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

Financial Statements
For the Year Ended June 30, 2013
(with 2012 comparative totals)

EARNEY & COMPANY
L.L.P.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2013, 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, 2013, 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 2012 financial statements, and our report dated November 8, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ewing & Company, L.L.P.

Wilmington, North Carolina
November 18, 2013

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

STATEMENT OF FINANCIAL POSITION

	As of June 30, 2013				
	Unrestricted		Temporarily Restricted		2012
	Operations	Property	Capital Campaign	Total	Comparative Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 91,522	$ -	$ 61,777	$ 153,299	$ 140,952
Receivables, net of $3,600 allowance for uncollectibles	40,272	-	-	40,272	37,846
Pledges receivable	8,044	-	55,962	64,006	-
Prepaid expenses	7,692	-	-	7,692	7,671
Total Current Assets	147,530	-	117,739	265,269	186,469
Due to / due from	125,000	-	(125,000)	-	-
Pledges receivable - non-current, net of $8,700 allowance for uncollectibles	-	-	225,207	225,207	-
Property and Equipment					
Office furniture	-	19,938	-	19,938	19,938
Broadcast equipment	-	647,493	-	647,493	629,081
Leasehold improvements	-	343,442	-	343,442	325,192
Technology	-	55,627	-	55,627	55,627
Total Property	-	1,066,500	-	1,066,500	1,029,838
Less: accumulated depreciation	-	(821,453)	-	(821,453)	(783,551)
Net Property & Equipment	-	245,047	-	245,047	246,287
Total Assets	$ 272,530	$ 245,047	$ 217,946	$ 735,523	$ 432,756
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	$ 35,147	$ -	$ -	$ 35,147	$ 36,026
Current maturities of restructured debt (Note 6)	50,512	-	-	50,512	98,538
Total Current Liabilities	85,659	-	-	85,659	134,564
Restructured debt (Note 6)	-	-	-	-	62,155
Total Liabilities	85,659	-	-	85,659	196,719
Net Assets (Deficit)					
Unrestricted	186,871	245,047	-	431,918	236,037
Temporarily restricted	-	-	217,946	217,946	-
Total Net Assets (Deficit)	186,871	245,047	217,946	649,864	236,037
Total Liabilities and Net Assets	$ 272,530	$ 245,047	$ 217,946	$ 735,523	$ 432,756

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, 2013				
	Unrestricted		Temporarily Restricted		
	Operations	Property	Capital Campaign	Total	2012 Comparative Total
Support & Revenue					
Corporation for Public Broadcasting - Operating	$ 108,853	$ -	$ -	$ 108,853	$ 110,130
Contributions	587,182	-	391,700	978,882	604,877
Program underwriting	273,564	-	-	273,564	232,866
Program underwriting - in kind	66,066	-	-	66,066	68,059
In-kind contributions	74,004	-	-	74,004	74,004
Net assets released from restrictions	173,754	-	(173,754)	-	-
Special events	42,457	-	-	42,457	36,271
Cinematique income	31,091	-	-	31,091	28,161
Rental income	477	-	-	477	2,461
Interest income	58	-	-	58	72
Other revenue	2,769	-	-	2,769	10,028
Total Support and Revenue	1,360,275	-	217,946	1,578,221	1,166,929
Operating Expenses					
Program services	649,003	34,112	-	683,115	658,866
Administrative	143,553	1,895	-	145,448	140,633
Fundraising	333,936	1,895	-	335,831	297,520
Total Expenses	1,126,492	37,902	-	1,164,394	1,097,019
Change in Net Assets	233,783	(37,902)	217,946	413,827	69,910
Net Assets					
Beginning of Year	(10,250)	246,287	-	236,037	166,127
Transfer for property purchase	(36,662)	36,662	-	-	-
End of year	$ 186,871	$ 245,047	$ 217,946	$ 649,864	$ 236,037

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, 2013				2012
	Program	Administrative	Fund Raising	Total	Comparative Total
Salaries	$ 103,564	$ 94,230	$ 138,566	$ 336,360	$ 316,890
Employee benefits	21,503	19,422	28,438	69,363	57,264
Payroll taxes	11,205	10,121	14,819	36,145	34,682
Contract staffing	769	695	1,017	2,481	9,719
Total salaries & related expenses	137,041	124,468	182,840	444,349	418,555
Major gifts	-	-	-	-	21,903
Membership	1,238	-	40,033	41,271	45,042
National Public Radio	171,261	-	-	171,261	159,129
Public Radio International	16,943	-	-	16,943	33,977
Other radio expenses	68,517	-	-	68,517	50,340
Special events	2,677	-	669	3,346	6,945
Rent	69,907	3,883	3,884	77,674	70,231
Utilities	35,241	1,957	1,958	39,156	34,269
Other station expenses	72,174	8,491	4,245	84,910	86,560
Underwriting expenses	-	-	56,307	56,307	64,446
In kind expenses	74,004	-	-	74,004	74,004
Interest expense	-	-	-	-	57
Capital Campaign	-	4,754	44,000	48,754	-
	649,003	143,553	333,936	1,126,492	1,065,458
Depreciation	34,112	1,895	1,895	37,902	31,561
Total Expenses	$ 683,115	$ 145,448	$ 335,831	$ 1,164,394	$ 1,097,019

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, 2013				
	Unrestricted		Temporarily Restricted		2012 Comparative
	Operations	Property	Capital Campaign	Total	Total
Cash Flows From Operating Activities					
Support and revenue	$ 1,113,088	$ -	$ 61,777	$ 1,174,865	$ 1,088,815
Interest	58	-	-	58	72
Cash payments for:					
Staff compensation	(444,349)	-	-	(444,349)	(418,555)
Other expenses	(571,384)	-	-	(571,384)	(573,564)
Net Cash provided by (used in) Operating Activities	97,413	-	61,777	159,190	96,768
Cash Flows From Investing Activities					
Purchase of equipment	-	(36,662)	-	(36,662)	(19,991)
Cash Flows From Financing Activities					
Payments reducing long term debt	(110,181)	-	-	(110,181)	(75,578)
Transfers from operating	(36,662)	36,662	-	-	-
Net Cash (used in) provided by Financing	(146,843)	36,662	-	(110,181)	(75,578)
Net Increase (Decrease) in Cash	(49,430)	-	61,777	12,347	1,199
Cash and Cash Equivalents					
Beginning of the year	140,952	-	-	140,952	139,753
End of the year	$ 91,522	$ -	$ 61,777	$ 153,299	$ 140,952
Reconciliation of Change in Net Assets to Cash provided by (Used in) Operations:					
Change in Net Assets	$ 108,783	$ (37,902)	$ 351,646	$ 422,527	$ 69,910
Depreciation	-	37,902	-	37,902	31,561
Change in current assets and liabilities (use) source:					
Receivables	(10,470)	-	(289,869)	(300,339)	(4,038)
Prepaid expenses	(21)	-	-	(21)	30,173
Accounts payable	(879)	-	-	(879)	(30,838)
Net Cash (used in) provided by Operations	$ 97,413	$ -	$ 61,777	$ 159,190	$ 96,768
Interest paid				$ -	$ 57
Income taxes paid				$ -	$ -

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, 2013

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 2009.

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

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 organization'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 organization, 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 organization, 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 fund-raising 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 2013, 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 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 2013 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 organization. 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 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:

	2013	2012
Operations checking	$ 91,522	$ 140,952
Capital Campaign checking	61,777	-
Total Cash and cash equivalents	$ 153,299	$ 140,952

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 organization'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

Management considered the inclusion of subsequent events in the disclosures of the footnotes through November 18, 2013, if such disclosures were required. The date November 18, 2013 was both the financial issuance date and the date the financials were available to be issued.

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 $77,674 for the year ended June 30, 2013, and $70,231 for the year ended June 30, 2012.

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, 2013 was $108,853. The total received is more than 9% of the Station's total support and revenue for the fiscal year ended June 30, 2013. 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 $11,694 in 2013 and $11,897 in 2012.

6. RESTRUCTURED DEBT & 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 of $50,512 is due in fiscal 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.