

RHODE ISLAND PUBLIC RADIO

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Financial Statements

June 30, 2014

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

Mullen Scorpio Cerilli

RHODE ISLAND PUBLIC RADIO

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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, 2014, 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, 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 Rhode Island Public Radio's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 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.



Providence, Rhode Island
October 21, 2014

RHODE ISLAND PUBLIC RADIO
Statement of Financial Position
June 30, 2014
(With Comparative Totals for June 30, 2013)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 910,502	\$ 753,715
Pledges receivable, current (Note 3)	6,750	20,750
Accounts receivable	94,102	72,690
Prepaid expenses	47,912	67,252
	1,059,267	914,407
Property and equipment, net (Note 4)	327,713	395,153
Other assets:		
Licenses, net (Note 5)	1,294,544	1,675,688
Security deposit	-	1,200
Pledges receivable, long term (Note 3)	-	7,000
	1,294,544	1,683,888
Total other assets	1,294,544	1,683,888
Total assets	\$ 2,681,524	\$ 2,993,448
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 66,708	\$ 71,981
Accrued expenses	99,151	40,875
Unearned revenue	12,300	-
	178,159	112,856
Total current liabilities	178,159	112,856
Other liabilities:		
Note payable, net of current portion (Note 6)	1,209,012	1,259,012
	1,209,012	1,259,012
Total other liabilities	1,209,012	1,259,012
Total liabilities	1,387,171	1,371,868
Net assets:		
Unrestricted	1,095,126	1,345,150
Temporarily restricted (Note 8)	199,227	276,430
	1,294,353	1,621,580
Total net assets	1,294,353	1,621,580
Total liabilities and net assets	\$ 2,681,524	\$ 2,993,448

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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Operating revenue:				
Grants	\$ 211,922	\$ 210,000	\$ 421,922	\$ 239,159
Contributions	1,392,998	-	1,392,998	1,419,825
Corporate underwriting	810,672	-	810,672	659,012
Interest income	899	-	899	1,152
Other	79,168	-	79,168	78,218
Total operating revenue	<u>2,495,659</u>	<u>210,000</u>	<u>2,705,659</u>	<u>2,397,366</u>
Reclassification - net assets released from restrictions by satisfaction of program restrictions (Note 9)	234,399	(234,399)	-	-
Total revenue and reclassifications	<u>2,730,058</u>	<u>(24,399)</u>	<u>2,705,659</u>	<u>2,397,366</u>
Operating expenses:				
Program services	1,663,145	-	1,663,145	1,649,182
Management and general	622,679	-	622,679	679,896
Fundraising	747,062	-	747,062	606,337
Total operating expenses	<u>3,032,886</u>	<u>-</u>	<u>3,032,886</u>	<u>2,935,415</u>
Changes in net assets from operations	<u>(302,828)</u>	<u>(24,399)</u>	<u>(327,227)</u>	<u>(538,049)</u>
Other changes:				
Nonoperating capital campaign:				
Contributions	-	-	-	410,432
Release from restrictions (Note 10)	52,804	(52,804)	-	-
Total other changes	<u>52,804</u>	<u>(52,804)</u>	<u>-</u>	<u>410,432</u>
Changes in net assets	(250,024)	(77,203)	(327,227)	(127,617)
Net assets, beginning of year	<u>1,345,150</u>	<u>276,430</u>	<u>1,621,580</u>	<u>1,749,197</u>
Net assets, end of year	<u>\$1,095,126</u>	<u>\$ 199,227</u>	<u>\$1,294,353</u>	<u>\$1,621,580</u>

The notes are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO
Statement of Functional Expenses
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014			2013	
	Program Services	Supporting Services		Total Expenses	Total
		Management and General	Fundraising		
Salaries	\$ 563,422	\$ 287,100	\$ 437,186	\$ 1,287,708	\$ 1,218,528
Payroll taxes	50,677	24,312	32,214	107,202	107,852
Employee benefits	74,832	51,203	33,495	159,530	150,053
Occupancy	44,087	80,052	-	124,139	119,594
Utilities	49,119	-	-	49,119	36,016
Real estate taxes	10,617	-	-	10,617	14,906
Insurance	18,442	5,269	2,635	26,346	25,574
Equipment and site maintenance	105,740	-	-	105,740	103,047
Postage	-	4,376	6,196	10,572	8,456
Printing	-	-	21,760	21,760	18,512
Graphics and website design	810	180	810	1,800	4,942
Supplies	3,565	9,198	3,394	16,157	13,246
Travel, staff and meeting expenses	16,514	28,621	19,390	64,525	36,753
Telecommunications	57,771	6,090	3,872	67,733	62,487
Accounting fees	-	11,000	-	11,000	10,500
Legal fees	-	23,546	-	23,546	10,027
Other professional fees	48,672	2,715	33,976	85,363	182,747
Direct program fees	59,107	-	-	59,107	-
Advertising and marketing	90,113	-	10,013	100,126	91,181
License, fees and dues	51,284	-	-	51,284	55,727
Payroll service fees	5,137	1,370	342	6,850	4,602
Special event expenses	-	-	120,146	120,146	100,435
Interest expense	32,092	-	-	32,092	44,185
Bank and credit card fees	-	814	21,634	22,448	23,756
Total expenses before depreciation and amortization	1,282,001	535,846	747,062	2,564,909	2,443,127
Depreciation and amortization	381,144	86,833	-	467,977	492,290
Total expenses	<u>\$ 1,663,145</u>	<u>\$ 622,679</u>	<u>\$ 747,062</u>	<u>\$ 3,032,886</u>	<u>\$ 2,935,417</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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014	2013
Net cash flows from operating activities:		
Changes in net assets	\$ (327,227)	\$ (127,617)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	467,977	492,290
Changes in assets and liabilities:		
Pledges receivable	21,000	10,500
Accounts receivable	(21,412)	(38,168)
Prepaid expenses	19,340	(17,020)
Accounts payable and accrued expenses	53,602	(70,857)
Security deposit	1,200	2,190
Other payable	-	(23,779)
Deferred contract revenue	12,300	-
	226,780	227,539
Net cash provided by operating activities		
Net cash flows from investing activities:		
Purchase of fixed assets	(19,393)	(10,190)
Net cash used in investing activities	(19,393)	(10,190)
Net cash flows from financing activities:		
Payments made on capital lease	-	(4,637)
Payment made on note payable	(50,000)	(311,000)
Net cash used in financing activities	(50,000)	(315,637)
Net increase (decrease) in cash and cash equivalents	157,387	(98,288)
Cash and cash equivalents, beginning of year	753,115	852,003
Cash and cash equivalents, end of year	\$ 910,502	\$ 753,715
Interest paid	\$ 2,804	\$ 102,236
Taxes paid	\$ -	\$ -

The notes are an integral part of these financial statements.

RHODE ISLAND PUBLIC RADIO

Notes to Financial Statements

June 30, 2014

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, 2014 and 2013, 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 \$3,000 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 tax return for 2010, 2011 and 2012. 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, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Due in year ended June 30,		
2013	\$ 6,750	\$ 20,750
2014	<u>-</u>	<u>7,000</u>
Total pledges receivable	<u>\$ 6,750</u>	<u>\$ 27,750</u>

Note 4 - Property and Equipment

Property and equipment for the years ended June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</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	536,300	524,570
Computer software and equipment	<u>81,155</u>	<u>73,492</u>
Total property and equipment	871,227	851,834
Accumulated depreciation	<u>(543,514)</u>	<u>(456,681)</u>
Net property and equipment	<u>\$ 327,713</u>	<u>\$ 395,153</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, 2014 and 2013, respectively.

The licenses for the years ended June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</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>(2,516,892)</u>	<u>(2,135,749)</u>
Licenses, net	<u>\$ 1,294,545</u>	<u>\$ 1,675,688</u>

Note 6 - Notes Payable

	<u>2014</u>	<u>2013</u>
Note payable to The Rhode Island Foundation with interest at .86% for 2014 and 2013. 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>833,000</u>	<u>933,000</u>
Total notes payable	1,209,012	1,259,012
Current portion	<u>-</u>	<u>-</u>
Long term portion	<u>\$ 1,209,012</u>	<u>\$ 1,259,012</u>

Note 6 continued on the next page.

Note 6 - Notes Payable

Scheduled minimum debt payments are as follows:

Year ended June 30,	<u>2014</u>
2015	\$ -
2016	261,000
2017	311,000
2018	-
2019	-
Thereafter	<u>637,012</u>
Total	<u>\$ 1,209,012</u>

Note 7 - 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, 2014 and 2013 was \$0.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Capital campaign	\$ 44,104	\$ 96,907
News reporting	101,873	94,523
Signal expansion	<u>53,250</u>	<u>85,000</u>
Total temporarily restricted net assets	<u>\$ 199,227</u>	<u>\$ 276,430</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, 2014 and 2013, expenses released from restrictions were incurred for program expenses for news, education, reporters and health care.

Note 10 - 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>2014</u>	<u>2013</u>
Nonoperating:		
Debt repayment	\$ 50,000	\$ 311,000
Loan repayment	-	23,779
Interest payment	<u>2,804</u>	<u>102,236</u>
Total released from restrictions	<u>\$ 52,804</u>	<u>\$ 437,015</u>

Note 11 - Operating Leases

Broadcast Tower

Rhode Island Public Radio leases the broadcast tower for WRNI-FM. Lease expenses totaled \$38,392 and \$36,916 for the years ended June 30, 2014 and 2013, respectively. This lease expires in January 2015. Future minimum lease payments under these leases are as follows:

Year ended June 30,

2015	<u>\$ 19,572</u>
Total	<u>\$ 19,572</u>

Offices and Studio Space

The Corporation leases its office and studio space. The rent expense for the years ended June 30, 2014 and 2013 was \$73,597 and \$72,272, respectively. The lease expires on May 31, 2015. Future minimum lease payments are as follows:

Year ended June 30,

2015	<u>\$ 74,944</u>
Total	<u>\$ 74,944</u>

Note 11 continued on the next page.

Note 11 - Operating Leases

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, 2014 and 2013 was \$75,000 and \$75,000, respectively. In addition, a general contribution of \$6,634 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,

2015	\$ 75,000
2016	75,000
2017	75,000
2018	75,000
2019	75,000
Thereafter	<u>170,161</u>
Total	<u>\$ 545,161</u>

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' contribution up to the first 5% of gross salaries, upon meeting eligibility requirements, if a surplus is realized before amortization and depreciation.

For the years ended June 30, 2014 and 2013, expenses incurred under the plan amounted to \$15,640 and \$10,078, respectively.

Note 13 - Concentration of Credit Risk

The Corporation maintains its cash balances at banks in Rhode Island and Massachusetts. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation. At June 30, 2014 and 2013 the Corporation's uninsured cash balances totaled approximately \$400,038 and \$283,675.

Note 14 - Related Parties

For the years ended June 30, 2014 and 2013, there were no related party transactions.

Note 15 - Relationship to WBUR Group

For the years ended June 30, 2014 and 2013, 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, 2014 and 2013.

Since the purchase of WRNI-AM in January 2009, WBUR continued to provide certain programs and services to the Corporation for five years, under the Support Services Agreement, for an annual fee of \$55,000. This agreement ended in January 2014.

Note 16 - Subsequent Events

Management has evaluated all subsequent events through October 21, 2014, the date the financial statements were available to be issued.