

Public Radio, Inc.

Baton Rouge, Louisiana

Year Ended December 31, 2018

*Financial Statements
and Supplementary Information*

William D. Mercer, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

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WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public Radio, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Public Radio, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I express no 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Radio, Inc. as of December 31, 2018, 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.

WILLIAM J. MERCEUR, CPA (APAC)

Baton Rouge, Louisiana
July 9, 2019

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

CURRENT:

Cash and cash equivalents	\$ 710,443
Grants receivable	38,354
Underwriting receivable	3,100
Unconditional promises to give	<u>96,180</u>
Total Current Assets	<u>848,077</u>

PROPERTY AND EQUIPMENT:

Broadcast equipment	700,395
Buildings	142,698
Furniture and fixtures	16,786
Land	<u>129,470</u>

	989,349
Less accumulated depreciation	<u>792,499</u>

Net Property and Equipment	<u>196,850</u>
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LONG-TERM:

Deposits	<u>1,000</u>
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TOTAL ASSETS	\$ <u><u>1,045,927</u></u>
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The accompanying notes are an integral part of these financial statements.

LIABILITIES

CURRENT:

Accounts payable and accrued expenses	\$ 80,137
Payroll withholdings	-
Deferred revenues	<u>6,865</u>

TOTAL LIABILITIES (all current)	<u>87,002</u>
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NET ASSETS

With donor restrictions:

Capital acquisition	45,000
Programming	<u>14,649</u>

Total net assets with donor restrictions	59,649
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Without donor restrictions	<u>899,276</u>
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TOTAL NET ASSETS	<u>958,925</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>1,045,927</u></u>
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The accompanying notes are an integral part of these financial statements.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

Year Ended December 31, 2018

	With Donor Restrictions	Without Donor Restrictions	Totals
REVENUES:			
Membership income	\$ -	\$ 475,142	\$ 475,142
Underwriting	-	521,864	521,864
Grants	94,009	82,172	176,181
Donations	-	188,232	188,232
Event income, net of expenses	-	39,000	39,000
Investment income	-	2,917	2,917
Miscellaneous income	-	6,668	6,668
Net assets released from restrictions	(48,569)	48,569	-
 Total Revenues	 <u>45,440</u>	 <u>1,364,564</u>	 <u>1,410,004</u>
EXPENSES:			
Program services	<u>-</u>	<u>476,271</u>	<u>476,271</u>
Supporting services:			
Membership development	-	94,914	94,915
Underwriting solicitation	-	269,379	269,379
Management and general	<u>-</u>	<u>149,941</u>	<u>149,940</u>
Total supporting services	<u>-</u>	<u>514,234</u>	<u>514,234</u>
 Total Expenses	 <u>-</u>	 <u>990,505</u>	 <u>990,505</u>
 Change in net assets	 45,440	 374,059	 419,499
NET ASSETS, beginning of year as restated (see Note H)	 <u>14,209</u>	 <u>525,217</u>	 <u>539,426</u>
 NET ASSETS, end of year	 \$ <u>59,649</u>	 \$ <u>899,276</u>	 \$ <u>958,925</u>

The accompanying notes are an integral part of these financial statements.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program services			
	Programming and <u>Production</u>	<u>Broadcasting</u>	Program <u>Information</u>	<u>Totals</u>
Advertising	\$ -	\$ -	\$ -	\$ -
Bank charges	-	-	-	-
Commissions	-	-	-	-
Computer expense	-	565	-	565
Contract labor	-	-	-	-
Contract services	-	7,788	-	7,788
Depreciation	-	22,786	-	22,786
Dues and subscriptions	-	-	-	-
Insurance	-	5,139	-	5,139
Membership expense	-	-	-	-
Miscellaneous	-	-	-	-
Payroll expense	-	106,977	-	106,977
Postage	-	-	2,077	2,077
Printing	-	-	-	-
Professional services	-	101,542	-	101,542
Programming	213,961	-	-	213,961
Rent	-	-	-	-
Repairs and maintenance	-	2,166	-	2,166
Supplies	-	-	-	-
Telephone	-	3,953	33	3,986
Travel and entertainment	-	-	-	-
Utilities	<u>-</u>	<u>9,207</u>	<u>77</u>	<u>9,284</u>
Totals	\$ <u>213,961</u>	\$ <u>260,123</u>	\$ <u>2,187</u>	\$ <u>476,271</u>

The accompanying notes are an integral part of these financial statements.

	<u>Supporting services</u>			
	<u>Membership Development</u>	<u>Underwriting</u>	<u>Management and General</u>	<u>Totals</u>
Advertising	\$ 6,605	\$ -	\$ -	\$ 6,605
Bank charges	-	-	21,774	21,774
Commission	-	107,561	-	107,561
Computer expense	-	-	-	-
Contract labor	-	-	3,775	3,775
Contract services	7,136	7,136	14,272	28,544
Depreciation	-	-	55	55
Dues and subscriptions	-	-	21,280	21,280
Insurance	2,575	5,980	9,882	18,437
Membership expense	7,672	9,831	-	17,503
Miscellaneous	-	-	5,777	5,777
Payroll expense	53,599	124,487	30,161	208,247
Postage	2,077	-	1,039	3,116
Printing	8,623	-	-	8,623
Professional services	1,826	758	14,288	16,872
Programming	-	-	-	-
Rent	-	-	7,741	7,741
Repairs and maintenance	-	-	-	-
Supplies	-	-	5,160	5,160
Telephone	1,442	4,093	2,278	7,813
Travel and entertainment	-	-	7,153	7,153
Utilities	<u>3,359</u>	<u>9,533</u>	<u>5,306</u>	<u>18,198</u>
Totals	\$ <u>94,914</u>	\$ <u>269,379</u>	\$ <u>149,941</u>	\$ <u>514,234</u>

The accompanying notes are an integral part of these financial statements.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

Years Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Reconciliation of change in net assets to net cash
provided by operating activities:

Change in net assets \$ 419,499

Adjustments to reconcile change in net assets to net
cash provided by operating activities:

Depreciation 22,841

(Increase) decrease in:

Grants receivable (5,648)

Underwriting receivable (290)

Unconditional promises to give (10,767)

Increase (decrease) in:

Accounts payable and accrued expenses (105,968)

Deferred revenues 6,590

Net cash provided (used) by operating activities 326,257

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for purchase of property (7,860)

NET INCREASE IN CASH 318,397

CASH AND CASH EQUIVALENTS, beginning of year 392,046

CASH AND CASH EQUIVALENTS, end of year \$ 710,443

The accompanying notes are an integral part of these financial statements.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Public Radio, Inc. (the Organization) is a nonprofit Louisiana corporation, which operates a noncommercial public radio station under the call letters WRKF.

Method of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. This also includes previously restricted gifts and grants for building and equipment that have been placed into service.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and pledges for buildings and equipment not yet placed in service. Also included in this net asset category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only income be made available for program operations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Significant estimates included in or affecting the presentation of the accompanying financial statements include estimated useful lives of property and equipment.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and equipment

All property and equipment is stated at cost. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major expenditures for renewals and betterments are capitalized.

As a general rule, when items are retired or otherwise disposed, accumulated depreciation is reduced by the accumulated amount of depreciation applicable thereto. Any gain or loss from such retirement or disposal is credited or charged to income in the year of the disposal.

Unconditional promises to give

The Organization engages in annual fundraising campaigns manifesting by offering some special radio programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Organization for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by unconditional promises to give received from responding listeners. Contributions and unconditional promises to give are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Organization. This usage is consistent with appeals for contributions and unconditional promises to give. Uncollected promises to give that are not enforceable against contributors are not shown as assets on the statement of financial position.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortization

Depreciation is computed on the straight-line method over the estimated useful lives of the various classes of depreciable assets, ranging from five to seven years.

The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The Organization periodically reviews these lives relative to physical factors, economic factors, and industry trends. If there are changes in the planned use of property and equipment or if technological changes occur more rapidly than anticipated, the useful lives assigned to those assets may be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

Revenue recognition

The Organization reports contributions as support with donor restrictions if they are received with donor or grantor restrictions that limit the use of the contributions. When a restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use and recorded as such, unless specifically restricted by the donor.

Advertising

The Organization expenses the production costs of advertising the first time the advertising takes place, except for direct response advertising, which is capitalized and amortized over its expected period of future benefits. As of December 31, 2018, the Organization had no advertising classified as assets, and all advertising was expensed as incurred.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Functional allocation of expenses

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

Management of liquid resources

The Organization is funded primarily by contributions and grants that frequently contain restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization generally structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Board of Directors may occasionally designate amounts to a liquidity reserve that could be utilized in the event of an unanticipated liquidity need.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

During 21018, the Organization adopted ASU 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Subsequent events

In preparing the accompanying financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through July 9, 2019, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2018, were as follows:

Cash on hand	\$ -
Cash in bank – checking / savings	627,133
Cash – money market	<u>83,310</u>
	\$ <u><u>710,443</u></u>

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – LEASE COMMITMENTS

In 2014, the Organization entered into a three-year agreement with another nonprofit organization located in Baton Rouge, Louisiana, for the lease of offsite antenna space for its radio tower. This lease expired in December 2016, and the Organization has continued on a month-to-month basis under the same terms since that time. Rent expense under this lease for the year ended December 31, 2018, totaled \$ 6,330. As of the issuance of these financial statements, the lease had not been renewed, but management anticipates that a renewal will be executed.

Additionally, for the year ended December 31, 2018, the Organization rented certain equipment under short-term leases. Rent expense under these leases totaled \$ 1,411.

NOTE D – TAX DEFERRED ANNUITY PLAN

In December 2008, the Organization established a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization does not make contributions to the plan. Employees may elect to make deferrals into the plan up to the maximum amount allowed by the Internal Revenue Code.

NOTE E – SUPPLEMENTARY CASH FLOW INFORMATION

Cash payments for interest and income taxes for the year ended December 31, 2018, were as follows:

Interest	\$ <u> - </u>
Income taxes	\$ <u> - </u>

The Organization had no noncash investing or financing activities for the year ended December 31, 2018.

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE F – SIGNIFICANT CONCENTRATIONS OF RISK

The Organization's investment policy objectives are to provide sufficient liquidity to meet its cash needs, to maximize the return on available capital, and to assure the safety of the funds by investing only in high quality instruments with a diversification of issues.

The Organization's largest receivables are for grants due from corporations, foundations, and quasi-governmental agencies. At December 31, 2018, \$ 33,354, was due from the Corporation for Public Broadcasting and \$ 5,000 was due from the Louisiana Endowment for the Humanities.

Unconditional promises to give and underwriting receivables are due from entities and individuals located in the geographic area served by the Organization's broadcast signal. At December 31, 2018, unconditional promises to give and underwriting receivable totaled \$ 99,280.

NOTE G – AVAILABILITY OF FINANCIAL RESOURCES

The below represents the Organization's financial assets as of December 31, 2018, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the Board of Directors approved the use.

Financial assets, December 31, 2018:

Cash and equivalents	\$	710,443
Grants and underwriting receivable		41,454
Unconditional promises to give		<u>96,180</u>

848,077

Less those unavailable for general expenditures due within one year, due to:

Restricted by donor with time or purpose restrictions		59,649
Board designations		<u>-</u>

Financial assets available to meet cash needs for general expenditures
within one year

\$ 788,428

PUBLIC RADIO, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE H – PRIOR PERIOD ADJUSTMENTS

Certain errors, resulting in the overstatement and understatement of certain assets, were discovered by management subsequent to the issuance of the prior financial statements. Net assets as of December 31, 2017, was restated as follows:

Net assets, December 31, 2017, as originally stated	\$ 540,662
Overstatement of investments	(2,236)
Understatement of deposits	<u>1,000</u>
 Net assets, December 31, 2017, as restated	 \$ <u><u>539,426</u></u>