

RHODE ISLAND PUBLIC RADIO

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Financial Statements

June 30, 2013

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

Mullen Scorpio Cerilli

RHODE ISLAND PUBLIC RADIO

Table of Contents

June 30, 2013

	<i>Page</i>
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Revenues, Expenses and Other Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15

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The Board of Directors of
Rhode Island Public Radio

Independent Auditor's Report

We have audited the accompanying financial statements of Rhode Island Public Radio (a Rhode Island nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of revenue, expenses, and other changes in net assets, 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.

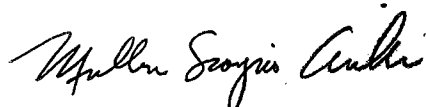
Mullen Scorpio Cerilli

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, 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 Rhode Island Public Radio's 2012 financial statements, and our report dated October 18, 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.



Providence, Rhode Island
October 15, 2013

RHODE ISLAND PUBLIC RADIO
Statement of Financial Position
June 30, 2013
(With Comparative Totals for June 30, 2012)

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 753,715	\$ 852,003
Pledges receivable, current (Note 3)	20,750	16,750
Accounts receivable	72,690	34,522
Prepaid expenses	67,252	50,232
Total current assets	914,407	953,507
Property and equipment, net (Note 4)	395,153	496,109
Other assets:		
Licenses, net (Note 5)	1,675,688	2,056,832
Security deposit	1,200	3,390
Pledges receivable, long term (Note 3)	7,000	21,500
Total other assets	1,683,888	2,081,722
Total assets	\$ 2,993,448	\$ 3,531,338
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 71,981	\$ 78,365
Accrued expenses	40,875	105,348
Current portion of capital lease (Note 6)	-	4,637
Total current liabilities	112,856	188,350
Other liabilities:		
Note payable, net of current portion (Note 7)	1,259,012	1,570,012
Other payable	-	23,779
Total other liabilities	1,259,012	1,593,791
Total liabilities	1,371,868	1,782,141
Net assets:		
Unrestricted	1,345,150	1,275,707
Temporarily restricted (Note 9)	276,430	473,490
Total net assets	1,621,580	1,749,197
Total liabilities and net assets	\$ 2,993,448	\$ 3,531,338

The notes 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, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Operating revenue:				
Grants	\$ 199,159	\$ 40,000	\$ 239,159	\$ 683,039
Contributions	1,419,825	-	1,419,825	1,208,386
Corporate underwriting	659,012	-	659,012	654,887
Interest income	1,152	-	1,152	621
Other	78,218	-	78,218	157,233
Total operating revenue	2,357,366	40,000	2,397,366	2,704,166
Reclassification - net assets released from restrictions by satisfaction of program restrictions (Note 10)	210,477	(210,477)	-	-
Total revenue and reclassifications	2,567,843	(170,477)	2,397,366	2,704,166
Operating expenses:				
Program services	1,649,182	-	1,649,182	1,708,252
Management and general	679,896	-	679,896	612,800
Fundraising	606,337	-	606,337	512,207
Total operating expenses	2,935,415	-	2,935,415	2,833,259
Changes in net assets from operations	(367,572)	(170,477)	(538,049)	(129,093)
Other changes:				
Nonoperating capital campaign:				
Contributions	-	410,432	410,432	33,470
Release from restrictions (Note 11)	437,015	(437,015)	-	-
Total other changes	437,015	(26,583)	410,432	33,470
Changes in net assets	69,443	(197,060)	(127,617)	(95,623)
Net assets, beginning of year	1,275,707	473,490	1,749,197	1,844,820
Net assets, end of year	\$1,345,150	\$ 276,430	\$1,621,580	\$1,749,197

The notes are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO
Statement of Functional Expenses
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013			2012	
	Program Services	Supporting Services		Total Expenses	Total
		Management and General	Fundraising		
Salaries	\$ 581,780	\$ 335,167	\$ 301,582	\$ 1,218,529	\$ 1,038,097
Payroll taxes	56,344	20,754	30,753	107,851	85,798
Employee benefits	62,367	60,087	27,599	150,053	149,489
Occupancy	40,450	79,144	-	119,594	124,022
Utilities	36,016	-	-	36,016	32,288
Real estate taxes	14,906	-	-	14,906	12,872
Insurance	17,902	5,115	2,557	25,574	28,013
Equipment and site maintenance	103,047	-	-	103,047	133,103
Postage	-	7,574	882	8,456	13,019
Printing	-	-	18,512	18,512	30,725
Graphics and website design	2,224	494	2,224	4,942	6,329
Supplies	3,816	9,610	(180)	13,246	9,046
Travel, staff and meeting expenses	8,709	18,052	9,992	36,753	39,587
Telecommunications	52,181	7,417	2,888	62,486	76,685
Accounting fees	-	10,500	-	10,500	10,000
Legal fees	-	10,027	-	10,027	31,246
Other professional fees	102,870	2,984	76,894	182,748	240,257
Advertising and marketing	82,063	-	9,118	91,181	78,821
License, fees and dues	55,727	-	-	55,727	83,509
Payroll service fees	3,451	920	230	4,601	10,246
Special event expenses	-	-	100,435	100,435	52,603
Interest expense	44,185	-	-	44,185	45,101
Bank and credit card fees	-	905	22,851	23,756	23,240
Taxes - other	-	-	-	-	895
Total expenses before depreciation and amortization	1,268,038	568,750	606,337	2,443,125	2,354,991
Depreciation and amortization	381,144	111,146	-	492,290	478,268
Total expenses	<u>\$ 1,649,182</u>	<u>\$ 679,896</u>	<u>\$ 606,337</u>	<u>\$ 2,935,415</u>	<u>\$ 2,833,259</u>

The notes are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO

Statement of Cash Flows

For the Year Ended June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Net cash flows from operating activities:		
Changes in net assets	\$ (127,617)	\$ (95,623)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	492,290	478,268
Changes in assets and liabilities:		
Pledges receivable	10,500	17,000
Accounts receivable	(38,168)	29,207
Prepaid expenses	(17,020)	(23,345)
Accounts payable and accrued expenses	(70,857)	28,315
Security deposit	2,190	-
Other payable	(23,779)	23,779
	<u>227,539</u>	<u>457,601</u>
Net cash provided by operating activities		
Net cash flows from investing activities:		
Purchase of fixed assets	(10,190)	-
Net cash used in investing activities	<u>(10,190)</u>	<u>-</u>
Net cash flows from financing activities:		
Payments made on capital lease	(4,637)	(10,448)
Payment made on note payable	(311,000)	(75,000)
Net cash used in financing activities	<u>(315,637)</u>	<u>(85,448)</u>
Net increase (decrease) in cash and cash equivalents	(98,288)	372,153
Cash and cash equivalents, beginning of year	<u>852,003</u>	<u>479,850</u>
Cash and cash equivalents, end of year	<u>\$ 753,715</u>	<u>\$ 852,003</u>
Interest paid	<u>\$ 102,236</u>	<u>\$ 9,978</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

The notes are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO

Notes to Financial Statements

June 30, 2013

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 station (WRNI-102.7 FM) from Narragansett, Rhode Island. It is also licensed to operate an AM station (WRNI 1290 AM) from North Providence, Rhode Island.

The AM station is leased to Latino Public Radio.

Rhode Island Public Radio is airing its programs on WRNI 102.7 FM, WCVY 91.5 FM, and WELH 88.1 FM.

Revenue is received through contributions, grants and underwriting.

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, 2013 and 2012, 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 more than one year. 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	3-5

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.

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. These services have not been recognized in the statement of activities since such services either do not require specialized skills or would not typically be purchased if not provided by donation.

Underwriting Trade

Underwriting that is traded for goods or services are 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.

The Organization annually files Internal Revenue Service Form 990 – *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to IRS and state review for three years after filing. The Organization currently has no tax examinations in progress.

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, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Due in year ended June 30,		
2013	\$ 20,750	\$ 16,750
2014	<u>7,000</u>	<u>21,500</u>
Total pledges receivable	<u>\$ 27,750</u>	<u>\$ 38,250</u>

Note 4 - Property and Equipment

Property and equipment for the years ended June 30, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</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>73,492</u>	<u>63,302</u>
Total property and equipment	851,834	841,644
Accumulated depreciation	<u>(456,681)</u>	<u>(345,535)</u>
Net property and equipment	<u>\$ 395,153</u>	<u>\$ 496,109</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 9) amounting to approximately \$269,000. The entire purchase price was allocated to license and is amortized on a straight-line basis for ten years.

Amortization expense charged to operations amounted to \$381,144 and \$381,144 for the years ended June 30, 2013 and 2012, respectively.

The licenses for the years ended June 30, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</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>(2,135,749)</u>	<u>(1,754,605)</u>
Licenses, net	<u>\$ 1,675,688</u>	<u>\$ 2,056,832</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, 2013 and 2012, respectively. Related accumulated depreciation of \$45,301 and \$40,771 as of June 30, 2013 and 2012 has been included within the total shown for accumulated depreciation in Note 4.

The Corporation's obligations under the agreements at June 30, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Fiscal year ended June 30, 2013	\$ -	\$ 4,742
Total amount due	-	4,742
Interest included therein	-	<u>(105)</u>
Principal amount due	-	4,637
Less current portion	-	<u>(4,637)</u>
Long-term obligations under capital leases	<u>\$ -</u>	<u>\$ -</u>

Note 7 - Notes Payable

	<u>2013</u>	<u>2012</u>
Note payable to The Rhode Island Foundation with interest at .86% for 2013 and 2012. 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. In March 2012, the Rhode Island Foundation subordinated their interest in 102.7 FM to the institution holding the line of credit.	\$ 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 was payable beginning January 15, 2011 with installment, due 2012, 2014, 2016, 2017 and is payable in full on January 15, 2019.	<u>933,000</u>	<u>1,244,000</u>
Total notes payable	1,259,012	1,570,012
Current portion	<u>-</u>	<u>-</u>
Long term portion	<u>\$ 1,259,012</u>	<u>\$ 1,570,012</u>

Scheduled minimum debt payments are as follows:

Year ended June 30,	<u>2013</u>
2014	\$ -
2015	-
2016	311,000
2017	311,000
2018	-
Thereafter	<u>637,012</u>
Total	<u>\$ 1,259,012</u>

Note 8 - Line of Credit

On March 21, 2012, the Corporation obtained a line of credit for \$250,000 with an interest rate of the lender's base rate plus 1.5% per annum with a floor rate of 5.5% computed on the average daily debit balance. The line is collectively secured by a continuing security interest in all tangible and intangible personal property of the debtor relating to WRNI 102.7 FM.

The balance on the line at June 30, 2013 and 2012 was \$0.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Capital campaign	\$ 96,907	\$ 123,490
News reporting	94,523	190,000
Signal expansion	<u>85,000</u>	<u>160,000</u>
Total temporarily restricted net assets	<u>\$ 276,430</u>	<u>\$ 473,490</u>

Note 10 - 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, 2013 and 2012, expenses released from restrictions were incurred for program expenses for news reporters and signal expansion consulting expenses.

Note 11 - Net Assets Released from Restrictions - 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:

	<u>2013</u>	<u>2012</u>
Nonoperating:		
Debt repayment	\$ 311,000	\$ 75,000
Loan repayment	23,779	-
Interest payment	<u>102,236</u>	<u>4,870</u>
Total released from restrictions	<u>\$ 437,015</u>	<u>\$ 79,870</u>

Note 12 - Operating Leases*Broadcast Tower*

Rhode Island Public Radio leases the broadcast tower for WRNI-FM. Lease expenses totaled \$36,916 and \$35,380 for the years ended June 30, 2013 and 2012, respectively. Future minimum lease payments under these leases are as follows:

Note 12 continued on the next page.

Note 12 - Operating Leases

Year ended June 30,

2014	\$ 38,373
2015	19,572
	<hr/>
Total	\$ 57,945
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Offices and Studio Space

The Corporation leases its office and studio space. The rent expense for the years ended June 30, 2013 and 2012 was \$72,272 and \$70,622, respectively. The lease expires on May 31, 2015. Future minimum lease payments are as follows:

Year ended June 30,

2014	\$ 73,474
2015	74,944
	<hr/>
	\$ 148,418
	<hr/>

Signal Expansion

The Corporation has a lease with the Wheeler School to lease 88.1 FM and broadcast on that station through October 2021. The expense for the year ended June 30, 2013 and 2012 was \$75,000 and \$54,839, respectively. In addition, a general contribution of \$5,345 will be made to the school based on increased membership and underwriting revenues per the lease agreement.

Future minimum lease payments are as follows:

Year ended June 30,

2014	\$ 75,000
2015	75,000
2016	75,000
2017	75,000
2018	75,000
Thereafter	245,161
	<hr/>
Total	\$ 620,161
	<hr/>

Note 13 - 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' contribution up to the first 5% of gross salaries, upon meeting eligibility requirements.

For the years ended June 30, 2013 and 2012, expenses incurred under the plan amounted to \$10,078 and \$13,088, respectively.

Note 14 - Concentration of Credit Risk

The Corporation maintains its cash balances at a bank in Rhode Island and Massachusetts. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation. At June 30, 2013 and 2012 the Corporation's uninsured cash balances totaled approximately \$283,675 and \$307,374.

Note 15 - Related Parties

For the year ending June 30, 2013, there were no related party transactions.

For the year ended June 30, 2012, a development consultant, who is related to a Board member, was contracted to provide services to the Organization. Consulting fees earned were \$40,000 for the year ended June 30, 2012 and the payable is \$0 at June 30, 2012.

Note 16 - Relationship to WBUR Group

For the years ended June 30, 2013 and 2012, 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, WELH-FM and WCVY-FM, 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, 2013 and 2012.

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 17 - Subsequent Events

Management has evaluated all subsequent events through October 15, 2013, the date the financial statements were available to be issued.