FRIENDS OF PUBLIC RADIO, INC.
d/b/a WHQR 91.3 FM

Financial Statements
For the Year Ended June 30, 2014
(with 2013 Comparative Totals)

EARNEY & COMPANY
L.L.P.
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
Wilmington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of Public Radio, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 misstatements, 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.

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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. as of June 30, 2014, 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.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wilmington, North Carolina
December 15, 2014

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

STATEMENT OF FINANCIAL POSITION

	As of June 30, 2014				
	Unrestricted		Temporarily Restricted		2013
	Operations	Property	Capital Campaign	Total	Comparative Total
Assets					
Current Assets					
Cash & cash equivalents	$ 36,745	$ -	$ 152,909	$ 189,654	$ 153,299
Receivables, net of $3,600 allowance for uncollectibles	47,347	-	53	47,400	40,272
Pledges receivable	21,483	-	12,950	34,433	64,006
Donated assets	-	-	1,165	1,165	-
Prepaid expenses	7,855	-	-	7,855	7,692
Total Current Assets	113,430	-	167,077	280,507	265,269
Due from/(due to)	125,000	-	(125,000)	-	-
Pledges receivable - non-current, net of $8,700 allowance for uncollectibles	-	-	251,134	251,134	225,207
Property & Equipment					
Office furniture	-	20,699	-	20,699	19,938
Broadcast equipment	-	647,493	-	647,493	647,493
Leasehold improvements	-	343,442	-	343,442	343,442
Technology	-	55,627	-	55,627	55,627
Total Property	-	1,067,261	-	1,067,261	1,066,500
Less: Accumulated depreciation	-	(863,551)	-	(863,551)	(821,453)
Net Property & Equipment	-	203,710	-	203,710	245,047
Other asset - deposit (Note 2)	-	10,000	-	10,000	-
Total Assets	$ 238,430	$ 213,710	$ 293,211	$ 745,351	$ 735,523
Liabilities & Net Assets					
Current Liabilities					
Accounts payable	$ 26,811	$ -	$ -	$ 26,811	$ 35,147
Current maturities of restructured debt (Note 6)	-	-	-	-	50,512
Total Current/Total Liabilities	26,811	-	-	26,811	85,659
Net Assets					
Unrestricted	211,619	213,710	-	425,329	431,918
Temporarily restricted	-	-	293,211	293,211	217,946
Total Net Assets	211,619	213,710	293,211	718,540	649,864
Total Liabilities & Net Assets	$ 238,430	$ 213,710	$ 293,211	$ 745,351	$ 735,523

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

STATEMENT OF ACTIVITIES

	For the Year Ended June 30, 2014				
	Unrestricted		Temporarily Restricted		
	Operations	Property	Capital Campaign	Total	2013 Comparative Total
Support & Revenue					
Corporation for Public Broadcasting - Operating	$ 114,779	$ -	$ -	$ 114,779	$ 108,853
Contributions	583,818	-	182,443	766,261	978,882
Program underwriting	268,438	-	-	268,438	273,564
Program underwriting - in-kind	65,915	-	-	65,915	66,066
In-kind contributions	74,004	-	-	74,004	74,004
Net assets released from restrictions	107,178	-	(107,178)	-	-
Special events	51,899	-	-	51,899	42,457
Cinematique income	30,304	-	-	30,304	31,091
Rental income	1,161	-	-	1,161	477
Interest income	26	-	-	26	58
Other revenue	6,334	-	-	6,334	2,769
Total Support & Revenue	1,303,856	-	75,265	1,379,121	1,578,221
Operating Expenses					
Program services	699,231	37,888	-	737,119	683,115
Administrative	150,860	2,105	-	152,965	145,448
Fundraising	418,256	2,105	-	420,361	335,831
Total Expenses	1,268,347	42,098	-	1,310,445	1,164,394
Change in Net Assets	35,509	(42,098)	75,265	68,676	413,827
Net Assets					
Beginning of year	186,871	245,047	217,946	649,864	236,037
Transfer for property purchase	(10,761)	10,761	-	-	-
End of year	$ 211,619	$ 213,710	$ 293,211	$ 718,540	$ 649,864

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

STATEMENT OF FUNCTIONAL EXPENSES

	For the Year Ended June 30, 2014				2013 Comparative
	Program	Administrative	Fundraising	Total	Total
Salaries	$ 111,081	$ 92,568	$ 166,622	$ 370,271	$ 336,360
Employee benefits	25,095	20,912	37,642	83,649	69,363
Payroll taxes	12,663	10,552	18,995	42,210	36,145
Contract staffing	2,175	1,813	3,263	7,251	2,481
Total Salaries & Related Expenses	151,014	125,845	226,522	503,381	444,349
Membership	904	-	29,230	30,134	41,271
National Public Radio	185,425	-	-	185,425	171,261
Public Radio International	19,968	-	-	19,968	16,943
Other radio expenses	82,341	-	-	82,341	68,517
Rent	71,511	3,973	3,973	79,457	77,674
Utilities	33,750	1,875	1,875	37,500	39,156
Other station expenses	80,314	9,449	4,724	94,487	88,256
Underwriting expenses	-	-	64,472	64,472	56,307
In-kind expenses	74,004	-	-	74,004	74,004
Capital campaign	-	9,718	87,460	97,178	48,754
	699,231	150,860	418,256	1,268,347	1,126,492
Depreciation	37,888	2,105	2,105	42,098	37,902
Total Expenses	$ 737,119	$ 152,965	$ 420,361	$ 1,310,445	$ 1,164,394

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

STATEMENT OF CASH FLOWS

	For the Year Ended June 30, 2014				
	Unrestricted		Temporarily Restricted		2013
	Operations	Property	Capital Campaign	Total	Comparative Total
Cash Flows From Operating Activities					
Support & revenue	$ 1,209,312	$ -	$ 198,310	$ 1,407,622	$ 1,174,865
Interest	26	-	-	26	58
Cash Payments for:					
Staff compensation	(503,381)	-	-	(503,381)	(444,349)
Other expenses	(699,461)	-	(107,178)	(806,639)	(571,384)
Net Cash Provided by (Used in) Operating Activities	6,496	-	91,132	97,628	159,190
Cash Flows From Investing Activities					
Purchase of equipment	-	(10,761)	-	(10,761)	(36,662)
Cash Flows From Financing Activities					
Payments reducing long-term debt	(50,512)	-	-	(50,512)	(110,181)
Transfers from operating	(10,761)	10,761	-	-	-
Net Cash Provided by (Used in) Financing Activities	(61,273)	10,761	-	(50,512)	(110,181)
Net Increase (Decrease) in Cash	(54,777)	-	91,132	36,355	12,347
Cash & Cash Equivalents					
Beginning of year	91,522	-	61,777	153,299	140,952
End of year	$ 36,745	$ -	$ 152,909	$ 189,654	$ 153,299
Reconciliation of Change in Net Assets to Cash Provided by (Used in) Operating Activities:					
Change in net assets	$ 35,509	$ (42,098)	$ 75,265	$ 68,676	$ 422,527
Depreciation	-	42,098	-	42,098	37,902
Donated assets	-	-	(1,165)	(1,165)	-
Change in Current Assets & Liabilities (Use) Source:					
Receivables	(20,514)	-	17,032	(3,482)	(300,339)
Prepaid expenses	(163)	-	-	(163)	(21)
Accounts payable	(8,336)	-	-	(8,336)	(879)
Net Cash Provided by (Used in) Operating Activities	$ 6,496	$ -	$ 91,132	$ 97,628	$ 159,190
Interest paid				$ -	$ -
Income taxes paid				$ -	$ -

The Accompanying Notes are an Integral Part of these Financial Statements

1. ORGANIZATION

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

Friends of Public Radio, Inc. 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. WHQR 91.3 FM files a form 990, Return of Organization Exempt from Income Tax, with the IRS. The Corporation is generally no longer subject to examination by the IRS for years prior to 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

WHQR prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profits. 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.

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 are 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.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increase 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 increase 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. 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. GAAP allows 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, required specialized skills, and are provided by individuals possessing those skills.

During fiscal 2014, in-kind services provided by UNCW interns was 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.

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 2014 to reflect changes in staffing and the underwriting function.

General and 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. General and 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.

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:

	2014	2013
Operations checking	$ 36,745	$ 91,522
Capital campaign checking	152,909	61,777
Total Cash and Cash Equivalents	$ 189,654	$ 153,299

Property and Equipment

The Station reports purchased or constructed property above $500 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
Leasehold improvements	5-39 years
Technology	3-5 years

Equipment is reviewed for impairment when 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.

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 confirm to the current year presentation.

Subsequent Events

The Station made a $10,000 deposit on the purchase of property at 254 North Front Street in Wilmington, NC which subsequently settled on August 22, 2014. The property is the site of the broadcast station and administrative offices for Friends of Public Radio, Inc. which was previously leased from the seller, Hexagon Holdings, LLC. The total purchase price of $600,000 was 85% financed with a 30-year loan from BB&T. Both the deposit and subsequent loan payments are funded by proceeds from the current capital campaign.

3. OPERATING LEASES AND IN-KIND RENT RECEIVABLE

The Station leases office space paid in monthly installments under a five year operating lease dated April 30, 2010. The monthly lease payment was $6,312 through March 2013 when it was increased to $6,581 in accordance with the terms of the lease. The total rental payments were $79,457 for the year ended June 30, 2014, and $77,674 for the year ended June 30, 2013.

The Station leases a tower space for $550 per month in connection with an operating lease for five years starting September 1, 2010. The Station has an option to one five year extension at $650 per month.

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 Community Service Grants received and expended by the Station during the fiscal year ended June 30, 2014 was $114,779. The total received is more than 7% of the Station’s total support and revenue for the fiscal year ended June 30, 2014. 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.

5. 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. Total Station matching contributions were $10,675 in 2014 and $11,694 in 2013.

6. RESTRICTED DEBT AND NOTES PAYABLE

In fiscal 2011, the Station restructured its past due debt with its three largest vendors. All three restructurings included an extension in the period of time for payment through 2014, no interest and required payment of current invoices. No amounts have been recognized for imputed interest because the amounts are not material. Payments have been made as scheduled. The final maturity was paid in 2014.

7. 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 3% 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.

8. CONCENTRATION 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.

9. 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 and theft, and various other insurable risks. The Station carries property insurance in the amount of $8,200 for the building and towers and $746,600 for personal property in 2014 with a deductible of $2,500 for all perils except flood, earthquake, windstorm or hail, with increased deductibles. The Station carries wind insurance in the amount of $746,600 with a deductible of $5,000.

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.

The Station carries commercial general liability policy of $2,000,000 in aggregate with a limit of $1,000,000 per occurrence.