

TEMPLE UNIVERSITY WRTI-FM

Financial Statements as of and for the Years Ended June 30,
2017 and 2016, and Independent Auditor's Report



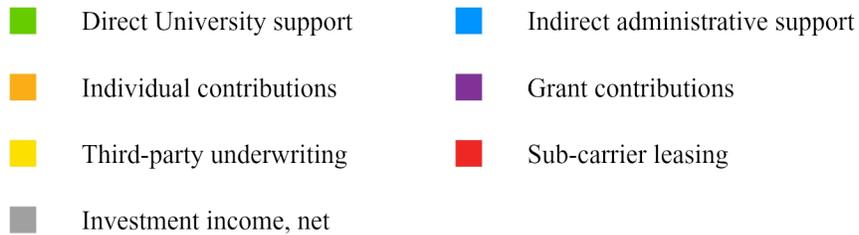
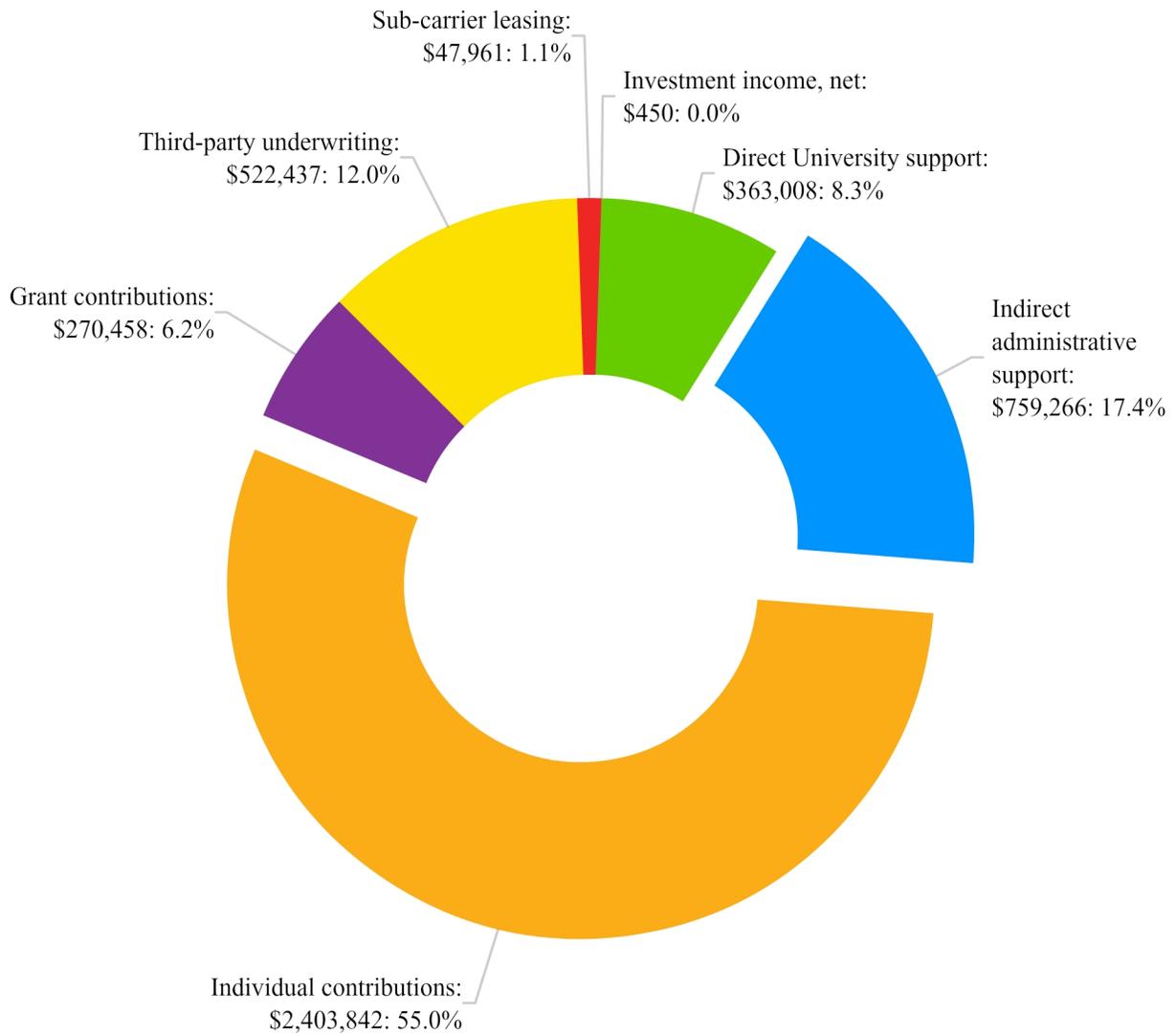
TEMPLE UNIVERSITY WRTI-FM

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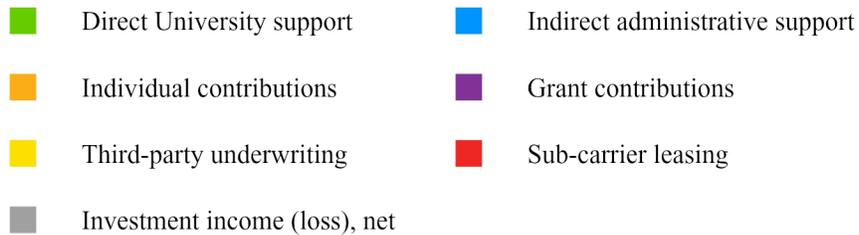
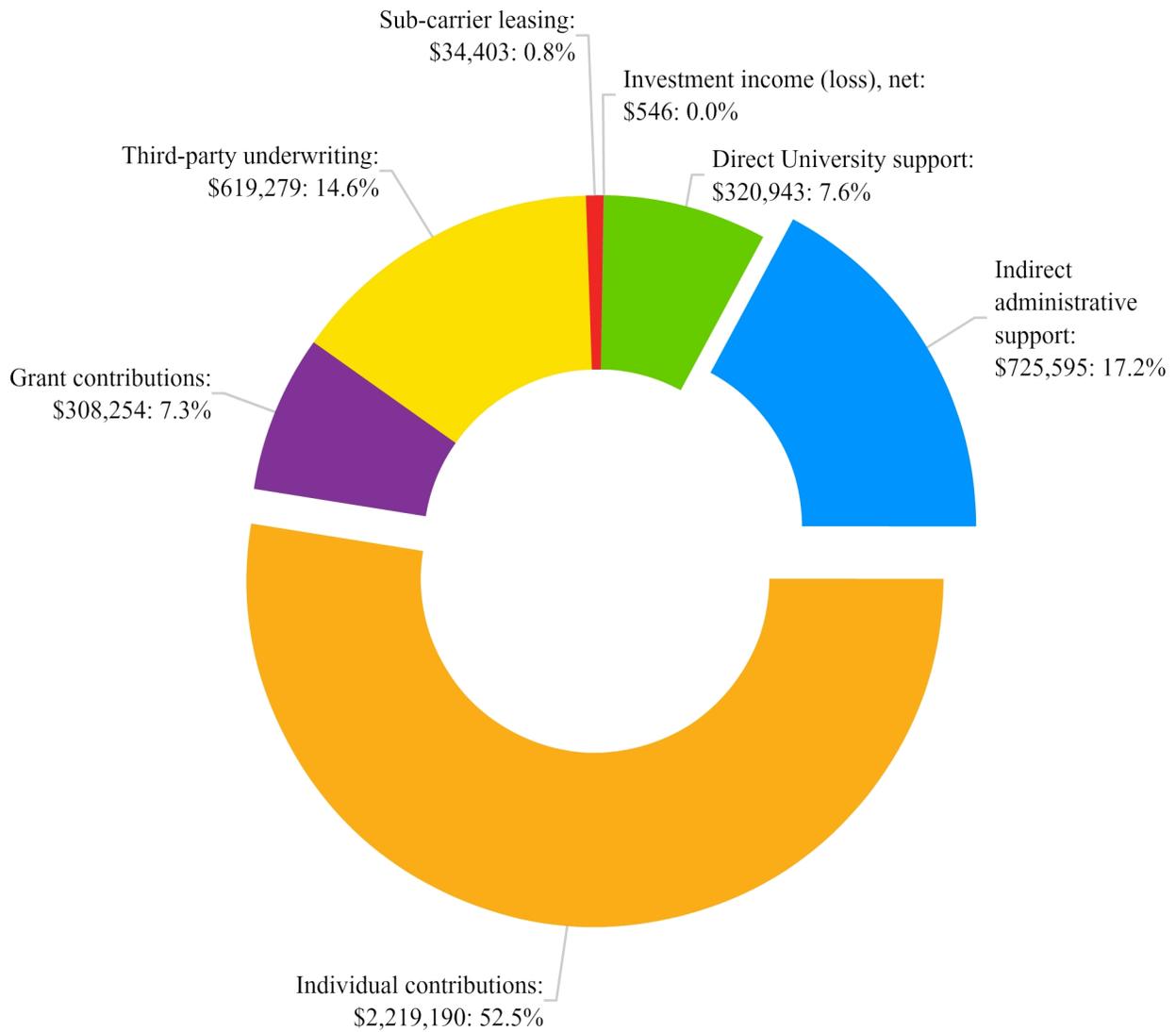
TEMPLE UNIVERSITY WRTI-FM
Unrestricted Revenues by Source

Fiscal 2017 Unrestricted Revenues by Source: \$4,367,422



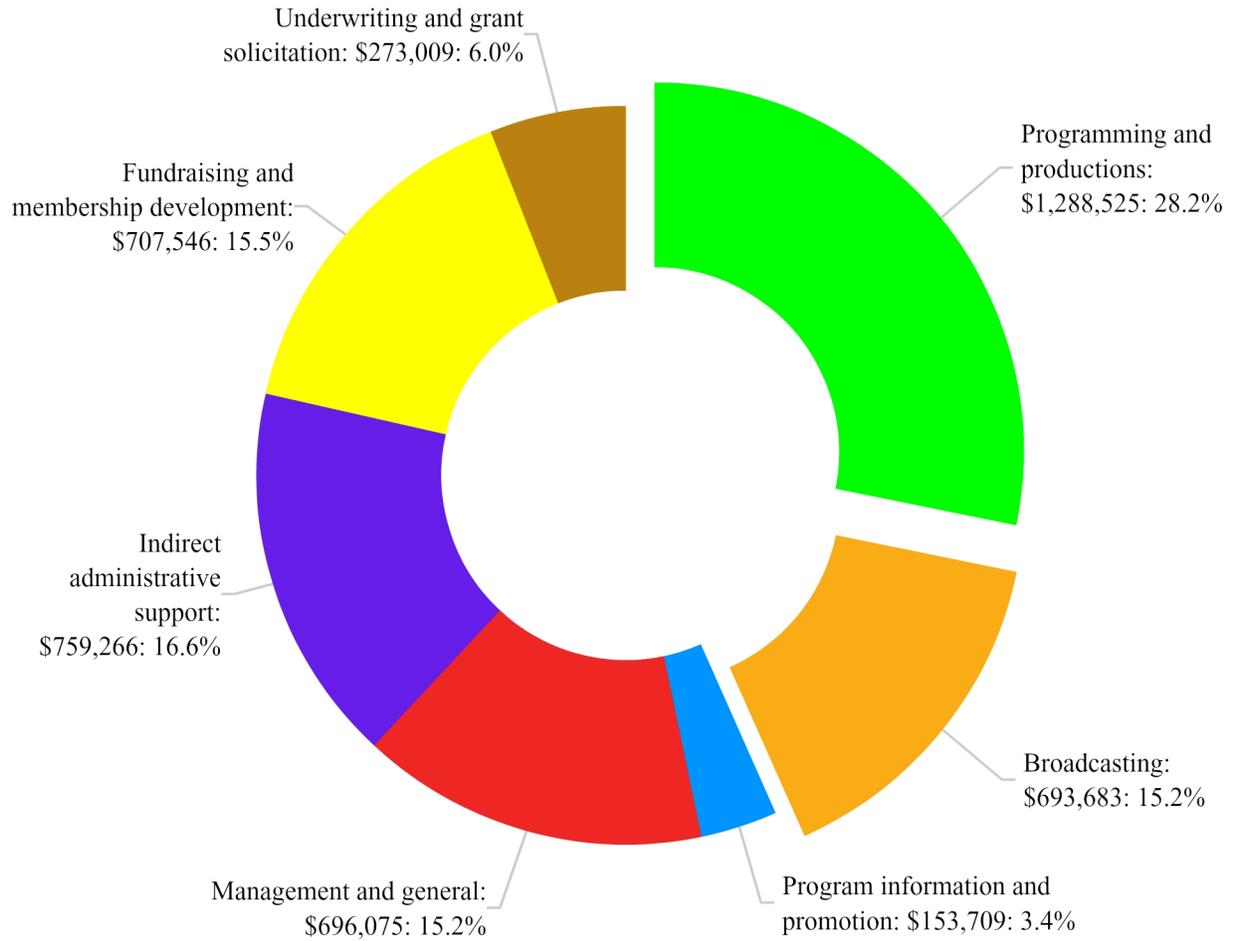
TEMPLE UNIVERSITY WRTI-FM
Unrestricted Revenues by Source

Fiscal 2016 Unrestricted Revenues by Source: \$4,228,210



TEMPLE UNIVERSITY WRTI-FM
Operating Expenses by Type

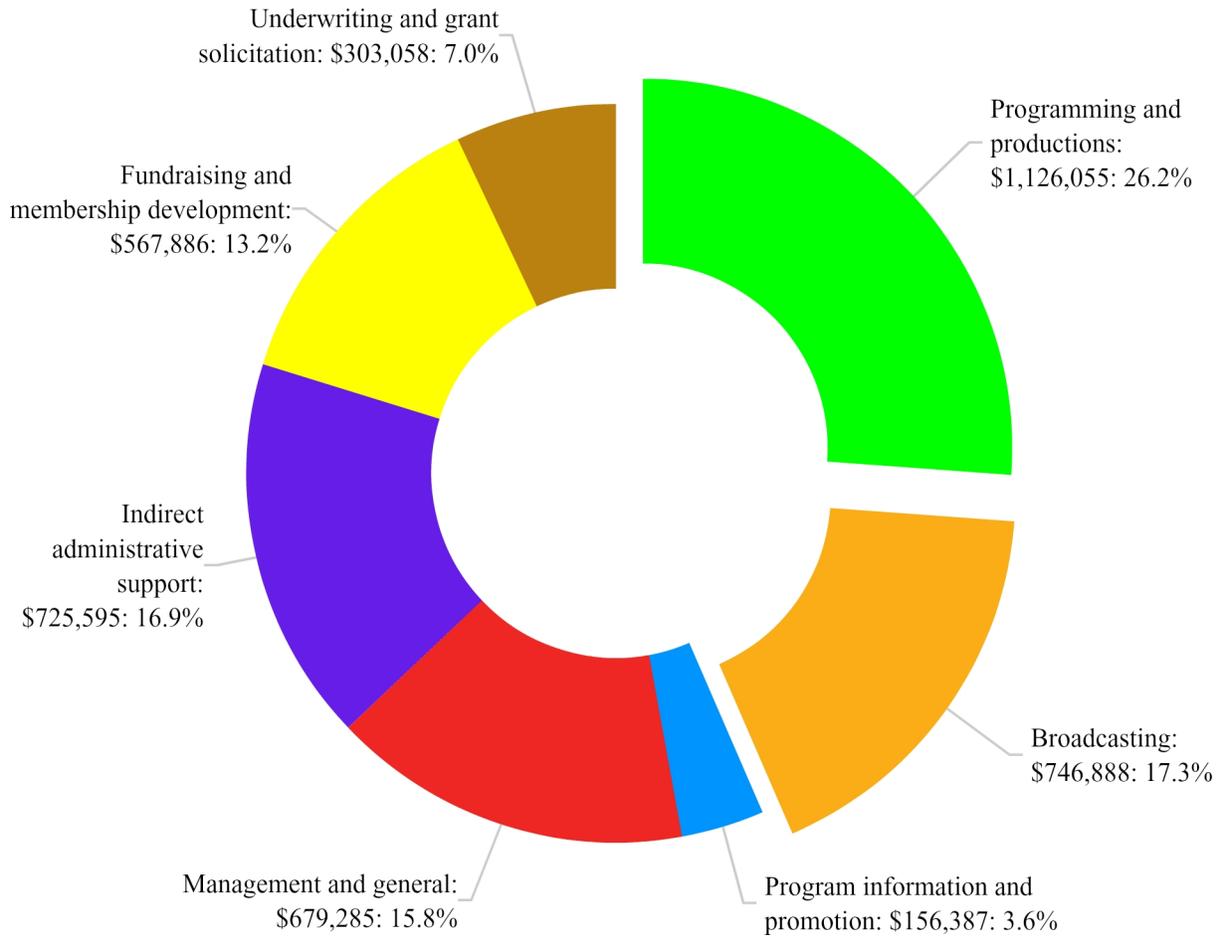
Fiscal 2017 Operating Expenses by Type: \$4,571,813



- Programming and productions
- Broadcasting
- Program information and promotion
- Management and general
- Indirect administrative support
- Fundraising and membership development
- Underwriting and grant solicitation

TEMPLE UNIVERSITY WRTI-FM
Operating Expenses by Type

Fiscal 2016 Operating Expenses by Type: \$4,305,154



- Programming and productions
- Broadcasting
- Program information and promotion
- Management and general
- Indirect administrative support
- Fundraising and membership development
- Underwriting and grant solicitation



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Temple University WRTI-FM

We have audited the accompanying financial statements of Temple University WRTI-FM, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. 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 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 Temple University WRTI-FM as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Unrestricted Revenues by Source and Operating Expenses by Type schedules for the years ended June 30, 2017 and 2016, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mitchell Titus, LLP

November 3, 2017

TEMPLE UNIVERSITY WRTI-FM
Statements of Financial Position

	June 30, 2017	June 30, 2016
Assets:		
Cash	\$ 320,042	\$ 542,593
Accounts receivable	123,532	129,959
Less: Allowance for doubtful accounts	(42,151)	(28,294)
Accounts receivable, net	<u>81,381</u>	<u>101,665</u>
Prepaid expenses	—	14,783
Equipment	3,471,798	3,381,767
Less: Accumulated depreciation	(3,294,519)	(3,278,228)
Equipment, net	<u>177,279</u>	<u>103,539</u>
Total assets	<u>\$ 578,702</u>	<u>\$ 762,580</u>
Liabilities and net assets:		
Liabilities		
Accounts payable and accrued expenses	\$ 46,082	\$ 84,658
Deferred revenue	12,374	20,083
Capital lease obligation	65,116	—
Total liabilities	<u>123,572</u>	<u>104,741</u>
Net assets		
Unrestricted	425,565	629,956
Temporarily restricted	19,381	18,446
Permanently restricted	10,184	9,437
Total net assets	<u>455,130</u>	<u>657,839</u>
Total liabilities and net assets	<u>\$ 578,702</u>	<u>\$ 762,580</u>

See accompanying notes to financial statements.

TEMPLE WRTI-FM
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Direct University support	\$ 363,008	\$ —	\$ —	\$ 363,008
Indirect administrative support	759,266	—	—	759,266
Individual contributions	2,403,842	935	—	2,404,777
Grant contributions	270,458	—	—	270,458
Third-party underwriting	522,437	—	—	522,437
Sub-carrier leasing	47,961	—	—	47,961
Investment income, net	450	—	747	1,197
Total revenue	4,367,422	935	747	4,369,104
Expenses:				
Program services:				
Programming and productions	1,288,525	—	—	1,288,525
Broadcasting	693,683	—	—	693,683
Program information and promotion	153,709	—	—	153,709
Total program services	2,135,917	—	—	2,135,917
Support services:				
Management and general	696,075	—	—	696,075
Indirect administrative support	759,266	—	—	759,266
Fundraising and membership development	707,546	—	—	707,546
Underwriting and grant solicitation	273,009	—	—	273,009
Total support services	2,435,896	—	—	2,435,896
Total expenses	4,571,813	—	—	4,571,813
Change in net assets	(204,391)	935	747	(202,709)
Net assets, beginning of year	629,956	18,446	9,437	657,839
Net assets, end of year	\$ 425,565	\$ 19,381	\$ 10,184	\$ 455,130

See accompanying notes to financial statements.

TEMPLE WRTI-FM
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Direct University support	\$ 320,943	\$ —	\$ —	\$ 320,943
Indirect administrative support	725,595	—	—	725,595
Individual contributions	2,219,190	(638)	—	2,218,552
Grant contributions	308,254	—	—	308,254
Third-party underwriting	619,279	—	—	619,279
Sub-carrier leasing	34,403	—	—	34,403
Investment income (loss), net	546	—	(869)	(323)
Total revenue	4,228,210	(638)	(869)	4,226,703
Expenses:				
Program services:				
Programming and productions	1,126,055	—	—	1,126,055
Broadcasting	746,888	—	—	746,888
Program information and promotion	156,387	—	—	156,387
Total program services	2,029,330	—	—	2,029,330
Support services:				
Management and general	679,285	—	—	679,285
Indirect administrative support	725,595	—	—	725,595
Fundraising and membership development	567,886	—	—	567,886
Underwriting and grant solicitation	303,058	—	—	303,058
Total support services	2,275,824	—	—	2,275,824
Total expenses	4,305,154	—	—	4,305,154
Change in net assets	(76,944)	(638)	(869)	(78,451)
Net assets, beginning of year	706,900	19,084	10,306	736,290
Net assets, end of year	\$ 629,956	\$ 18,446	\$ 9,437	\$ 657,839

See accompanying notes to financial statements.

TEMPLE UNIVERSITY WRTI-FM
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	Year Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (202,709)	\$ (78,451)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	25,587	22,466
Bad debt expense	13,857	7,556
Investment (income) loss restricted for endowment	(747)	869
Changes in operating assets and liabilities		
Accounts receivable	6,427	(39,601)
Deferred revenue	(7,709)	14,583
Prepaid expenses	14,783	(7,778)
Accounts payable and accrued expenses	(38,576)	28,075
Net cash used in operating activities	<u>(189,087)</u>	<u>(52,281)</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(28,729)</u>	<u>(11,181)</u>
Net cash used in investing activities	<u>(28,729)</u>	<u>(11,181)</u>
Cash flows from financing activities:		
Investment income (loss) restricted for endowment	747	(869)
Principal payments under capital lease obligation	(5,482)	—
Net cash used in financing activities	<u>(4,735)</u>	<u>(869)</u>
Net change in cash	(222,551)	(64,331)
Cash, beginning of year	542,593	606,924
Cash, end of year	<u>\$ 320,042</u>	<u>\$ 542,593</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest under capital lease obligation	\$ 708	\$ —
Equipment acquired through capital lease	70,597	—

See accompanying notes to financial statements.

TEMPLE WRTI-FM
Notes to Financial Statements
June 30, 2017 and 2016

1. Organization

WRTI-FM (the "Station") is a nonprofit member-supported public radio station. The Station's programming is music-intensive, primarily broadcasting classical and jazz content along with other arts and cultural programming. The Station is operated by Temple University — Of The Commonwealth System of Higher Education (the "University").

2. Summary of Significant Accounting Policies

Basis of Presentation — The financial statements and accompanying notes have been prepared in United States ("U.S.") dollars and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for not-for-profit organizations.

The Station's financial statements are presented such that net assets, revenues, gains, expenses, and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted — Net assets not subject to donor-imposed restrictions. These net assets may be designated for specific purposes by action of the Station or may otherwise be limited by contractual agreements with outside parties. Expenses are shown as decreases in unrestricted net assets.

Temporarily Restricted — Net assets subject to donor-imposed restrictions that can be filled by actions of the Station in accordance with those stipulations, or by the passage of time. Contributions and income from endowments for which restrictions have been met in the same fiscal year as their receipt are combined and reported with unrestricted revenues.

Permanently Restricted — Net assets subject to donor-imposed stipulations that can be maintained permanently by the Station. Generally, the donors of these assets permit the Station to use all or part of the income earned on these assets.

The Station reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of financial position as *Net assets released from restriction*. There were no assets released from restrictions during 2017 and 2016.

Accounts Receivable — Accounts receivable are reported at their net realizable value. The allowance for doubtful accounts is based upon management's judgment including such factors as historical collection history, type of receivable, and periodic assessment of individual accounts. The Station writes-off receivables when they are determined to be uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Station does not accrue interest on these amounts.

Equipment — Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to twenty years. Depreciation expense was \$25,587 and \$22,466, for the years ended June 30, 2017 and 2016, respectively. Equipment with a unit cost of \$5,000 or greater is capitalized. There were no losses on disposals for fiscal years 2017 and 2016.

Pledges — Contributions are reported as an increase in the appropriate net asset category. Unconditional promises to give (pledges) are recorded at the present value of their estimated net realizable value. Conditional pledges are not included as revenue until such time as the conditions are substantially met.

Indirect Administrative Support — Indirect administrative support consists of donated facilities, services, and administrative support from the University. Indirect administrative support is recorded as revenue and as a support services expense in the period in which the support was received. *Donated Facilities from the University*: Facilities consist of office and studio space. The cost of these facilities is measured in accordance with valuation guidelines established by the Corporation for Public Broadcasting.

Administrative Support — Administrative support charges are calculated based on administrative overhead charges as reported in the licensee’s audited financial statements for the fiscal years ended June 30, 2017 and 2016. It is the opinion of management that the amounts provided in these financial statements provide a reasonable basis for estimating this charge and are in accordance with standards established in the Corporation for Public Broadcasting Financial Reporting Guidelines for 2017 and 2016.

Third-party Underwriting — Third-party underwriting represents regulated on-air announcement services provided by the Station for various companies and non-profit organizations. The Station recognizes revenue once the service has been fulfilled in accordance with the service contract and is reported in the period in which services are provided.

Barter Transactions — The Station provides advertising spots to various companies primarily in exchange for tickets to events and on-air traffic reports. Barter transactions are recorded at the estimated fair value of the advertisements provided based on recent historical cash transactions for similar advertising. These transactions are recorded in the statement of activities as third-party underwriting revenue and programming and production expenses. The Station recorded revenue and expense of \$24,670 in fiscal 2017 and \$0 in fiscal 2016.

Functional Allocation of Expenses — The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited, based on total personnel costs or other systematic bases.

Income Tax Status — The Station is operated by the University and, therefore, is included in the University’s tax returns for tax reporting purposes. Substantially all of the individual members of the University are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The University files U.S. federal, state, and local information returns and no returns are currently under examination. The statute of limitations on the University’s U.S. federal information returns remains open for three years following the year they are filed.

U.S. GAAP requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The University does not believe the Station’s financial statements include any uncertain tax positions that would require disclosure.

Use of Estimates — The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expense during the reported periods. Actual results could differ materially from those estimates.

Recently Issued Accounting Pronouncements — In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 removes the requirement for a not-for-profit entity to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, meaning a not-for-profit entity will present two classes of net assets instead of three. ASU 2016-14 also requires expenses to be presented by their natural and functional classification, investment returns to be presented net of external and direct internal investment expenses, and requires entities to provide more information about their available resources and liquidity. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted, and will be applied retrospectively. The University is currently in the process of assessing the impact the standard will have upon adoption on the Station's ongoing financial reporting.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 introduces a lessee model that brings most leases onto the balance sheet. ASU 2016-02 eliminates the requirement in current U.S. GAAP for an entity to use bright-line tests in determining lease classification. ASU 2016-02 also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The University is currently in the process of assessing the impact the standard will have upon adoption on the Station's ongoing financial reporting and debt covenants.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 requires an entity to evaluate revenue recognition by identifying a contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. The Station has not yet selected a transition method and is currently in the process of assessing the impact the standard will have upon adoption on the Station's ongoing financial reporting.

3. Federal Grants

The Public Telecommunications Facilities Program ("PTFP") retains a reversionary interest in WRTI-FM equipment as set forth in the following table. This interest extends from the initial receipt of equipment through a 10-year period after the project is completed. WRTI-FM management has adhered to all PTFP requirements. Equipment purchased from PTFP grants by fiscal year is as follows:

2011	\$	164,648
2010		195,845
2009		202,321
2007		36,886
Gross PTFP reversionary interest in WRTI equipment	\$	599,700

4. Leases

The Station leases certain facilities and equipment under leases having initial or remaining noncancelable terms in excess of one year. The future minimum lease payments as of June 30, 2017 are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
2018	\$ 22,681	\$ 184,055
2019	22,681	117,081
2020	22,681	63,082
2021	—	60,277
2022	—	45,793
Thereafter	—	222,887
Total minimum lease payments	<u>68,043</u>	<u>\$ 693,175</u>
Amounts representing interest on capital leases	(2,927)	
Present value of net minimum capital lease payments	<u>\$ 65,116</u>	

At June 30, 2017, equipment with respect to capital leases had a net book value of \$64,714. Interest expense on capital leases during 2017 was \$708. The Station did not have any capital leases during 2016.

Rent expense for operating leases is recorded on straight-line basis over the life of the lease. Rent expense on operating leases during the years ended June 30, 2017 and 2016 was \$174,257 and \$202,593, respectively.

5. Commitments and Contingencies

From time to time, claims are made against the University based on a variety of theories of liability, including without limitation alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Station's future financial position or change in net assets. See Note 4 for commitments under capital and operating leases.

6. Subsequent Events

The Station has evaluated subsequent events through November 3, 2017, the date the financial statements were available to be issued. There were no additional events requiring adjustments to or disclosure in the financial statements.

* * * * *