

WRVO-FM RADIO

**Financial Statements as of
June 30, 2018
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

January 10, 2019

To WRVO-FM RADIO:

Report on the Financial Statements

We have audited the accompanying financial statements of WRVO-FM RADIO which comprise the statement of financial position as of June 30, 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

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WRVO-FM RADIO, as of June 30, 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.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Prior Period Financial Statements

The prior year summarized comparative information has been derived from WRVO-FM RADIO's June 30, 2017 financial statements that were audited by other auditors report dated December 26, 2017, expressed an unmodified opinion on those statements.

WRVO-FM RADIO

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 120,136	\$ 86,038
Due from related entities	56,701	-
Investments - WDS Endowment	52,213	47,347
Underwriting receivables, net	54,284	47,925
Membership receivables, net	124,584	104,268
Other receivables, net	-	40,000
Prepaid expenses	<u>25,308</u>	<u>33,510</u>
Total current assets	<u>433,226</u>	<u>359,088</u>
PROPERTY AND EQUIPMENT, NET:	<u>406,262</u>	<u>478,761</u>
Total assets	<u>\$ 839,488</u>	<u>\$ 837,849</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 42,032	\$ 41,519
Deferred grant revenue	24,969	6,987
Deferred underwriting revenue	44,297	58,063
Due to related entities	<u>-</u>	<u>62,236</u>
Total current liabilities	<u>111,298</u>	<u>168,805</u>
Total liabilities	<u>111,298</u>	<u>168,805</u>
NET ASSETS - Unrestricted:		
Board designated	52,213	47,347
Undesignated	<u>675,977</u>	<u>621,697</u>
Total net assets	<u>728,190</u>	<u>669,044</u>
Total liabilities and net assets	<u>\$ 839,488</u>	<u>\$ 837,849</u>

The accompanying notes are an integral part of these statements.

WRVO-FM RADIO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018 (With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and other support -		
Government grants -		
Community Service Grants	\$ 152,270	\$ 193,969
NYS Education Department Grant	58,471	60,560
Other Grants	47,834	66,440
SUNY Oswego Direct Support	265,260	305,012
Underwriting revenue -		
Foundations and other nonprofits	259,078	333,307
Business and industry	358,363	354,091
Membership and contributions-		
Corporate matching	6,220	3,075
Listener contributions	786,431	777,492
Other fundraising	43,775	22,830
Other income	29,158	152,500
In-kind revenues -		
Waived fees	112,155	119,870
SUNY Oswego	222,627	241,509
Investment income - WDS Endowment	3,701	7,369
Total revenues and other support	<u>2,345,343</u>	<u>2,638,024</u>
EXPENSES:		
Program services -		
Engineering	356,447	356,481
Programming	896,376	1,037,376
	<u>1,252,823</u>	<u>1,393,857</u>
Supporting services -		
Management and general	462,266	452,341
Listener support	133,555	185,753
Corporate support	437,553	442,794
Total support services	<u>1,033,374</u>	<u>1,080,888</u>
Total expenses	<u>2,286,197</u>	<u>2,474,745</u>
CHANGE IN UNRESTRICTED NET ASSETS	59,146	163,279
NET ASSETS - beginning of year	<u>669,044</u>	<u>505,765</u>
NET ASSETS - end of year	<u>\$ 728,190</u>	<u>\$ 669,044</u>

The accompanying notes are an integral part of these statements.

WRVO-FM RADIO

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)**

	Program Services			Support Services				2018 Totals	2017 Totals
	Engineering	Radio Programming	Total Program Services	Management and General	Fundraising		Total Support Services		
					Listener Support	Corporate Support			
Salaries, wages and benefits	\$ 162,970	\$ 299,437	\$ 462,407	\$ 70,711	\$ 51,899	\$ 178,076	\$ 300,686	\$ 763,093	\$ 881,325
Professional services	7,236	8,500	15,736	13,000	5,602	-	18,602	34,338	32,515
Commissions	-	-	-	-	12,845	91,758	104,603	104,603	92,059
Office supplies, telephone, postage and printing	64,232	682	64,914	1,413	40,425	5,620	47,458	112,372	103,666
Conferences and travel	1,660	9,124	10,784	1,614	-	-	1,614	12,398	9,403
Programming services	-	561,801	561,801	-	-	-	-	561,801	584,680
Advertising and promotion	127	1,019	1,146	75	16,621	131,992	148,688	149,834	179,447
Facilities	6,353	-	6,353	-	150	-	150	6,503	7,220
Memberships and affiliations	1,601	-	1,601	-	-	336	336	1,937	4,927
Loss on abandoned project	-	-	-	30,922	-	-	30,922	30,922	-
Bad debt expense	-	-	-	-	-	-	-	-	20,000
Depreciation	52,230	-	52,230	8,407	-	-	8,407	60,637	80,361
Satellite services and other expenses	55,107	-	55,107	-	-	-	-	55,107	59,576
Credit card fees	-	-	-	366	5,006	19,521	24,893	24,893	20,597
Grant overhead - ORSP fees	4,931	15,813	20,744	976	1,007	10,250	12,233	32,977	37,590
In-kind expense - waived fees	-	-	-	112,155	-	-	112,155	112,155	119,870
In-kind expense - SUNY Oswego	-	-	-	222,627	-	-	222,627	222,627	241,509
Total expenses	\$ 356,447	\$ 896,376	\$ 1,252,823	\$ 462,266	\$ 133,555	\$ 437,553	\$ 1,033,374	\$ 2,286,197	\$ 2,474,745

The accompanying notes are an integral part of these statements.

WRVO-FM RADIO

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 59,146	\$ 163,279
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	60,637	80,361
Unrealized and realized losses on investments	4,132	7,746
Loss on abandoned project	30,922	-
Changes in:		
Underwriting receivables	(6,359)	25,423
Membership receivables	(20,316)	(25,447)
Other receivables	40,000	(40,000)
Due from related entities	(56,701)	-
Prepaid expenses	8,202	(33,510)
Accounts payable and accrued expenses	513	(27,574)
Deferred grant revenue	17,982	(44,497)
Due to related entities	(62,236)	-
Deferred underwriting revenue	<u>(13,766)</u>	<u>(37,576)</u>
Net cash flow from operating activities	<u>62,156</u>	<u>68,205</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments - WDS Endowment	(12,241)	-
Proceeds from sale of investments - WDS endowment	3,243	35,843
Purchases of property and equipment	<u>(19,060)</u>	<u>(54,789)</u>
Net cash flow from investing activities	<u>(28,058)</u>	<u>(18,946)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	34,098	49,259
CASH AND CASH EQUIVALENTS - beginning of year	<u>86,038</u>	<u>36,779</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 120,136</u>	<u>\$ 86,038</u>

The accompanying notes are an integral part of these statements.

WRVO-FM RADIO

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

1. THE ORGANIZATION

WRVO-FM RADIO (WRVO) is an unincorporated public telecommunications entity operated by the State University of New York at Oswego.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of WRVO have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

WRVO reports its activities based on the existence or absence of donor-imposed restrictions as unrestricted, temporarily restricted or permanently restricted.

Support that is restricted by the donor 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 purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements of WRVO for the year ended June 30, 2017, from which the summarized information was obtained.

Fair Value Measurement

Generally accepted accounting principles (GAAP) define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. WRVO uses various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of WRVO. Unobservable inputs are inputs that reflect WRVO assumptions about how market participants would price the asset or liability, developed based on the best information available in the circumstances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that WRVO has the ability to access. Valuation adjustments are not applied to Level 1 instruments.
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by WRVO in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Cash and Cash Equivalents

WRVO considers cash on hand, deposits, and securities with initial maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents are handled by The Research Foundation for the State University of New York and the Oswego College Foundation, Inc. At times these accounts may exceed federally insured limits. WRVO has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk with respect to cash and cash equivalents.

Investments

Investments - WDS Endowment are held by the Oswego College Foundation, Inc. (the Foundation), a related party as described in Note 3, and are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements. Investment management fees of \$774 and \$878 for the years ended June 30, 2018 and 2017, respectively, are netted against investment income.

Receivables

Receivables consist of underwriting commitments, membership receivables for operational support and other receivables. WRVO does not charge interest on these accounts and records and allowance for uncollectible amounts based on review of specific outstanding balances. Amounts are written off against the allowance when considered uncollectable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation calculations are based on the straight-line method over the useful lives of the assets, which range from three to twenty years. Repairs and maintenance costs are charged to operating expense as incurred.

Depreciation expense amounted to \$60,637 and \$80,361 for the years ended June 30, 2018 and 2017, respectively.

Loss on Abandoned Project

Loss on abandoned project relates to construction-in-progress costs from previous years for a project that was cancelled.

Deferred Revenue

Deferred revenue represents funds collected in advance that will be recognized when the applicable event takes place.

Donated Facilities, Services and Support

Donations of long-lived assets are reported as unrestricted support, unless there are donor-imposed restrictions on the use of these assets.

Donated facilities and administrative support from the State University of New York at Oswego (the University) consists of allocated occupancy costs for the office and studio space occupied and/or managed by WRVO, certain personnel salaries and benefits, and financial and departmental expenses incurred by the University on behalf of the radio station. Donated facilities and services are recorded at estimated fair value. These in-kind contributions are recorded only if they have a readily ascertainable market value with an objective basis for determining such value. For the years ended June 30, 2018 and 2017 donated facilities and services amounted to \$222,627 and \$241,509, respectively.

The Oswego College Foundation, Inc. and The Research Foundation for the State University of New York also provide certain administrative services to the radio station. These in-kind contributions amounted to \$112,155 and \$119,870 for the years ended June 30, 2018 and 2017, respectively.

Functional Allocation of Expenses

Expenses by function have been allocated among program and supporting service classifications on the basis of time records and on estimates made by WRVO's management.

Advertising

WRVO has adopted the policy of charging advertising and promotional costs to expense as incurred. WRVO provides advertising services in trade for other goods and services. The value of these goods and services is recognized as expense or capital assets as applicable at their normal fair value, and underwriting revenue is recognized for the same amount. The revenue is recognized when the programs are aired. Goods and services received in trade amounted to \$136,629 and \$157,014 for the years ended June 30, 2018 and 2017, respectively.

Income Tax Status

WRVO is a division of the State University of New York at Oswego and is not a separate entity unto itself. As such, it is not a taxable entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. The estimates and assumptions affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

A fund was established in 2000 in honor of the former Station Manager William D. Shigley. This fund is held at the Oswego College Foundation, Inc. (the Foundation) and is invested as part of the Foundation's endowment. Earnings from this fund are internally designated for the use of technology procurement. The balance of the fund as of June 30, 2018 and 2017 was \$52,213 and \$47,347, respectively.

The following valuation techniques were used to measure the fair value of assets on a recurring basis as of June 30, 2018 and 2017.

Cash and cash equivalents - Fair value of cash and cash equivalents was based on quoted market prices.

Commonfund - Commonfund management determines net asset values for each of its funds at the end of each month based on the quoted market price of the fund's underlying securities. The investment can be redeemed at the net asset value. Fair value represents WRVO's proportionate share of the net asset value of the Commonfund's underlying assets. There are no unfunded commitments related to this investment. The Commonfund multi-strategy funds are redeemable on a monthly basis.

There were no changes in valuation techniques in 2018 or 2017.

Investments measured at fair value on a recurring basis as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 13,905	\$ -	\$ -	\$ 13,905
Commonfund -				
Equity Index Fund	-	18,270	-	18,270
Multi-Strategy Bond Fund	-	9,845	-	9,845
Multi-Strategy Equity Fund	-	6,408	-	6,408
SSgA MSCI EAFE Index Fund	-	2,916	-	2,916
SSga MSCI Emerging Markets Fund	-	869	-	869
	<u>\$ 13,905</u>	<u>\$ 38,308</u>	<u>\$ -</u>	<u>\$ 52,213</u>

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 11,421	\$ -	\$ -	\$ 11,421
Commonfund -				
Equity Index Fund	-	18,477	-	18,477
Multi-Strategy Bond Fund	-	6,368	-	6,368
Multi-Strategy Equity Fund	-	7,554	-	7,554
SSgA MSCI EAFE Index Fund	-	2,724	-	2,724
SSga MSCI Emerging Markets Fund	-	803	-	803
	<u>\$ 11,421</u>	<u>\$ 35,926</u>	<u>\$ -</u>	<u>\$ 47,347</u>

WRVO invests in the Commonfund Equity Index Fund, Multi-Strategy Equity and Bond Funds, International Equity Fund, SSgA MSCI EAFE Index Fund and SSgA MSCI Emerging Markets Fund that pursue multiple strategies to diversify risks and reduce volatility. The Equity Index, Multi-Strategy Equity, SSgA MSCI EAFE Index and SSgA MSCI Emerging Markets Funds allocate assets across a broad spectrum of public equity investments in proportions considered optimal for a fully diversified equity portfolio. The majority of the program's assets generally will be invested directly or indirectly in a portfolio of common stocks, and securities convertible into common stocks of U.S. and foreign companies. The Multi-Strategy Bond Fund allocates assets across a broad spectrum of fixed income sectors in proportions considered optimal for a fully diversified fixed income portfolio. The majority of the program's assets generally will be invested directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market.

4. RECEIVABLES

Receivables consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Underwriting receivables	\$ 74,284	\$ 57,925
Membership receivables	129,584	119,268
Other receivables	<u>-</u>	<u>40,000</u>
Total receivables	203,868	217,193
Less: Allowance for doubtful	<u>(25,000)</u>	<u>(25,000)</u>
	<u>\$ 178,868</u>	<u>\$ 192,193</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Broadcast equipment	\$ 1,772,140	\$ 1,762,050
Non-broadcast equipment	282,970	274,000
Construction-in-progress	<u>-</u>	<u>30,922</u>
	2,055,110	2,066,972
Less: Accumulated depreciation	<u>(1,648,848)</u>	<u>(1,588,211)</u>
	<u>\$ 406,262</u>	<u>\$ 478,761</u>

6. DEFERRED GRANT REVENUE

Grant revenue is recognized as costs are incurred over the respective period of each grant contract. Deferred grant revenues are comprised of the following at June 30:

	<u>2018</u>	<u>2017</u>
Take Care Radio Series grant	\$ 22,969	\$ 4,987
CSCEO grant	<u>2,000</u>	<u>2,000</u>
	<u>\$ 24,969</u>	<u>\$ 6,987</u>

7. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transactions consisted of the following during the years ended June 30:

	<u>2018</u>	<u>2017</u>
In-kind contributions - donated facilities and services	<u>\$ 334,782</u>	<u>\$ 361,379</u>

No amounts were paid for interest or income taxes during the years ended June 30, 2018 and 2017.

8. DESCRIPTIONS OF PROGRAM AND SUPPORT SERVICES

Radio Programming

Radio programming is the basis of WRVO's function as a public radio station. Radio programming serves by informing the listening public of specific available program services with local and national content.

Programming monitors all program operations activities; makes programming decisions and adjustments, creates a monthly broadcast schedule and coordinates programming information and ideas with promotions and development staff.

8. DESCRIPTIONS OF PROGRAM AND SUPPORT SERVICES (Continued)

Engineering

The engineering department is crucial to the existence of WRVO. It oversees the maintenance of broadcast equipment, establishes procedures for operation and maintenance of transmitter equipment, performance of preventative maintenance activities, operation of equipment during test of Emergency Broadcast System; makes modifications and improvements to existing transmitter equipment, prevents interruptions in transmitting operations and monitors station compliance. Engineering operates in accordance with rules and regulations of Federal Communications Commission. Engineering includes information technology systems and support services.

Management and General

Management supervises and controls the overall, day-to-day operations of WRVO. This includes business management and accounting, general record keeping, budgeting and related purposes; human resource administration, including recruiting, retention, and benefit programs; maintenance of archives, operations manuals, depreciation of buildings and equipment, furnishings, and supplies or equipment used in management and general functions and National Public Radio (NPR) representation fees. WRVO also provides a periodic newsletter and web service as a supplement to their on-air programming. Both the newsletter and website provides information regarding upcoming programs and specials, station events and highlights, corporate supporters and major donors. The website (www.wrvo.org) provides additional information on local programs and sources for national programming.

Listener Support

Listener support consists of inducing listeners to contribute money, securities, time, materials, or facilities. WRVO's fundraising activities target individual gifts, new members and membership renewals, and to establish fundraising goals according to WRVO financial need. Fundraising personnel also participate in on-air pledge drives; create premiums and incentives for membership or donation; coordinate telemarketing and direct mail campaigns; and work with marketing and development staff to develop on and off-air promotional campaigns and member activities that encourage members to increase their support.

Corporate Support

Corporate support consists of fundraising through soliciting program underwriting funds and general support grants from foundations, corporation, or governments. Grant solicitation involves evaluating and monitoring grant-funded programs.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 10, 2019, which is the date the financial statements were issued.