

INDEPENDENT AUDITOR'S REPORT

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, 2013 and 2012 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 explained 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, 2013 and 2012, 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 and Associates, LLC
Monroe, Connecticut
December 18, 2013

WMNR FINE ARTS RADIO
BALANCE SHEETS
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 422,664	\$ 477,235
Accounts receivable	4,928	4,193
Contributions receivable	2,917	5,672
Prepaid expenses	<u>1,118</u>	<u>1,118</u>
Total current assets	431,627	488,218
Property and equipment		
Audio frequency	76,468	76,468
Radio frequency	583,311	519,391
Office furniture and equipment	154,726	154,726
Leasehold improvements	<u>141,540</u>	<u>130,912</u>
	956,045	881,497
Less: accumulated depreciation	<u>(778,821)</u>	<u>(753,092)</u>
	177,224	128,405
Other assets		
Deposits	<u>200</u>	<u>200</u>
Total assets	<u>\$ 609,051</u>	<u>\$ 616,823</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 5,626	\$ 8,763
Due to general fund	<u>2,955</u>	<u>-</u>
Total current liabilities	8,581	8,763
Net assets - unrestricted	<u>600,470</u>	<u>608,060</u>
Total liabilities and net assets	<u>\$ 609,051</u>	<u>\$ 616,823</u>

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, 2013 and 2012

	2013	2012
Unrestricted revenues		
Contributions	\$ 565,724	\$ 522,621
Underwriting	5,588	7,531
Interest income	1,417	2,500
Donated services	8,653	8,386
Donated facilities	38,430	38,885
Grant (CPB)	<u>90,999</u>	<u>95,256</u>
Total unrestricted revenue	710,811	675,179
Expenses		
Management and general	492,642	469,677
Program services	<u>225,759</u>	<u>216,393</u>
	<u>718,401</u>	<u>686,070</u>
Decrease in net assets	(7,590)	(10,891)
Net assets - beginning	<u>608,060</u>	<u>618,951</u>
Net assets - ending	<u>\$ 600,470</u>	<u>\$ 608,060</u>

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WMNR FINE ARTS RADIO
STATEMENTS OF FUNCTIONAL EXPENSES - MANAGEMENT AND GENERAL
For the Years Ended June 30, 2013 and 2012

	2013	2012
Salaries	\$ 204,439	\$ 197,787
Office supplies and expenses	6,513	7,858
Bank charges	6,003	5,707
Telephone	10,714	8,112
Travel	534	707
Hospitality	2,299	2,219
Dues and subscriptions	2,374	2,325
Advertising	8,653	11,847
Administrative fees	30,000	30,000
Postage	12,746	11,530
Pledge week	5,567	7,167
Development	28,302	27,471
Computer	9,119	7,913
Maintenance	4,101	4,331
Depreciation	15,339	10,169
Legal & professional	19,619	9,246
Accounting	21,114	22,803
Payroll taxes	14,101	13,932
Internet service	5,654	4,654
Insurance	2,682	2,682
Rent	71,830	70,902
Electric	10,939	10,315
	<u>\$ 492,642</u>	<u>\$ 469,677</u>

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WMNR FINE ARTS RADIO
STATEMENTS OF FUNCTIONAL EXPENSES - PROGRAM
For the Years Ended June 30, 2013 and 2012

	2013	2012
Salaries	\$ 11,256	\$ 10,473
Consultants	13,742	16,286
Syndicated programs (CPB)	43,137	43,107
Research	4,020	3,861
Program guide	2,990	2,710
Transmitter and remote site operations (CPB)	112,396	78,844
Depreciation	10,391	18,886
Broadcast supplies and maintenance	11,874	26,460
Payroll taxes	861	801
Rent	15,092	14,965
	<u>\$ 225,759</u>	<u>\$ 216,393</u>

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WMNR FINE ARTS RADIO
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash provided (used) by operating activities		
Increase (decrease) in net assets	\$ (7,590)	\$ (10,891)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	25,730	29,054
Donated service revenue	(8,653)	(8,386)
Donated facility revenue	(38,430)	(38,885)
Donated consulting expense	8,653	8,386
Donated transmitter site operations	38,430	38,885
(Increase)/decrease in accounts receivable	2,020	(639)
Increase/(decrease) in accounts payable	(3,139)	5,417
Increase in other current liabilities	<u>2,955</u>	<u>-</u>
Net cash provided by operating activities	19,976	22,941
Cash used by investing activities		
Purchases of property and equipment	<u>(74,547)</u>	<u>-</u>
Net increase in cash and cash equivalents	(54,571)	22,941
Cash and cash equivalents - beginning of year	<u>477,235</u>	<u>454,294</u>
Cash and cash equivalents - end of year	<u>\$ 422,664</u>	<u>\$ 477,235</u>

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

WMNR FINE ARTS RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

Note 1 - Significant accounting policies

Date of Management Evaluation - Management has evaluated subsequent events through December 18, 2013, 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, 2013. (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 \$55,228 at June 30, 2013 and \$78,812 at June 30, 2012.

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 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 2-5 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, 2013, the aggregate future minimum payments under the current lease are as follows:

<u>Year ending</u>	<u>Payment</u>
June 30, 2014	\$ 41,610 *
June 30, 2015	\$ 41,610 *
June 30, 2016	\$ 41,610 *
June 30, 2017	\$ 41,610 *
June 30, 2018	<u>\$ 34,675 *</u>
	<u>\$ 201,115</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:

Location	Current		Increases	
	Rent	Term	Date	Amount
Bedford Hills, NY	\$703	Monthly	N/A	N/A
West Haven, CT	\$110	10/1/08 – 9/30/13	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, 2013, 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, 2014	\$15,270
June 30, 2015	14,940
June 30, 2016	14,940
June 30, 2017	10,440
June 30, 2018	<u>3,495</u>
	<u>\$59,085</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>2013</u>	<u>2012</u>
Revenue		
Donated services	\$ 8,653	\$ 8,386
Donated facility	<u>38,430</u>	<u>38,885</u>
	\$ <u>47,083</u>	\$ <u>47,271</u>

Expenses

Transmitter site operations	\$ 38,430	\$ 38,885
Advertising	<u>8,653</u>	<u>8,386</u>
	\$ <u>47,083</u>	\$ <u>47,271</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, 2013 and 2012 was \$12,746 and \$11,847 respectively.