

Friends of Public Radio, Inc.
d/b/a WHQR 91.3 FM

Financial Statements
For the Year Ended June 30, 2016
(with Comparative Totals for 2015)



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM

We have audited the accompanying financial statements of Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM as of June 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ernst & Young, L.L.P.

Wilmington, North Carolina
November 14, 2016

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Financial Position
As of June 30, 2016

	2016				2015 Comparative Total
	Unrestricted		Temporarily Restricted	Total	
	Operations	Property	Capital Campaign		
ASSETS					
Current Assets					
Cash & cash equivalents	\$ 219,233	\$ -	\$ 127,720	\$ 346,953	\$ 254,080
Receivables, net of \$3,600 allowance for uncollectibles	76,427	-	-	76,427	64,608
Pledges receivable	11,154	-	119,713	130,867	54,430
Prepaid expenses	5,463	-	-	5,463	5,321
Total Current Assets	<u>312,277</u>	<u>-</u>	<u>247,433</u>	<u>559,710</u>	<u>378,439</u>
Due from/(due to)	<u>188,120</u>	<u>-</u>	<u>(188,120)</u>	<u>-</u>	<u>-</u>
Pledges receivable - non-current, net of \$8,700 allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>243,098</u>	<u>243,098</u>	<u>303,750</u>
Property & Equipment					
Office furniture	-	64,264	-	64,264	34,316
Broadcast equipment	-	725,090	-	725,090	690,915
Leasehold improvements	-	342,659	-	342,659	342,659
Warwick Building	-	615,133	-	615,133	615,133
Technology	-	55,627	-	55,627	55,627
Total Property & Equipment	-	1,802,773	-	1,802,773	1,738,650
Less: Accumulated depreciation	-	(962,493)	-	(962,493)	(908,368)
Net Property & Equipment	-	840,280	-	840,280	830,282
Other assets (Note 5)	-	70,000	-	70,000	45,000
Total Assets	<u>\$ 500,397</u>	<u>\$ 910,280</u>	<u>\$ 302,411</u>	<u>\$ 1,713,088</u>	<u>\$ 1,557,471</u>
LIABILITIES & NET ASSETS					
Current Liabilities					
Accounts payable	\$ 13,139	\$ -	\$ -	\$ 13,139	\$ 37,222
Obligation to Conner Media Corporation (Note 5)	-	-	-	-	45,000
Current maturities of long-term debt	-	18,943	-	18,943	18,228
Total Current Liabilities	<u>13,139</u>	<u>18,943</u>	<u>-</u>	<u>32,082</u>	<u>100,450</u>
Long-term liabilities note payable (Note 7)	-	455,708	-	455,708	477,508
Total Liabilities	<u>13,139</u>	<u>474,651</u>	<u>-</u>	<u>487,790</u>	<u>577,958</u>
Net Assets					
Unrestricted	487,258	435,629	-	922,887	724,857
Temporarily restricted	-	-	302,411	302,411	254,656
Total Net Assets	<u>487,258</u>	<u>435,629</u>	<u>302,411</u>	<u>1,225,298</u>	<u>979,513</u>
Total Liabilities & Net Assets	<u>\$ 500,397</u>	<u>\$ 910,280</u>	<u>\$ 302,411</u>	<u>\$ 1,713,088</u>	<u>\$ 1,557,471</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Activities
For the Year Ended June 30, 2016

	2016				2015 Comparative Total
	Unrestricted		Temporarily Restricted	Total	
	Operations	Property	Capital Campaign		
SUPPORT & REVENUE					
Corporation for Public					
Broadcasting - operating	\$ 123,089	\$ -	\$ -	\$ 123,089	\$ 142,302
Contributions	652,913	-	224,842	877,755	882,542
Program underwriting	452,207	-	-	452,207	386,748
Program underwriting - in-kind	81,195	-	-	81,195	86,303
In-kind contributions	74,004	-	-	74,004	74,179
Net assets released from restrictions	87,965	89,122	(177,087)	-	-
Special events (net)	40,472	-	-	40,472	60,397
Rental income	100	-	-	100	425
Interest income	-	-	-	-	106
Other revenue	5,218	-	-	5,218	12,529
Total Support & Revenue	<u>1,517,163</u>	<u>89,122</u>	<u>47,755</u>	<u>1,654,040</u>	<u>1,645,531</u>
EXPENSES					
Program	748,055	62,571	-	810,626	761,509
Administrative	167,214	4,337	-	171,551	156,418
Fundraising	422,556	3,522	-	426,078	466,631
Total Expenses	<u>1,337,825</u>	<u>70,430</u>	<u>-</u>	<u>1,408,255</u>	<u>1,384,558</u>
Change in Net Assets	179,338	18,692	47,755	245,785	260,973
Net Assets, Beginning	390,311	334,546	254,656	979,513	718,540
Transfers	(82,391)	82,391	-	-	-
Net Assets, Ending	<u>\$ 487,258</u>	<u>\$ 435,629</u>	<u>\$ 302,411</u>	<u>\$ 1,225,298</u>	<u>\$ 979,513</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Functional Expenses
For the Year Ended June 30, 2016

	2016			Total	2015
	Program	Administrative	Fundraising		Comparative Total
Salaries	\$ 136,785	\$ 113,987	\$ 205,177	\$ 455,949	\$ 415,434
Employee benefits	28,242	23,535	42,363	94,140	85,757
Payroll taxes	12,584	10,487	18,876	41,947	42,816
Contract staffing	<u>541</u>	<u>451</u>	<u>812</u>	<u>1,804</u>	<u>7,230</u>
Total Salaries & Related Expenses	178,152	148,460	267,228	593,840	551,237
Membership	1,372	-	44,375	45,747	41,062
National Public Radio	190,573	-	-	190,573	193,219
Public Radio International	18,870	-	-	18,870	18,320
Other radio expenses	102,393	-	-	102,393	95,566
Rent	-	-	-	-	4,978
Utilities	34,539	1,919	1,919	38,377	39,328
Other station expenses	143,095	16,835	8,417	168,347	120,056
Underwriting expenses	-	-	55,101	55,101	78,384
Interest expense	13,859	1,631	815	16,305	16,883
In-kind expenses	74,004	-	-	74,004	74,179
Capital campaign	<u>5,057</u>	<u>-</u>	<u>45,516</u>	<u>50,573</u>	<u>97,375</u>
	761,914	168,845	423,371	1,354,130	1,330,587
Depreciation	<u>48,712</u>	<u>2,706</u>	<u>2,707</u>	<u>54,125</u>	<u>53,971</u>
Total Expenses	<u>\$ 810,626</u>	<u>\$ 171,551</u>	<u>\$ 426,078</u>	<u>\$ 1,408,255</u>	<u>\$ 1,384,558</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Cash Flows
For the Year Ended June 30, 2016

	2016				2015 Comparative Total
	Unrestricted		Temporarily Restricted	Total	
	Operations	Property	Capital Campaign		
Cash Flows From Operating Activities					
Cash Collections for:					
Support & revenue	\$ 1,508,603	\$ 89,122	\$ 205,798	\$ 1,803,523	\$ 1,677,804
Interest	-	-	-	-	106
Less: Cash Payments for:					
Staff compensation	(593,840)	-	-	(593,840)	(551,237)
Other expenses	(768,210)	(16,306)	(177,087)	(961,603)	(887,440)
Net Cash Provided (Used) By Operating Activities	<u>146,553</u>	<u>72,816</u>	<u>28,711</u>	<u>248,080</u>	<u>239,233</u>
Cash Flows From Investing Activities					
Purchase of Warwick Building	-	-	-	-	(615,133)
Purchase of equipment	-	(64,122)	-	(64,122)	(55,410)
Purchase of other asset	-	(25,000)	-	(25,000)	-
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>(89,122)</u>	<u>-</u>	<u>(89,122)</u>	<u>(670,543)</u>
Cash Flows From Financing Activities					
Note proceeds	-	-	-	-	510,000
Payments reducing long-term debt	-	(21,085)	-	(21,085)	(14,264)
Payable to Connor Media Corporation	-	(45,000)	-	(45,000)	-
Transfers from operating	(106,131)	82,391	23,740	-	-
Net Cash Provided (Used) By Financing Activities	<u>(106,131)</u>	<u>16,306</u>	<u>23,740</u>	<u>(66,085)</u>	<u>495,736</u>
Net Increase (Decrease) in Cash	40,422	-	52,451	92,873	64,426
Cash & Cash Equivalents, Beginning	<u>178,811</u>	<u>-</u>	<u>75,269</u>	<u>254,080</u>	<u>189,654</u>
Cash & Cash Equivalents, Ending	<u>\$ 219,233</u>	<u>\$ -</u>	<u>\$ 127,720</u>	<u>\$ 346,953</u>	<u>\$ 254,080</u>
Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:					
Change in net assets	\$ 179,338	\$ 18,692	\$ 47,755	\$ 245,785	\$ 260,973
Depreciation	-	54,124	-	54,124	53,971
Change in Current Assets & Liabilities (Use) Source:					
Receivables	(8,560)	-	(19,044)	(27,604)	(128,036)
Prepaid expenses	(142)	-	-	(142)	2,534
Accounts payable	(24,083)	-	-	(24,083)	49,791
Net Cash Provided (Used) By Operating Activities	<u>\$ 146,553</u>	<u>\$ 72,816</u>	<u>\$ 28,711</u>	<u>\$ 248,080</u>	<u>\$ 239,233</u>
Supplemental Disclosure					
Interest paid				<u>\$ 16,305</u>	<u>\$ 16,883</u>
Income taxes paid				<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2016

1. ORGANIZATION

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM (the "Station"), a nonprofit corporation organized under the laws of North Carolina, was established for the purpose of operating WHQR 91.3 FM, a public radio broadcasting station transmitting from Wilmington, North Carolina. The Station's support comes primarily from individual donors' contributions and various government and art agency grants.

The Station qualifies under Internal Revenue Code 501(c)(3) as an organization exempt from income taxation. Accordingly, income related to its exempt purpose is not subject to income tax and contributions may be deductible by donors. The Station files Form 990, Return of Organization Exempt from Income Tax, with the IRS annually. The Station is generally no longer subject to examination by the IRS for years prior to 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The Station prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. As a result, the financial statements have been prepared on the accrual basis. Income is recognized when earned and expenses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Station's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2016

Classes of Net Assets

The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

- a) **Unrestricted net assets** are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Station, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- b) **Temporarily restricted net assets** are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Station's unspent contributions are classified in this class if the donor limited their use, as is the unspent balance of capital campaign contributions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contributions of those net assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Station, unless the donor provides more specific directions about the period of its use. The following represents the balance of net assets with donor restrictions:

Purpose Restrictions, Available for Spending:	
Future debt service & facility maintenance reserves	<u>\$ 302,411</u>

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. From time to time during the periods presented, the Station has had cash balances in a financial institution that have exceeded federal depository insurance limits. The cash and cash equivalents balance consisted of the following at June 30:

	2016	2015
Operations Checking	\$ 219,233	\$ 178,811
Capital Campaign Checking	<u>127,720</u>	<u>75,269</u>
Total Cash & Cash Equivalents	<u>\$ 346,953</u>	<u>\$ 254,080</u>

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2016

Revenue Recognition

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets, unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore, are reported as temporarily restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

In accordance with accrual accounting, other income is recognized when earned. Accordingly, revenue is recognized when the service is provided or the fundraising event is held. The allowance for uncollectible receivables is based on management's experience, analysis, and aging of accounts.

Gifts-In-Kind Contributions

The Station periodically receives contributions in a form other than cash or investments. If the Station receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Station's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The Station benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Station's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. U.S. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

During fiscal 2016, in-kind services provided by UNCW interns were valued at \$74,004 and recorded. No other amounts for donated services were recognized in the financial statements as the criteria for recognition have not been met.

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2016

Expense Recognition and Allocation

The cost of providing the Station's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. The allocations were adjusted in 2015 to reflect changes in staffing and the underwriting function.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Station. Administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising and advertising costs are expensed as incurred, even though they may result in contributions received in future years. Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Property and Equipment

The Station reports purchased or constructed property above \$2,000 at cost and gifts of land, buildings, and equipment at fair value at the date of donation. Certain property was purchased with government grants and restrictive financing agreements; if these assets were sold or not used for their intended charitable purpose, they may require repayment. Improvements are capitalized over their estimated useful lives, whereas repairs and maintenance expenditures on the assets are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Office furniture	7 - 10 years
Equipment	5 - 10 years
Buildings & leasehold improvements	5 - 39 years
Technology	3 - 5 years

Equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2016

Prior Year Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Station's financial statements for the year then ended, from which the summarized information was derived. Certain reclassifications of prior year comparative amounts have been made in order to conform to the current year presentation.

Subsequent Events

Subsequent events have been evaluated through November 14, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

3. OPERATING LEASES

The Station leases tower space in three different counties within the Station's listening area. Leased space on these towers is used to place certain pieces of transmitting equipment. The leases specify terms spanning multiple years and monthly rates ranging from \$200 to \$550 with increases over time. The Station made \$13,140 in tower lease payments for the fiscal year ended June 30, 2016.

4. CORPORATION FOR PUBLIC BROADCASTING

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. The Station uses these funds for purposes relating primarily to production and acquisition of programming.

The CSGs received and expended by the Station during the fiscal year ended June 30, 2016 were \$123,089. The total received is more than 7% of the Station's total support and revenue for the fiscal year ended June 30, 2016. A significant reduction in the level of this support, if this were to occur, could have a significant effect on the Station's programs and activities.

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2016

5. OTHER ASSETS

On September 11, 2014, the Station executed an agreement with Conner Media Corporation to purchase licenses and other intangible assets of FM Translator Station W243CX at a cost of \$45,000. The related payment was due after FCC approval, which occurred in fiscal 2016. On May 15, 2016, another FM translator was purchased for \$25,000. The purchase enables the Station to offer its listeners an additional all classical radio station. The assets have indefinite lives and therefore have not been amortized.

6. RETIREMENT PLAN

The Station has adopted a defined contribution retirement plan ("tax deferred annuity"). For full-time employees, the Station matches a participant's salary reduction contribution (minimum of 2% of employee salary) up to 5% of the participant's salary. The Station's total matching contributions were \$13,976 in 2016 and \$14,003 in 2015.

7. NOTES PAYABLE

Notes payable of \$474,651 at June 30, 2016 consist of a mortgage loan from BB&T dated August 22, 2014 bearing interest at 3.55%. The original face amount was \$510,000, which proceeds were used to purchase the Station's facility. The loan is payable in 60 consecutive monthly payments of \$2,990 with one final payment of all remaining principal and accrued interest on September 5, 2019. The loan is collateralized by the facility at 254 N. Front Street, Unit 301, Wilmington, North Carolina (3rd floor of the Warwick Building).

Future maturities are summarized as follows for the years ending June 30:

	<u>Amount Due</u>
2017	\$ 18,943
2018	19,636
2019	20,355
2020	<u>415,717</u>
Total	474,651
Less: Current portion	<u>(18,943)</u>
Long-Term Notes Payable	<u>\$ 455,708</u>

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2016

8. CAMPAIGN RECEIVABLE

During fiscal year 2013, the Station initiated a major fundraising campaign, the purpose of which is to strengthen program services, engage the community, build a sustainable organization, and unleash the power of technology to benefit the audience and community.

Pledges receivable are stated at the full amount of outstanding pledges made by donors, less an \$8,700 allowance for doubtful pledges. Donor pledge balances may be paid in lump-sum billings or received in monthly or quarterly employee payroll deductions. No interest is charged against unpaid balances. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the pledges that will not be collected. Management evaluates historical write-offs as a percentage of the total pledges received for each campaign year to estimate a general allowance to apply to the current year campaign pledge total. This estimate may be adjusted for management's estimate of any changes in current economic conditions that might give rise to results that differ from past experience, and at times the amount of the adjustment can be material.

The Station has a \$1,500,000 campaign goal. At June 30, 2016 \$382,665 in pledges receivable remain outstanding and are expected to be collected as follows:

2017	\$ 130,867
2018	143,525
2019	62,353
2020	30,613
Future	<u>15,307</u>
	382,665
Less: Allowance for uncollectibles	<u>(8,700)</u>
	<u>\$ 373,965</u>

The Station has received campaign contributions in the form of legacies and bequests totaling \$416,000. This amount has not been reflected in the accompanying statements, as it does not meet the definition for recognition under U.S. GAAP.

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2016

9. CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Station deposits its cash with high quality financial institutions, and management believes the Station is not exposed to significant credit risk on those amounts.

The majority of the Station's contributions and grants are received from corporations, foundations, and individuals located in the Southeastern North Carolina area. As such, the Station's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of North Carolina. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Station's services.

10. CONTINGENCIES

From time to time, the Station may be aware of various asserted and unasserted claims. Management feels that these claims can be successfully defended and intends to resist the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interest were to be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

The Station is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Station purchases commercial insurance coverage against risk of loss due to property damage, theft, and various other insurable risks. The Station carries property insurance in the amount of \$815,000 for personal property in 2016 with a deductible of \$10,000 for all perils except flood, earthquake, windstorm, or hail. The Station carries inland marine insurance for all peril on outside equipment in the amount of \$322,532 with a deductible of \$2,500. The Station carries wind insurance in the amount of \$775,000 with a deductible of 1% of the coverage limit. The Station carries commercial general liability insurance with \$2,000,000 aggregate and a per occurrence limit of \$ 1,000,000.

No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.