

**Salt Pond Community Broadcasting Company
d/b/a**



Financial Report

December 31, 2017

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Independent Auditors' Report

To the Board of Directors
Salt Pond Community Broadcasting
Orland, Maine

We have audited the accompanying financial statements of Salt Pond Community Broadcasting (a nonprofit organization), which comprise the statements of financial position as of December 31, 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.

Auditors' 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 audits 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 auditors' 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 Salt Pond Community Broadcasting as of December 31, 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.



To the Board of Directors
Salt Pond Community Broadcasting

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses for the years ended December 31, 2017 and 2016, on pages 14 and 15, 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.

Maspague LLC

South Portland, Maine
May 10, 2018

Statements of Financial Position

December 31,

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 28,297	\$ 34,005
Accounts receivable	929	3,407
Grants and pledges receivable	32,132	32,072
Prepaid expenses	<u>33,434</u>	<u>30,799</u>
Total Current Assets	<u>94,792</u>	<u>100,283</u>
Property and Equipment		
Music library	749,929	762,865
Equipment	366,401	367,520
Furnishings & fixtures	6,749	6,749
Building & improvements	193,497	193,497
Land	<u>11,440</u>	<u>11,440</u>
	1,328,016	1,342,071
Less: accumulated depreciation	<u>(1,063,566)</u>	<u>(1,066,212)</u>
	<u>264,450</u>	<u>275,859</u>
Other Assets		
Investments	57,872	52,512
Other assets	<u>8,769</u>	<u>9,373</u>
	<u>66,641</u>	<u>61,885</u>
Total Assets	<u>\$ 425,883</u>	<u>\$ 438,027</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 37,385	\$ 39,391
Deferred revenue	31,889	25,853
Notes payable - current portion	7,283	7,318
Line of credit	<u>11,561</u>	<u></u>
	<u>88,118</u>	<u>72,562</u>
Long-Term Liabilities		
Notes payable - net of current portion	<u>4,097</u>	<u>10,991</u>
Total Liabilities	<u>92,215</u>	<u>83,553</u>
Net Assets		
Unrestricted - Undesignated	182,762	193,373
Unrestricted - Board designated	<u>32,872</u>	<u>35,324</u>
	215,634	228,697
Temporarily restricted	93,034	100,777
Permanently restricted - endowment	<u>25,000</u>	<u>25,000</u>
	<u>333,668</u>	<u>354,474</u>
Total Liabilities and Net Assets	<u>\$ 425,883</u>	<u>\$ 438,027</u>

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

Statements of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Support				
Membership	\$ 267,719			\$ 267,719
Underwriting	82,427			82,427
Other contributions	5,838	\$ 3,820		9,658
Contributions - in-kind	35,920			35,920
Grants		119,293		119,293
	<u>391,904</u>	<u>123,113</u>		<u>515,017</u>
Other Revenue				
Special events	2,550			2,550
Trade exchange income	50,073			50,073
Investment income (loss)	7,690			7,690
Other income	5,521			5,521
Net assets released from restrictions	130,856	(130,856)		
	<u>196,690</u>	<u>(130,856)</u>		<u>65,834</u>
Total Revenues	<u>588,594</u>	<u>(7,743)</u>		<u>580,851</u>
Expenses				
Program services	328,400			328,400
Management and general	137,567			137,567
Fundraising	85,617			85,617
Trade exchange expenses	50,073			50,073
Total Expenses	<u>601,657</u>			<u>601,657</u>
Change in Net Assets	(13,063)	(7,743)		(20,806)
Net Assets, Beginning of Year	<u>228,697</u>	<u>100,777</u>	\$ 25,000	<u>354,474</u>
Net Assets, End of Year	<u>\$ 215,634</u>	<u>\$ 93,034</u>	<u>\$ 25,000</u>	<u>\$ 333,668</u>

Statements of Activities

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Support				
Membership	\$ 238,710			\$ 238,710
Underwriting	78,939			78,939
Other Contributions	7,893	\$ 13,786		21,679
Contributions - in-kind	39,060			39,060
Grants		125,027		125,027
	<u>364,602</u>	<u>138,813</u>		<u>503,415</u>
Other Revenues				
Special events	5,417			5,417
Trade exchange income	49,286			49,286
Investment income (loss)	(1,505)			(1,505)
Gain on disposition of assets	19,633			19,633
Other income	3,715			3,715
Net assets released from restrictions	160,941	(160,941)		
	<u>237,487</u>	<u>(160,941)</u>		<u>76,546</u>
Total Revenues	<u>602,089</u>	<u>(22,128)</u>		<u>579,961</u>
Expenses				
Program services	351,490			351,490
Management and general	144,814			144,814
Fundraising	95,987			95,987
Trade exchange expenses	49,286			49,286
	<u>641,577</u>			<u>641,577</u>
Total Expenses	<u>641,577</u>			<u>641,577</u>
Change in Net Assets	(39,488)	(22,128)		(61,616)
Net Assets, Beginning of Year	<u>268,185</u>	<u>122,905</u>	<u>\$ 25,000</u>	<u>416,090</u>
Net Assets, End of Year	<u>\$ 228,697</u>	<u>\$ 100,777</u>	<u>\$ 25,000</u>	<u>\$ 354,474</u>

Statements of Cash Flows

Years Ended December 31,

	2017	2016
Cash flows from operating activities:		
Change in net assets	<u>\$ (20,806)</u>	<u>\$ (61,616)</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	70,415	69,724
Donated equipment	(35,920)	(39,060)
(Gain) loss on investments	(7,392)	1,900
Bad debt provision	1,750	2,420
Gain on disposition of assets		(19,633)
(Increase) decrease in:		
Accounts receivable	728	(887)
Grants and pledges receivable	(60)	1,543
Prepaid expenses	(2,635)	3,401
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,006)	7,598
Deferred revenue	6,036	1,776
Total adjustments	<u>30,916</u>	<u>28,782</u>
Net cash flows from operating activities	<u>10,110</u>	<u>(32,834)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(22,482)	(40,964)
Proceeds from sale of assets		19,633
Proceeds from sale of investments	4,362	2,360
Purchase of investments	(2,330)	(395)
Net cash flows from investing activities	<u>(20,450)</u>	<u>(19,366)</u>
Cash flows from financing activities:		
Proceeds on line of credit, net	11,561	
Principal repayments	(6,929)	(6,596)
Net cash flows from investing activities	<u>4,632</u>	<u>(6,596)</u>
Net change in cash and cash equivalents	(5,708)	(58,796)
Cash and cash equivalents at beginning of year	<u>34,005</u>	<u>92,801</u>
Cash and cash equivalents at end of year	<u>\$ 28,297</u>	<u>\$ 34,005</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 2,983	\$ 3,157

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

Salt Pond Community Broadcasting Company d/b/a WERU Community Radio (the Organization) is a Maine organization incorporated in January 1984 for the purpose of operating a community radio station supported primarily by contributions from individuals and businesses in Hancock County and surrounding communities. The Organization's primary sources of support and revenue are through public donations (deemed memberships), grants from the Corporation for Public Broadcasting (CPB), special events, and on air underwriting.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in conformity with generally accepted accounting principles.

Basis of Presentation

In accordance with professional standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities and disclosures at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investments

The endowment funds are held and managed by Maine Community Foundation (MCF) in an investment pool. MCF typically distributes amounts in accordance with MCF's spending policy which the Organization can elect to receive or reinvest. At December 31, 2017 and 2016, the investment had a fair value of \$57,872 and \$52,512, respectively, which is reported in the statement of financial position. The Organization utilized the net asset value (NAV) reported by MCF as a practical expedient for determining the fair value of the investment.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with those having outstanding balances and current relationships with them, management has established an allowance for doubtful accounts of \$1,051 for December 31, 2017 and 2016.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts, along with repairs and maintenance which do not improve or extend the life of the assets, are expensed. Fixed assets are depreciated over their estimated service lives, as follows:

Building & improvements	25 years	Straight-line
Land improvements	15 years	Straight-line
Furnishings & equipment	5-10 years	Straight-line
Music library	5 years	Straight line

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Statements of Cash Flows

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Revenue Recognition

All donor-restricted contributions are 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 are reported in the statement of activities as net assets released from restrictions.

The Organization also follows this reporting practice for donor-restricted gifts whose restrictions are met in the same reporting period.

Licenses

The Organization holds a license to broadcast as a community radio station under the call letters WERU. The cost of obtaining the license is amortized using the straight-line method over a life of 40 years, and cost of application to change the signal pattern with the Federal Communications Commission is being amortized over five years. The licenses are included in other assets on the statement of financial position.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

Salt Pond Community Broadcasting is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal and state income taxes, except for taxes pertaining to unrelated business income, as applicable. No provision for income taxes is considered necessary.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform with the current year's presentation. There was no change to retained earnings or net income as previously reported.

NOTE 2 – INVESTMENTS

The endowment fund is held and invested at the Maine Community Foundation. It was established in 2010 through a \$25,000 grant provided by Maine Community Foundation (MCF) specifically for this purpose. The agreement required Salt Pond Community Broadcasting to match the funds contributed by the MCF. The endowment was established to provide the Organization with predictable and growing investment income and appreciation of principal through the prudent selection of quality investments. Income generated from the endowment fund is allowed to be used for the support of the Organization's current needs. On February 16, 2015, the WERU Board of Directors voted unanimously to transfer the Organization's endowment funds from the Maine Community Foundation general investing pool to its socially responsible pool.

Investment income (loss) consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 1,205	\$ 858
Gain (losses)	7,392	(1,900)
Fees	(907)	(463)
	<u>\$ 7,690</u>	<u>\$ (1,505)</u>

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 2 – INVESTMENTS – CONTINUED

Donor-restricted endowment net asset composition by type of fund as of December 31, 2017 and 2016 are, as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2017				
Donor-restricted endowment funds	\$ 32,872		\$ 25,000	\$ 57,872
2016				
Donor-restricted endowment funds	\$ 27,512		\$ 25,000	\$ 52,512

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are, as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, January 1, 2017	\$ 27,512		\$ 25,000	\$ 52,512
Investment income	7,690			7,690
Amounts appropriated	(2,330)			(2,330)
Balance, December 31, 2017	\$ 32,872		\$ 25,000	\$ 57,872
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, January 1, 2016	\$ 31,377		\$ 25,000	\$ 56,377
Investment loss	(1,505)			(1,505)
Amounts appropriated	(2,360)			(2,360)
Balance, December 31, 2016	\$ 27,512		\$ 25,000	\$ 52,512

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 3 – GRANTS RECEIVABLE AND UNCONDITIONAL PROMISES TO GIVE

Grants receivable and unconditional promises to give are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Pledges	\$ 3,416	\$ 1,685
CPB Grants	<u>28,716</u>	<u>30,387</u>
	<u>\$ 32,132</u>	<u>\$ 32,072</u>
Amounts due in:		
Less than one year	\$ 32,132	
One to five years		
	<u>\$ 32,132</u>	

NOTE 4 – NOTES PAYABLE

Note payable consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Note payable to Bangor Savings Bank in the original amount of \$60,000, interest at 4.84%, and monthly principal and interest payments of \$639 over the remaining ten year term, matures in May 2019. Secured by mortgage on real property and assignment of any rents.	\$ 11,380	\$ 18,309
Less current portion	<u>7,283</u>	<u>7,318</u>
Long-term portion	<u>\$ 4,097</u>	<u>\$ 10,991</u>

Maturities of the note payable are, as follows:

Years Ended	
2018	\$ 7,283
2019	<u>4,097</u>
	<u>\$ 11,380</u>

NOTE 5 – LINE OF CREDIT

The Organization has available a \$100,000 line of credit with a local bank. Interest is variable at 5% and 4% at December 31, 2017 and 2016, respectively. The revolving line of credit is secured by real property and all business assets. Effective May 25, 2017, availability under the line was increased to \$150,000. The line of credit is available until its expiration date of June 20, 2018, if not renewed. The line of credit's outstanding balance is \$11,561 and \$0 at December 31, 2017 and 2016, respectively.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 6 – NET ASSETS

Net assets consisted of the following as of December 31:

Unrestricted board-designated net assets:

	<u>2017</u>	<u>2016</u>
Board designated - projects		\$ 7,812
Board designated - endowment	\$ 32,872	27,512
Total board-designated	<u>\$ 32,872</u>	<u>\$ 35,324</u>

Temporarily restricted net assets:

	<u>2017</u>	<u>2016</u>
Capital campaign	\$ 1,981	\$ 1,981
21st Century Digitization	3,775	3,775
CPB CSG time restricted	66,546	51,831
CPS CSG purpose restricted	13,563	27,994
WERU-FM 25th Anniversary Project	625	625
WERU-FM 25th Anniversary Video Project	2,000	2,000
Database		2,000
Media portal	2,000	2,000
Strategic planning grant	2,544	5,228
Equipment grant		3,343
Total temporarily restricted	<u>\$ 93,034</u>	<u>\$ 100,777</u>

Permanently restricted net assets:

In 2010, the Organization received a permanently restricted grant in the amount of \$25,000 from the Maine Community Foundation, which was to be matched by \$25,000 in Organizational funds. The use of the \$25,000 grant is permanently restricted and cannot be used for any other purpose than to fund the Organization's endowment. Any earnings can be used for the support of the Organization's current needs.

NOTE 7 – NON-CASH DONATIONS

Non-cash donations consist of various types of audio media contributed to the Organization, as well as other capital and expendable items. The audio donations are capitalized at their fair market value and depreciated over an estimated useful life of five years. The total non-cash donations received during 2017 and 2016 are \$35,920 and \$39,060, respectively.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 8 – PENSION

The Organization has a 403(b) plan available to all eligible employees. Employees may contribute at their own discretion, with no match from the Organization.

NOTE 9 – RENT TRANSMITTER

Salt Pond Community Broadcasting Company leases transmitter tower space under a month-to-month verbal lease agreement. Rental payments are in the amount of \$300 per month. Rent expense was \$3,600 in 2017 and 2016.

NOTE 10 – RISKS AND UNCERTAINTIES

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of unconditional promises to give or grants receivable. Operations of the Organization are dependent upon support received from its listening community and grants from CPB. Supporters are primarily located within and are dependent upon the economy of areas served by the Organization's broadcast signal in Maine. The Organization does not believe a material risk of loss exists with respect to its financial position due to this concentration of credit risk or revenue sources.

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2018, the date the financial statements were available to be issued.

Schedule of Functional Expenses

Year ended December 31, 2017

	2017			Total Expenses
	Program Services	Management	Fundraising	
Compensation of officers	\$ 19,395	\$ 12,498	\$ 11,205	\$ 43,098
Salaries and wages	94,521	60,914	54,612	210,047
Employee benefits	13,859	8,932	8,008	30,799
Payroll taxes	8,869	5,716	5,124	19,709
Depreciation and amortization	70,415			70,415
Telephone	15,750			15,750
Programming	27,150			27,150
Transmitter and translator	39,773			39,773
Technology and website	1,389	172	154	1,715
Equipment rental and maintenance	12,145	1,349		13,494
Occupancy	3,278	5,582		8,860
Engineering	10,211	316		10,527
Professional fees		12,716		12,716
Dues and subscriptions		9,145		9,145
Supplies	1,704	4,078	304	6,086
Insurance	6,883			6,883
Bank and credit card fees		9,851		9,851
Postage and shipping		4,806		4,806
Premiums			3,203	3,203
Printing and publications	1,507		743	2,250
Bad debts			1,750	1,750
Interest	1,491	1,492		2,983
Travel and conferences and meetings			514	514
Miscellaneous	60			60
Subtotal	328,400	137,567	85,617	551,584
Trade exchange expense:				
Advertising		14,980		14,980
Sponsorships and other		35,093		35,093
Total Expense	\$ 328,400	\$ 187,640	\$ 85,617	\$ 601,657

Schedule of Functional Expenses

Year ended December 31, 2016

	2016			Total Expenses
	Program Services	Management	Fundraising	
Compensation of officers	\$ 19,006	\$ 12,249	\$ 10,982	\$ 42,237
Salaries and wages	94,472	60,882	54,584	209,938
Employee benefits	22,556	14,537	13,033	50,126
Payroll taxes	9,084	5,854	5,249	20,187
Depreciation and amortization	69,724			69,724
Telephone	16,117			16,117
Programming	27,883			27,883
Transmitter and translator	38,230			38,230
Technology and website	3,595	444	400	4,439
Equipment rental and maintenance	18,531	2,059		20,590
Occupancy	2,802	4,771		7,573
Engineering	15,858	427		16,285
Professional fees		12,408		12,408
Dues and subscriptions		8,313		8,313
Supplies	2,930	7,010	523	10,463
Insurance	6,973			6,973
Bank and credit card fees		8,932		8,932
Postage and shipping		5,349		5,349
Premiums			3,051	3,051
Printing and publications	1,869		920	2,789
Bad debts			2,420	2,420
Interest	1,578	1,579		3,157
Travel and conferences and meetings			4,825	4,825
Miscellaneous	282			282
Subtotal	351,490	144,814	95,987	592,291
Trade exchange expense:				
Advertising		18,139		18,139
Sponsorships and other		31,147		31,147
Total Expense	\$ 351,490	\$ 194,100	\$ 95,987	\$ 641,577