

TEMPLE UNIVERSITY WRTI-FM

Financial Statements as of and for the Years Ended June 30,
2018 and 2017, and Independent Auditor's Report



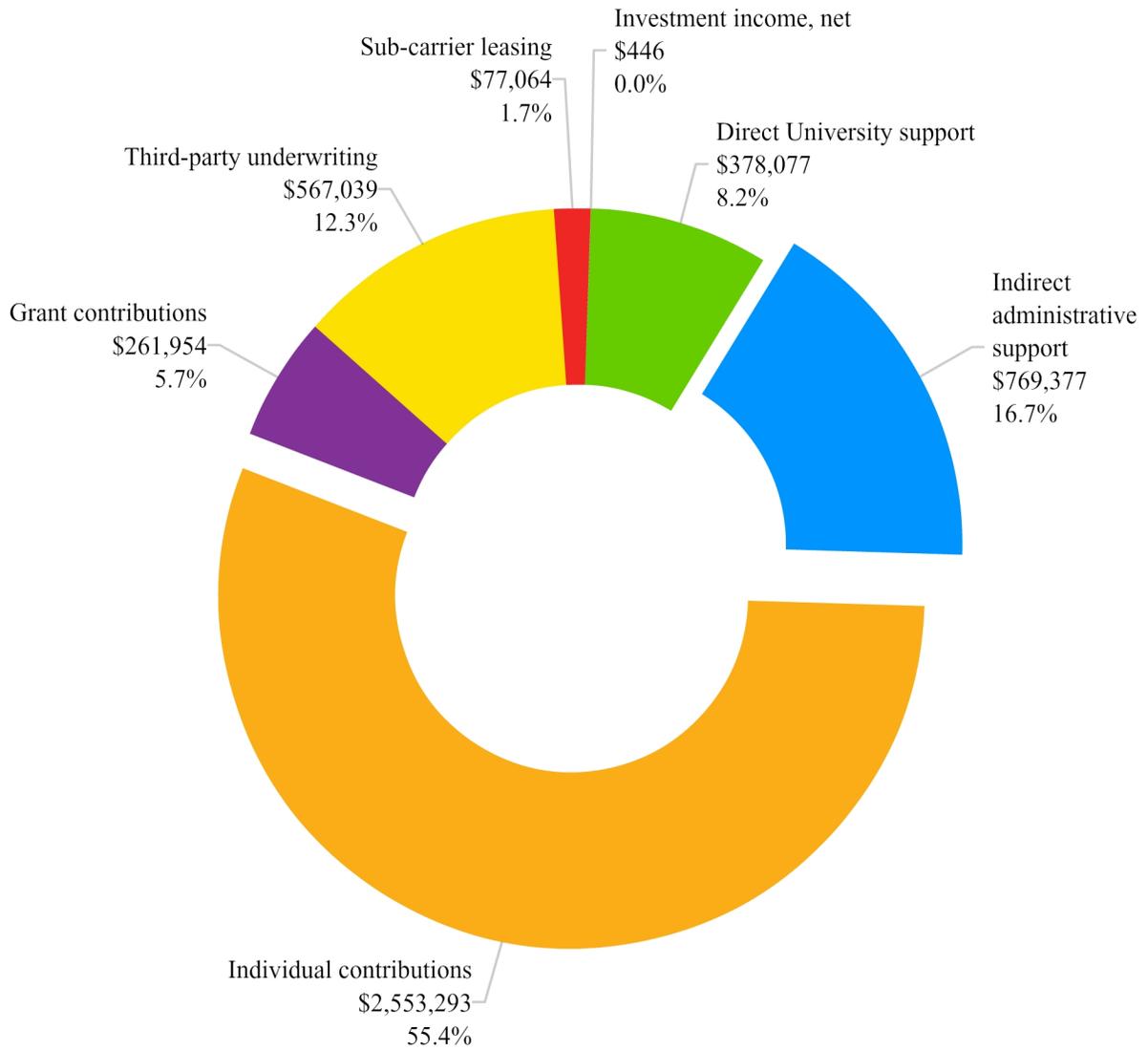
TEMPLE UNIVERSITY WRTI-FM

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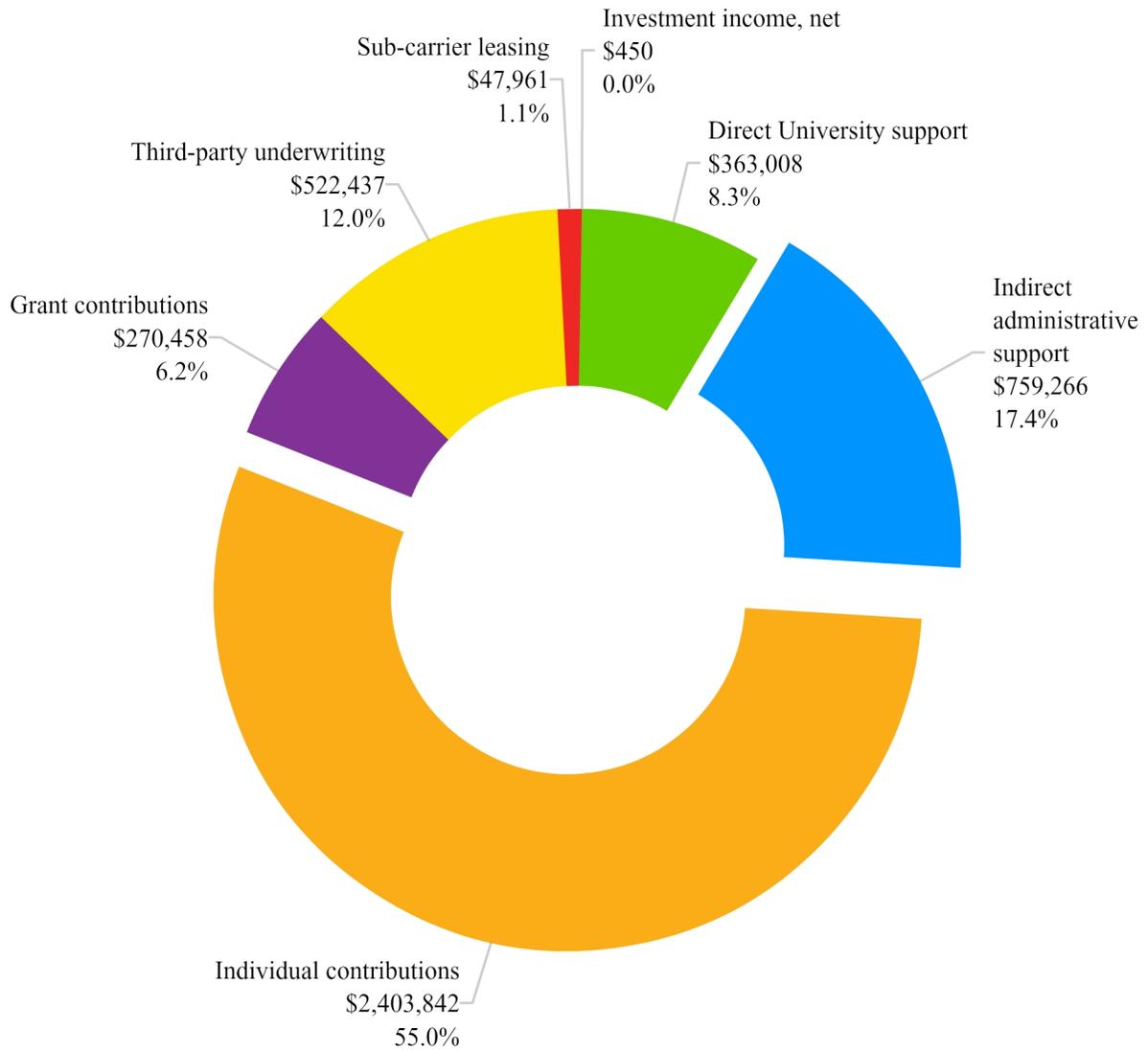
TEMPLE UNIVERSITY WRTI-FM
Unrestricted Revenues by Source

Fiscal 2018 Unrestricted Revenues by Source: \$4,607,250



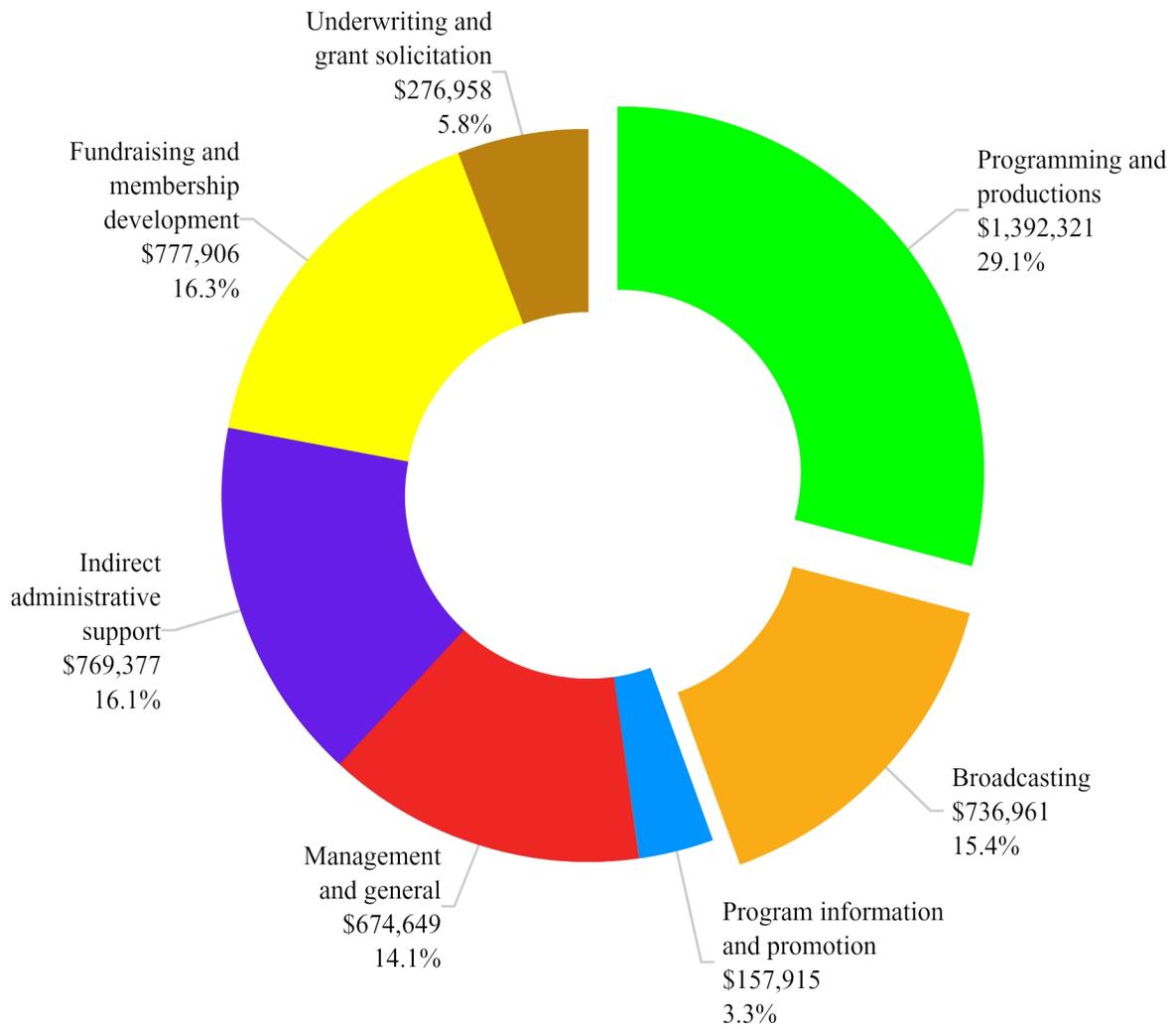
TEMPLE UNIVERSITY WRTI-FM
Unrestricted Revenues by Source

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



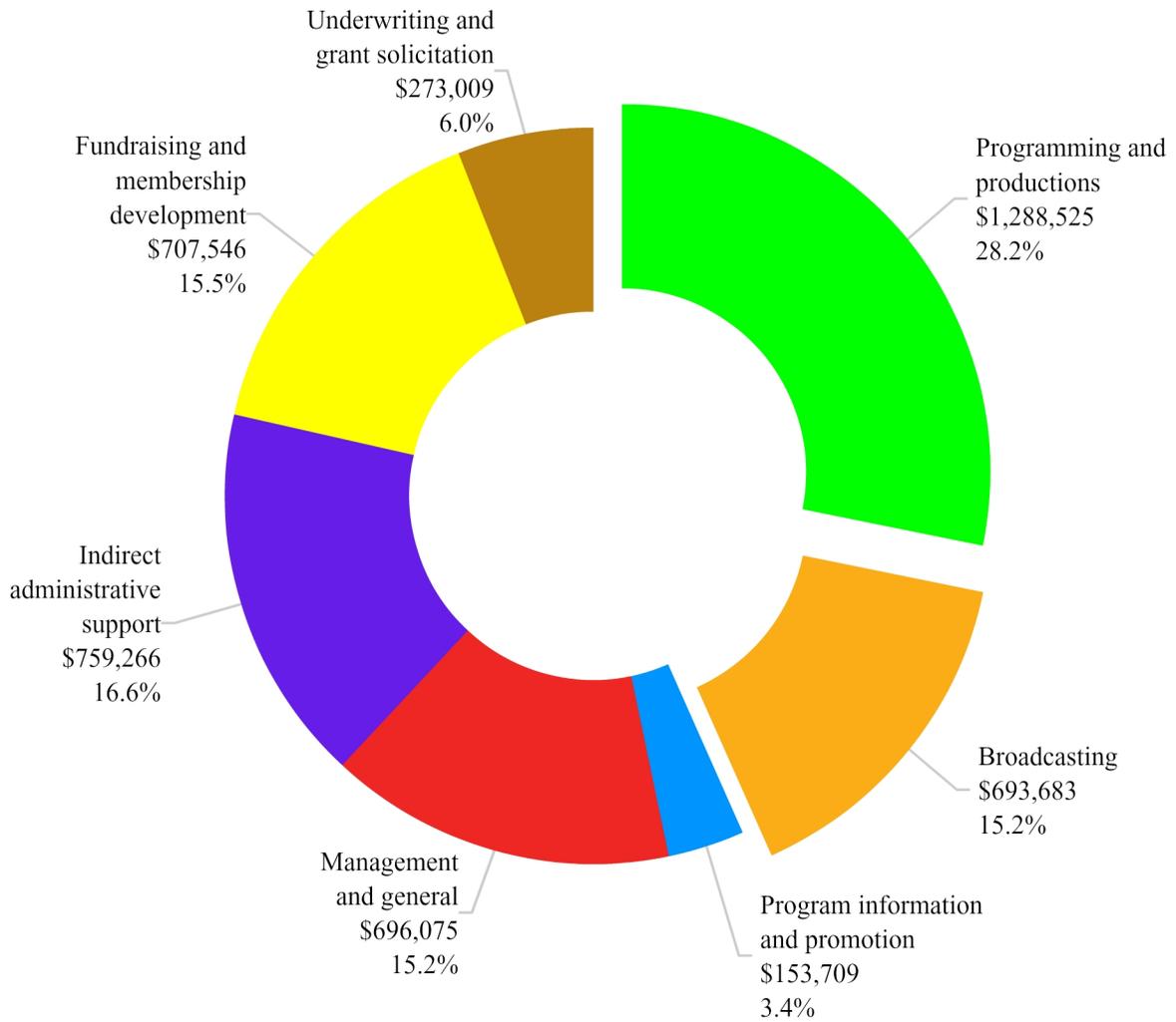
TEMPLE UNIVERSITY WRTI-FM
Operating Expenses by Type

Fiscal 2018 Operating Expenses by Type: \$4,786,087



TEMPLE UNIVERSITY WRTI-FM
Operating Expenses by Type

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Temple University WRTI-FM

Report on the Financial Statements

We have audited the accompanying financial statements of Temple University WRTI-FM, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

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, 2018 and 2017, 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.

January 11, 2019

TEMPLE UNIVERSITY WRTI-FM
Statements of Financial Position

| | June 30, 2018 | June 30, 2017 |
|---|--------------------------|--------------------------|
| Assets: | | |
| Cash | \$ 266,655 | \$ 320,042 |
| Accounts receivable | 125,427 | 123,532 |
| Less: Allowance for doubtful accounts | (28,835) | (42,151) |
| Accounts receivable, net | <u>96,592</u> | <u>81,381</u> |
| Equipment | 3,453,783 | 3,471,798 |
| Less: Accumulated depreciation | (3,324,183) | (3,294,519) |
| Equipment, net | <u>129,600</u> | <u>177,279</u> |
| Total assets | <u>\$ 492,847</u> | <u>\$ 578,702</u> |
| Liabilities and net assets: | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 145,878 | \$ 46,082 |
| Deferred revenue | 25,165 | 12,374 |
| Capital lease obligation | 44,297 | 65,116 |
| Total liabilities | <u>215,340</u> | <u>123,572</u> |
| Net assets | | |
| Unrestricted | 246,728 | 425,565 |
| Temporarily restricted | 20,186 | 19,381 |
| Permanently restricted | 10,593 | 10,184 |
| Total net assets | <u>277,507</u> | <u>455,130</u> |
| Total liabilities and net assets | <u>\$ 492,847</u> | <u>\$ 578,702</u> |

See accompanying notes to financial statements.

TEMPLE WRTI-FM
Statement of Activities
For the Year Ended June 30, 2018

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|-------------------|---------------------------|---------------------------|-------------------|
| Revenue: | | | | |
| Direct University support | \$ 378,077 | \$ — | \$ — | \$ 378,077 |
| Indirect administrative support | 769,377 | — | — | 769,377 |
| Individual contributions | 2,553,293 | 805 | — | 2,554,098 |
| Grant contributions | 261,954 | — | — | 261,954 |
| Third-party underwriting | 567,039 | — | — | 567,039 |
| Sub-carrier leasing | 77,064 | — | — | 77,064 |
| Investment income, net | 446 | — | 409 | 855 |
| Total revenue | 4,607,250 | 805 | 409 | 4,608,464 |
| Expenses: | | | | |
| Program services: | | | | |
| Programming and productions | 1,392,321 | — | — | 1,392,321 |
| Broadcasting | 736,961 | — | — | 736,961 |
| Program information and promotion | 157,915 | — | — | 157,915 |
| Total program services | 2,287,197 | — | — | 2,287,197 |
| Support services: | | | | |
| Management and general | 674,649 | — | — | 674,649 |
| Indirect administrative support | 769,377 | — | — | 769,377 |
| Fundraising and membership development | 777,906 | — | — | 777,906 |
| Underwriting and grant solicitation | 276,958 | — | — | 276,958 |
| Total support services | 2,498,890 | — | — | 2,498,890 |
| Total expenses | 4,786,087 | — | — | 4,786,087 |
| Change in net assets | (178,837) | 805 | 409 | (177,623) |
| Net assets, beginning of year | 425,565 | 19,381 | 10,184 | 455,130 |
| Net assets, end of year | \$ 246,728 | \$ 20,186 | \$ 10,593 | \$ 277,507 |

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 UNIVERSITY WRTI-FM
 Statements of Cash Flows
 For the Years Ended June 30, 2018 and 2017

| | Year Ended June 30, | |
|--|----------------------------|-------------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ (177,623) | \$ (202,709) |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation | 47,679 | 25,587 |
| Bad debt expense | 28,286 | 13,857 |
| Investment income restricted for endowment | (409) | (747) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (43,497) | 6,427 |
| Deferred revenue | 12,791 | (7,709) |
| Prepaid expenses | — | 14,783 |
| Accounts payable and accrued expenses | 99,796 | (38,576) |
| Net cash used in operating activities | <u>(32,977)</u> | <u>(189,087)</u> |
| Cash flows from investing activities: | | |
| Purchase of equipment | — | (28,729) |
| Net cash used in investing activities | <u>—</u> | <u>(28,729)</u> |
| Cash flows from financing activities: | | |
| Investment income restricted for endowment | 409 | 747 |
| Principal payments under capital lease obligation | (20,819) | (5,482) |
| Net cash used in financing activities | <u>(20,410)</u> | <u>(4,735)</u> |
| Net change in cash | (53,387) | (222,551) |
| Cash, beginning of year | 320,042 | 542,593 |
| Cash, end of year | <u>\$ 266,655</u> | <u>\$ 320,042</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest under capital lease obligation | \$ 1,861 | \$ 708 |
| Equipment acquired through capital lease | — | 70,597 |

See accompanying notes to financial statements.

TEMPLE WRTI-FM
Notes to Financial Statements
June 30, 2018 and 2017

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 2018 and 2017.

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 \$47,679 and \$25,587, for the years ended June 30, 2018 and 2017, respectively. Equipment with a unit cost of \$5,000 or greater is capitalized. There were no losses on disposals for fiscal years 2018 and 2017.

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 consist of office and studio space. The cost of donated 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, 2018 and 2017. 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 2018 and 2017.

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 related to barter transactions of \$0 in fiscal 2018 and \$24,670 in fiscal 2017.

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 June 2018, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. ASU 2018-08 clarifies and enhances current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. In addition, ASU 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction and improves the framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 should be applied to contributions received for annual periods beginning after December 15, 2018, with early adoption permitted. WRTI is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

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 a full retrospective application or a modified retrospective application; the Station has selected the modified retrospective transition method. The Station 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 is not aware of any noncompliance with PTFP requirements. Equipment purchased from PTFP grants by fiscal year is as follows:

| | | |
|--|----|----------------|
| 2011 | \$ | 164,648 |
| 2010 | | 195,845 |
| 2009 | | 202,321 |
| Gross PTFP reversionary interest in WRTI equipment | \$ | <u>562,814</u> |

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, 2018 are as follows:

| | Capital Leases | Operating Leases |
|---|----------------|------------------|
| 2019 | \$ 22,681 | \$ 223,957 |
| 2020 | 22,681 | 165,639 |
| 2021 | — | 166,740 |
| 2022 | — | 147,838 |
| 2023 | — | 124,798 |
| Thereafter | — | 184,300 |
| Total minimum lease payments | 45,362 | \$ 1,013,272 |
| Amounts representing interest on capital leases | (1,065) | |
| Present value of net minimum capital lease payments | \$ 44,297 | |

At June 30, 2018 and 2017, equipment with respect to capital leases had a net book value of \$41,182 and \$64,714, respectively. Interest expense on capital leases during the years ended June 30, 2018 and 2017 was \$1,861 and \$708, respectively.

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, 2018 and 2017 was \$199,795 and \$174,257, 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 January 11, 2019, the date the financial statements were available to be issued. There were no additional events requiring adjustments to or disclosure in the financial statements.

* * * * *