

RHODE ISLAND PUBLIC RADIO

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Financial Statements

June 30, 2011

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

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October 26, 2011

The Board of Directors of
Rhode Island Public Radio

Independent Auditor's Report

We have audited the accompanying statement of financial position of Rhode Island Public Radio (a Rhode Island nonprofit organization) as of June 30, 2011 and the related statements of revenues, expenses and other changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Rhode Island Public Radio's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Rhode Island Public Radio's June 30, 2009 financial statements and, in our reported dated November 19, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rhode Island Public Radio as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



RHODE ISLAND PUBLIC RADIO
Statement of Financial Position
June 30, 2011
(With Comparative Totals for June 30, 2010)

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 479,850	\$ 913,050
Pledges receivable, current (Note 3)	31,750	95,506
Accounts receivable	63,729	76,058
Prepaid expenses	26,887	22,870
Total current assets	602,216	1,107,484
Property and equipment, net (Note 4)	593,233	693,244
Other assets:		
Licenses, net (Note 5)	2,437,977	2,819,121
Security deposit	3,390	3,390
Pledges receivable, long term (Note 3)	23,500	40,250
Total other assets	2,464,867	2,862,761
Total assets	\$ 3,660,316	\$ 4,663,489
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 78,087	\$ 61,822
Accrued expenses	69,026	49,095
Trade accounts payable	8,286	63,405
Advance funds received	-	30,000
Current portion of capital lease (Note 6)	10,448	9,552
Current portion of note payable (Note 7)	75,000	75,000
Total current liabilities	240,847	288,874
Capital lease, net of current portion (Note 6)	4,637	15,085
Note payable, net of current portion (Note 7)	1,570,012	1,956,012
Total liabilities	1,815,496	2,259,971
Net assets:		
Unrestricted	1,615,410	1,494,523
Temporarily restricted (Note 8)	229,410	908,995
Total net assets	1,844,820	2,403,518
Total liabilities and net assets	\$ 3,660,316	\$ 4,663,489

The notes on pages 5 through 13 are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO
Statement of Revenues, Expenses and Other Changes in Net Assets
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
Operating revenue:				
Grants	\$ 241,980	\$ 119,700	\$ 361,680	\$ 368,680
Contributions	1,108,604	-	1,108,604	1,139,843
Corporate underwriting	747,653	-	747,653	683,815
Interest income	3,846	-	3,846	1,171
Other	9,395	60,000	69,395	5,626
Net assets released from restrictions:				
Satisfaction of program restrictions (Note 9)	268,400	(268,400)	-	-
Total operating revenue	<u>2,379,878</u>	<u>(88,700)</u>	<u>2,291,178</u>	<u>2,199,135</u>
Operating expenses:				
Program services	1,748,387	-	1,748,387	1,702,439
Management and general	597,702	-	597,702	658,449
Fundraising	578,938	-	578,938	576,989
Total operating expenses	<u>2,925,027</u>	<u>-</u>	<u>2,925,027</u>	<u>2,937,877</u>
Changes in net assets from operations	<u>(545,149)</u>	<u>(88,700)</u>	<u>(633,849)</u>	<u>(738,742)</u>
Other changes:				
Nonoperating capital campaign:				
Contributions	-	81,645	81,645	1,034,155
Interest	-	-	-	2,235
Release from restrictions (Note 10)	672,530	(672,530)	-	-
Expenses	(6,494)	-	(6,494)	(45,175)
Total other changes	<u>666,036</u>	<u>(590,885)</u>	<u>75,151</u>	<u>991,215</u>
Changes in net assets	120,887	(679,585)	(558,698)	252,473
Net assets, beginning of year	<u>1,494,523</u>	<u>908,995</u>	<u>2,403,518</u>	<u>2,151,045</u>
Net assets, end of year	<u>\$1,615,410</u>	<u>\$ 229,410</u>	<u>\$1,844,820</u>	<u>\$2,403,518</u>

The notes on pages 5 through 13 are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO
Statement of Functional Expenses
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	2011				2010		
	Program Services	Supporting Services			Total Operating Expenses	Capital Campaign	Total
		Management and General	Fundraising	Total			
Salaries	\$ 630,998	\$ 258,753	\$ 280,744	\$ 1,170,495	\$ -	\$ 1,170,495	
Payroll taxes	60,343	12,958	26,455	99,756	-	99,756	
Employee benefits	85,176	50,199	34,500	169,875	-	169,875	
Occupancy	45,293	76,718	-	122,011	-	122,011	
Utilities	28,496	-	-	28,496	-	28,496	
Real estate taxes	9,316	-	-	9,316	-	9,316	
Insurance	14,600	4,171	2,086	20,857	-	20,857	
Equipment and site maintenance	32,066	-	-	32,066	-	32,066	
Postage	-	6,917	7,995	14,912	-	14,912	
Printing	-	-	25,331	25,331	-	25,331	
Graphics and website design	5,500	1,222	5,500	12,222	-	12,222	
Supplies	3,798	6,979	4,471	15,248	-	15,248	
Travel, staff and meeting expenses	12,412	24,590	11,576	48,578	-	48,578	
Telecommunications	55,752	6,370	4,027	66,149	-	66,149	
Accounting fees	-	11,000	-	11,000	-	11,000	
Legal fees	-	28,209	-	28,209	-	28,209	
Other professional fees	70,540	7,005	91,568	169,113	-	169,113	
Advertising and marketing	169,417	-	18,824	188,241	-	188,241	
License, fees and dues	105,166	-	-	105,166	-	105,166	
Payroll service fees	4,213	1,124	281	5,618	-	5,618	
Special event expenses	-	-	44,727	44,727	-	44,727	
Interest expense	33,710	-	-	33,710	-	33,710	
Bank and credit card fees	-	1,029	20,853	21,882	994	22,876	
Taxes - other	447	447	-	894	-	894	
Miscellaneous	-	-	-	-	5,500	5,500	
Total expenses before depreciation and amortization	1,367,243	497,691	578,938	2,443,872	6,494	2,450,366	
Depreciation and amortization	381,144	100,011	-	481,155	-	481,155	
Total expenses	\$ 1,748,387	\$ 597,702	\$ 578,938	\$ 2,925,027	\$ 6,494	\$ 2,931,521	
						\$ 2,983,052	

The notes on pages 5 through 13 are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO**Statement of Cash Flows****For the Year Ended June 30, 2011****(With Comparative Totals for the Year Ended June 30, 2010)**

	<u>2011</u>	<u>2010</u>
Net cash flows from operating activities:		
Changes in net assets	\$ (558,698)	\$ 252,473
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	481,155	472,008
Changes in assets and liabilities:		
Pledges receivable	80,506	384,463
Accounts receivable	12,329	(15,706)
Prepaid expenses	(4,017)	36,058
Accounts and trade payable and accrued expenses	(18,923)	65,782
Advance funds received	(30,000)	30,000
Net cash provided by operating activities	<u>(37,648)</u>	<u>1,225,078</u>
Net cash flows from investing activities:		
Purchase of fixed assets	-	(93,109)
Licensing costs	-	-
Net cash (used) in investing activities	<u>-</u>	<u>(93,109)</u>
Net cash flows from financing activities:		
Payments made on capital lease	(9,552)	(8,734)
Payment made on note payable	(386,000)	(1,284,097)
Net cash provided by (used in) financing activities	<u>(395,552)</u>	<u>(1,292,831)</u>
Net (decrease) in cash and cash equivalents	(433,200)	(160,862)
Cash and cash equivalents, beginning of year	<u>913,050</u>	<u>1,073,912</u>
Cash and cash equivalents, end of year	<u>\$ 479,850</u>	<u>\$ 913,050</u>

The notes on pages 5 through 13 are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO

Notes to Financial Statements

June 30, 2011

Note 1 - Nature of Activities

Rhode Island Public Radio (the "Corporation") is organized as a nonprofit corporation under the laws of the State of Rhode Island. It is licensed by the Federal Communications Commission to operate an FM radio station (WRNI-FM) in southern Rhode Island, which broadcasts at 102.7 MHZ from Narragansett, Rhode Island. Revenue is received through contributions and underwriting.

In January 2009, the Corporation purchased WRNI-AM from the Trustees of Boston University, which broadcasts at 1290 KHZ from North Providence, Rhode Island.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Corporation have been prepared on the accrual basis. Under the accrual basis, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

- Unrestricted net assets include revenues and expenses and contributions pledged which are not subject to any donor-imposed restrictions.
- Temporarily restricted net assets include gifts and promises to give for which time restrictions or donor-imposed restrictions have not yet been met. When the restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Expenses and Other Changes in Net Assets as net assets released from restrictions.
- Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions. As of June 30, 2011 and 2010, the Corporation has no permanently restricted net assets.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts and Pledges Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Corporation does not recognize conditional promises to give as revenue until the condition is met.

The Corporation uses the direct write-off method for accounts and pledges receivable that may be uncollectible. Under this method, an allowance for doubtful accounts is not maintained, but receivables are written off when they become uncollectible.

Generally accepted accounting principles require an allowance for doubtful accounts receivable whenever it can be reasonably estimated and is a material amount. The effect of using the direct write-off method instead of the reserve method is not material to these financial statements.

Property and Equipment

Rhode Island Public Radio capitalizes property and equipment that costs \$2,000 or more and has a useful life of one or more years. This property and equipment is recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment.

	<u>Years</u>
Broadcast and transmission equipment	5
Furniture and office equipment	3
Computer equipment and software	2-5

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal.

Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. Maintenance and repairs are included as expenses in the statement of revenues, expenses and other changes in net assets.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies

Other Assets - Licensing Rights

The cost of licensing rights acquired is being amortized on the straight-line basis over ten years. Amortization expense charged to operations amounted to \$381,144 and \$381,144 for the years ended June 30, 2011 and 2010, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restrictions.

Donated Goods and Services

Rhode Island Public Radio receives a significant amount of donated services from board members and other volunteers who assist in fundraising and special events. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Underwriting Trade

Underwriting that is traded for goods or services is reflected as corporate underwriting revenue at their estimated value on date of receipt. The Corporation recognizes an expense at the time the goods or services are provided. The difference between the amount earned and incurred is reflected as a trade receivable or payable.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Rhode Island Public Radio is exempt from income taxes as a charitable organization under Section 501(c)(3) under the Internal Revenue Code and is not considered a private foundation.

The Corporation evaluates its uncertain tax positions using the guidance for contingencies as contained in generally accepted accounting principles. The Organization was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

Note 3 - Pledges Receivable

In 2007, the Corporation began a capital campaign to fund the purchase of WRNI-FM, support the expansion of news and programming and transitional operations, fund additional broadcast equipment, and help fund part of the purchase price of WRNI-AM.

Contributions receivable for unconditional promises to give are recorded at full value. These pledges have not been adjusted to the present value of their estimated future cash flows because it was considered immaterial. Management will continue to monitor the collection of these promises to give and make any necessary write-offs when it is determined that any amounts are uncollectible.

Pledges receivable at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Due in year ended June 30,		
2011	\$ -	\$ 95,506
2012	31,750	13,250
2013	1,500	4,000
2014	<u>22,000</u>	<u>23,000</u>
Total pledges receivable	<u>\$ 55,250</u>	<u>\$ 135,756</u>

Note 4 - Property and Equipment

Property and equipment for the years ended June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Land – Douglas Avenue, North Providence	\$ 113,871	\$ 113,871
Building – Douglas Avenue, North Providence	117,000	117,000
Furniture, fixtures and equipment	22,901	22,901
Broadcast and transmission equipment	524,570	524,570
Computer software and equipment	<u>63,302</u>	<u>63,302</u>
Total property and equipment	841,644	841,644
Accumulated depreciation	<u>(248,411)</u>	<u>(148,400)</u>
Net property and equipment	<u>\$ 593,233</u>	<u>\$ 693,244</u>

Note 5 - Licenses

On January 15, 2009, WRNI-AM was purchased from the Trustees of Boston University for \$2 million. This purchase price was allocated to broadcast station equipment, land and building (Note 4) and license and is amortized on a straight-line basis for ten years. This purchase was financed through a promissory note to the Trustees of Boston University (Note 7).

WRNI-FM (formerly known as WAKX-FM) was purchased on May 15, 2007 at a total acquisition cost of approximately \$2.7 million, funded in part through a note from the Rhode Island Foundation totaling \$2.4 million (Note 7) and through contributions from the Capital Campaign (Notes 3 and 8) amounting to approximately \$269,000. The entire purchase price was allocated to license and is amortized on a straight-line basis for ten years.

The licenses for the years ended June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Cost – FCC License – 102.7 FM	\$ 2,654,620	\$ 2,654,620
Cost – FCC License – 1290 AM	1,156,817	1,156,817
Accumulated amortization	<u>(1,373,460)</u>	<u>(992,316)</u>
Licenses, net	<u>\$ 2,437,977</u>	<u>\$ 2,819,121</u>

Note 6 - Capital Leases

Capital lease assets of \$45,301 have been included in property and equipment on the statement of financial position at June 30, 2011 and 2010, respectively. Related accumulated depreciation of \$34,065 and \$25,005 as of June 30, 2011 and 2010 has been included within the total shown for accumulated depreciation in Note 4.

The Corporation's obligations under the agreements at June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Fiscal year ended June 30,		
2011	\$ -	\$ 11,382
2012	11,382	11,382
2013	4,742	4,742
Total amount due	<u>16,124</u>	<u>27,506</u>
Interest included therein	<u>(1,039)</u>	<u>(2,869)</u>
Principal amount due	15,085	24,637
Less current portion	<u>(10,448)</u>	<u>(9,552)</u>
Long-term obligations under capital leases	<u>\$ 4,637</u>	<u>\$ 15,085</u>

Note 7 - Notes Payable

	<u>2011</u>	<u>2010</u>
Note payable to The Rhode Island Foundation with interest at .86% for 2010 and 2009. The note is payable on May 16, 2022. Interest is payable quarterly. The note payable is secured by all the Corporation's business assets, including any FCC licenses.	\$ 326,012	\$ 326,012
Note payable to Trustees of Boston University with interest starting to accrue on January 15, 2011, at the average prime rate and is payable along with each principal payment. The note is payable beginning January 15, 2011 with installment, due 2012, 2014, 2016, 2017 and is payable in full on January 15, 2019.	<u>1,319,000</u>	<u>1,705,000</u>
Total notes payable	1,645,012	2,031,012
Current portion	<u>(75,000)</u>	<u>(75,000)</u>
Long term portion	<u>\$ 1,570,012</u>	<u>\$ 1,956,012</u>

Scheduled minimum debt payments over the next five years are as follows:

Year ended June 30,	<u>2011</u>	<u>2010</u>
2011	\$ -	\$ 75,000
2012	75,000	386,000
2013	-	-
2014	311,000	311,000
2015	-	-
2016	311,000	311,000
Thereafter	<u>948,012</u>	<u>948,012</u>
Total	<u>\$ 1,645,012</u>	<u>\$ 2,031,012</u>

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Capital campaign	\$ 169,891	\$ 760,777
Development consultant	40,000	-
News reporting	<u>19,519</u>	<u>148,218</u>
Total temporarily restricted net assets	<u>\$ 229,410</u>	<u>\$ 908,995</u>

Note 9 - Net Assets Released from Restrictions - Operating

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or any occurrence of events specified by the donors. For the years ended June 30, 2011 and 2010, expenses released from restrictions were incurred for program expenses for news reporters and development consulting.

Note 10 - Net Assets Released from Restrictions from Nonoperating Capital Campaign

In 2007, the Corporation began a \$4 million Capital Campaign to principally support the purchase of WRNI 1290 AM from Boston University and pay off debt related to the acquisition of 102.7 FM in southern Rhode Island and certain expenses. A summary of the funds released from restrictions is as follows:

	2011	2010
Nonoperating:		
Capital campaign expenses	\$ 2,694	\$ 24,985
Debt repayment	386,000	1,284,097
Operating expense	271,000	50,000
Interest	12,836	42,314
Total released from restrictions	<u>\$ 672,530</u>	<u>\$ 1,401,396</u>

Note 11 - Operating Leases

Rhode Island Public Radio leases the broadcast tower for WRNI-FM. Lease expenses totaled \$33,648 and \$31,800 for the years ended June 30, 2011 and 2010, respectively. Future minimum lease payments under these leases are as follows:

Year ended June 30,

	2011	2010
2011	\$ -	\$ 33,624
2012	35,496	35,496
2013	36,916	36,916
2014	38,373	38,373
2015	19,572	19,572
Total	<u>\$ 133,051</u>	<u>\$ 163,981</u>

During this year ended June 30, 2009, the Corporation began leasing its office and studio space. The rent expense for the years ended June 30, 2011 and 2010 was \$70,289 and \$68,743, respectively. The lease expired on September 14, 2011. Management is currently in negotiations to renew this lease. Future minimum lease payments are as follows:

Year ended June 30,

2011	\$ -	\$ 70,287
2012	17,655	17,655

Note 12 - Retirement Savings Plan

Effective July 1, 2007, the Corporation adopted a 401(k) plan for its employees. Under the plan, employees become eligible to participate upon the later of attaining the age of 21 or completing 3 months of service. The Corporation will match 50% of employees' salaries up to the first 5% of gross salaries, upon meeting eligibility requirements.

For the years ended June 30, 2011 and 2010, expenses incurred under the plan amounted to \$16,159 and \$17,099, respectively.

Note 13 - Concentration of Credit Risk

The Corporation maintains its cash balances at a bank in Rhode Island. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program. At June 30, 2011 and 2010 the Corporation's uninsured cash balances totaled approximately \$38,811 and \$371,356.

Note 14 - Related Parties

A member of the Finance Committee and Board of Directors works for the bank that manages the Corporation's invested cash balances. These cash balances were invested before this individual joined the Board.

A development consultant, who is related to a Board member, was contracted to provide services to the Organization. Consulting fees earned were \$1,500 and is payable at June 30, 2011.

Note 15 - Relationship to WBUR Group

For the years ended June 30, 2011 and 2010, WBUR Group, a division of Boston University, provided certain programs and services to Rhode Island Public Radio. Those programs and services include, but are not limited to: National Public Radio (NPR) program broadcasts, simulcast on WRNI-FM and WRNI-AM, underwriting traffic services, and certain computer and telecommunications support. The values of these programs and services have not been recorded on the Statement of Revenue, Expense and Other Changes in Net Assets at June 30, 2011 and 2010.

Since the purchase of WRNI-AM in January 2009, WBUR continues to provide certain programs and services to the Corporation for five years, under the Support Services Agreement, for an annual fee of \$55,000.

Note 16 - Subsequent Events

Management has evaluated all subsequent events through October 26, 2011, the date the financial statements were available to be issued and have the following subsequent event:

Signal Expansion

On October 8, 2011, the Organization entered into an agreement with the Wheeler School to lease 88.1 FM. The compensation to The Wheeler School will consist of reimbursing their operating expenses, estimated to be \$75,000 for the first year. In addition, a general contribution will be made to the school based on increased membership and underwriting revenues

On October 8, 2011, the Organization entered into an agreement with Latino Public Radio. The compensation to the Organization will consist of reimbursing our operating expenses and engineer overtime, estimated to be \$70,000 for the first year.