

The Organization leases from Burwell in West Haven, CT on a month-by-month basis at \$165 per month.

The Organization leases from Celtic Frost in Southampton, NY on a month-to-month basis at \$400 per month.

The Organization leases from ATC Managed Sites in New London, CT on a month-to-month basis at \$663 per month.

The Organization leases from SBA Site Management in Mt. Kisco, NY on a month-to-month basis at \$1,089 per month.

The Organization leases from SBA GC Towers in West Hartford, CT on a month-to-month basis at \$560 per month.

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WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 5 – Lease Commitments (continued)

The Organization leases from Spectrasite in Guilford, CT for \$300 per month, with no annual increases. The lease runs through June 2024.

The Organization leases from IWG Tower in Seymour, CT for \$513 per month. The lease runs through September 2019.

The Organization leases from Tucker Anderson in Warren, CT on a quarterly basis at \$360 per quarter.

The Organization leases from Birdcage Communications in Middlefield, CT for \$1,560 per year. The lease runs through June 2019.

The aggregate future minimum payments on the above antenna sites and transmitter space for the years ended June 30 are as follows:

2020	\$ 16,956
2021	16,956
2022	16,956
2023	13,356
2024	9,756
	<u>\$ 73,980</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.

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

See independent accountants' audit report

WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 6 - Donated Services and Facilities (continued)

	<u>2019</u>	<u>2018</u>
Revenue		
Donated services	\$ 18,657	\$ 12,455
Donated facility	<u>38,290</u>	<u>38,290</u>
	<u>\$ 56,947</u>	<u>\$ 50,745</u>
Expenses		
Transmitter site operations	\$ 38,290	\$ 38,290
Advertising	<u>18,657</u>	<u>12,455</u>
	<u>\$ 56,947</u>	<u>\$ 50,745</u>

Note 7 – Advertising

Advertising costs are expensed as incurred. Total advertising expense for June 30, 2019 and 2018 were \$18,657 and \$12,455, respectively.

Note 8 – Subsequent Events

The Organization has evaluated subsequent events through December 16, 2019, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.

See independent accountants' audit report