

Salt Pond Community Broadcasting Company d/b/a WERU Community Radio (WERU)

Financial Statements

Years Ended December 31, 2019 and 2018



WIPFLI

Independent Auditor's Report

Salt Pond Community Broadcasting
East Orland, ME

Report on the Financial Statements

We have audited the accompanying financial statements of Salt Pond Community Broadcasting (WERU), (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses 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; 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. 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 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 WERU as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP
June 19, 2020
South Portland, Maine

Salt Pond Community Broadcasting

Statements of Financial Position

December 31,	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 12,857	\$ 15,101
Grants and contributions receivable	35,257	31,714
Prepaid expenses	17,577	14,768
Total current assets	65,691	61,583
Other Assets		
Investments	60,407	53,673
Other assets	6,475	7,622
Property and equipment	197,597	235,608
Total other assets	264,479	296,903
Total Assets	\$ 330,170	\$ 358,486
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 24,564	\$ 25,300
Accrued expenses and other liabilities	31,011	24,864
Note payable - current portion	-	4,105
Total liabilities	55,575	54,269
Net Assets		
Without donor restrictions		
Undesignated	118,256	150,861
Board designated - endowment	35,407	28,673
Total without donor restrictions	153,663	179,534
With donor restrictions	120,932	124,683
Total net assets	274,595	304,217
Total Liabilities and Net Assets	\$ 330,170	\$ 358,486

See accompanying notes to financial statements.

Salt Pond Community Broadcasting

Statement of Activities

Year Ended December 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Support			
Membership	\$ 289,390	\$ -	\$ 289,390
Underwriting	73,212	-	73,212
Contributions - other	25,104	-	25,104
Contributions - in-kind	14,670	-	14,670
Grant revenue	-	119,928	119,928
	402,376	119,928	522,304
Other Revenue			
Special events	14,244	-	14,244
Trade income	46,594	-	46,594
Investment income	8,954	-	8,954
Other revenue	8,062	-	8,062
Net assets released from restrictions	123,679	(123,679)	-
	201,533	(123,679)	77,854
Total Revenue	603,909	(3,751)	600,158
Expenses			
Program services	337,578	-	337,578
Management and general	150,745	-	150,745
Fundraising	94,863	-	94,863
Trade expenses	46,594	-	46,594
Total Expenses	629,780	-	629,780
Change in Net Assets	(25,871)	(3,751)	(29,622)
Net Assets, Beginning of Year	179,534	124,683	304,217
Net Assets, End of Year	\$ 153,663	\$ 120,932	\$ 274,595

See accompanying notes to financial statements.

Salt Pond Community Broadcasting

Statement of Activities

Year Ended December 31, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Support			
Membership	\$ 273,104	\$ -	\$ 273,104
Underwriting	77,567	-	77,567
Contributions - other	6,465	3,726	10,191
Contributions - in-kind	35,680	-	35,680
Grant revenue	-	120,534	120,534
	392,816	124,260	517,076
Other Revenue			
Special events	13,180	-	13,180
Trade income	49,777	-	49,777
Investment loss	(2,949)	-	(2,949)
Other revenue	9,421	-	9,421
Net assets released from restrictions	117,611	(117,611)	-
	187,040	(117,611)	69,429
Total Revenue	579,856	6,649	586,505
Expenses			
Program services	331,055	-	331,055
Management and general	141,889	-	141,889
Fundraising	93,235	-	93,235
Trade expenses	49,777	-	49,777
Total Expenses	615,956	-	615,956
Change in Net Assets	(36,100)	6,649	(29,451)
Net Assets, Beginning of Year	215,634	118,034	333,668
Net Assets, End of Year	\$ 179,534	\$ 124,683	\$ 304,217

See accompanying notes to financial statements.

Salt Pond Community Broadcasting

Statement of Functional Expenses

Year Ended December 31, 2019	Program	Management and General	Fund Raising	Total
Compensation of officers	\$ 19,207	\$ 12,378	\$ 11,098	\$ 42,683
Salaries and wages	98,371	63,280	56,734	218,385
Employee benefits	11,304	7,285	6,531	25,120
Payroll taxes	9,281	5,981	5,363	20,625
Depreciation and amortization	75,081	-	-	75,081
Telephone	15,504	-	-	15,504
Programming	26,304	-	-	26,304
Transmitter and translator	36,098	-	-	36,098
Technology and website	1,996	247	222	2,465
Equipment rental and maintenance	16,395	2,041	-	18,436
Occupancy	2,353	5,068	-	7,421
Engineering	10,299	277	-	10,576
Professional fees	-	25,073	-	25,073
Dues and subscriptions	-	7,612	-	7,612
Supplies	6,057	5,561	202	11,820
Insurance	6,509	-	-	6,509
Bank and credit card fees	-	11,157	-	11,157
Postage and shipping	-	3,149	-	3,149
Premiums	-	-	3,186	3,186
Printing and publications	1,766	-	858	2,624
Bad debts	-	-	1,645	1,645
Interest	1,053	1,636	-	2,689
Travel and conferences and meetings	-	-	1,116	1,116
Events	-	-	7,908	7,908
Subtotal	337,578	150,745	94,863	583,186
Trade expense:				
Advertising	-	20,665	-	20,665
Sponsorships and other	-	25,929	-	25,929
Total Expense	\$ 337,578	\$ 197,339	\$ 94,863	\$ 629,780

See accompanying notes to financial statements.

Salt Pond Community Broadcasting

Statement of Functional Expenses

Year Ended December 31, 2018	Program	Management and General	Fund Raising	Total
Compensation of officers	\$ 18,667	\$ 12,029	\$ 10,785	\$ 41,481
Salaries and wages	92,282	59,471	53,318	205,071
Employee benefits	11,115	7,163	6,422	24,700
Payroll taxes	8,822	5,685	5,097	19,604
Depreciation and amortization	75,598	-	-	75,598
Telephone	15,577	-	-	15,577
Programming	26,215	-	-	26,215
Transmitter and translator	36,971	-	-	36,971
Technology and website	1,351	347	1,768	3,466
Equipment rental and maintenance	18,372	2,041	-	20,413
Occupancy	2,976	5,068	-	8,044
Engineering	10,643	329	-	10,972
Professional fees	-	17,120	-	17,120
Dues and subscriptions	-	9,579	-	9,579
Supplies	2,324	5,561	415	8,300
Insurance	6,550	-	-	6,550
Bank and credit card fees	-	10,687	-	10,687
Postage and shipping	-	5,023	-	5,023
Premiums	-	-	3,330	3,330
Printing and publications	1,806	-	889	2,695
Bad debts	-	-	1,815	1,815
Interest	1,786	1,786	-	3,572
Travel and conferences and meetings	-	-	1,754	1,754
Miscellaneous	-	-	7,642	7,642
Subtotal	331,055	141,889	93,235	566,179
Trade expense:				
Advertising	-	19,680	-	19,680
Sponsorships and other	-	30,097	-	30,097
Total Expense	\$ 331,055	\$ 191,666	\$ 93,235	\$ 615,956

See accompanying notes to financial statements.

Salt Pond Community Broadcasting

Statements of Cash Flows

Years Ended December 31,	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (29,622)	\$ (29,451)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	75,081	75,598
Donated equipment	(14,670)	(35,680)
(Gain) loss on investments	(8,278)	3,698
Bad debt provision	1,645	1,815
(Increase) decrease in:		
Grants and contributions receivable	(5,188)	(468)
Prepaid expenses	(2,809)	5,874
Increase (decrease) in:		
Accounts payable	(736)	1,169
Accrued expenses and other liabilities	6,147	(7,487)
Net cash flows from operating activities	21,570	15,068
Cash flows from investing activities:		
Purchase of property and equipment	(21,253)	(9,929)
Proceeds from sale of investments	-	2,739
Purchase of investments	1,544	(2,238)
Net cash flows from investing activities	(19,709)	(9,428)
Cash flows from financing activities:		
Proceeds on line of credit, net	-	(11,561)
Principal payments on note payable	(4,105)	(7,275)
Net cash flows from financing activities	(4,105)	(18,836)
Net change in cash and cash equivalents	(2,244)	(13,196)
Cash and cash equivalents at beginning of year	15,101	28,297
Cash and cash equivalents at end of year	\$ 12,857	\$ 15,101
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 2,689	\$ 3,572

See accompanying notes to financial statements.

Salt Pond Community Broadcasting

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of the Business

Salt Pond Community Broadcasting Company d/b/a WERU Community Radio (WERU) 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. WERU's primary sources of revenue are through public donations (deemed memberships), grants from the Corporation for Public Broadcasting (CPB), special events, and on-air underwriting.

Basis of Accounting and Presentation

The financial statements of WERU have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WERU and changes therein are classified and reported, as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. 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 WERU can elect to receive or reinvest. WERU utilized the net asset value (NAV) reported by MCF as a practical expedient for determining the fair value of the investment.

Salt Pond Community Broadcasting

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grants and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Property and Equipment

All acquisitions and improvements of property and equipment in excess of \$500 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. 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 Allocation of Expenses

The costs of program and supporting services 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 benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function; therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office and occupancy expenses, which are allocated based on estimated actual usage, as well as personnel costs, which are allocated on the basis of estimates of time and effort.

Statements of Cash Flows

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

Salt Pond Community Broadcasting

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Licenses

WERU 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.

Income Taxes

Salt Pond Community Broadcasting is exempt from federal income taxes under 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. The Foundation is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2016 through 2019.

Change in Accounting Principle

Contributions Received and Contributions Made

In 2019, WERU adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The provisions of this standard resulted in no significant changes in the way the WERU recognizes contributions and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

Reclassification

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Salt Pond Community Broadcasting

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

WERU regularly monitors liquidity required to meet its operating needs and other contractual commitments. WERU has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit. See Note 6 for information about WERU's line of credit.

WERU strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects WERU's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. CPB funds are considered available for general expenditure due to the broad purpose of the grant. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2019:

	2019	2018
Cash and cash equivalents	\$ 12,857	\$ 15,101
Grants and pledges receivable	35,257	31,714
Totals	\$ 48,114	\$ 46,815

Note 3: 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 MCF. The endowment was established to provide WERU 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 WERU's current needs. The endowment funds are invested in MCF's socially responsible pool.

Investment income (loss) consists of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 1,259	\$ 1,238
Gain (losses)	8,278	(3,698)
Fees	(583)	(489)
	\$ 8,954	\$ (2,949)

Salt Pond Community Broadcasting

Notes to Financial Statements

Note 3: Investments (Continued)

Endowment net asset composition by type of fund as of December 31, 2019 and 2018 are, as follows:

	Without Donor Restriction	With Donor Restriction	Total
2019			
Board-designated funds	\$ 35,407	-	\$ 35,407
Donor-restricted endowment funds	-	\$ 25,000	25,000
	\$ 35,407	\$ 25,000	\$ 60,407
2018			
Board-designated funds	\$ 28,673	-	\$ 28,673
Donor-restricted endowment funds	-	\$ 25,000	25,000
	\$ 28,673	\$ 25,000	\$ 53,673

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are, as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, January 1, 2019	\$ 28,673	\$ 25,000	\$ 53,673
Investment income	8,954	-	8,954
Amounts appropriated	(2,220)	-	(2,220)
Balance, December 31, 2019	\$ 35,407	\$ 25,000	\$ 60,407
2018			
Balance, January 1, 2018	\$ 32,872	\$ 25,000	\$ 57,872
Investment loss	(2,949)	-	(2,949)
Transfers	1,000	-	1,000
Amounts appropriated	(2,250)	-	(2,250)
Balance, December 31, 2018	\$ 28,673	\$ 25,000	\$ 53,673

Salt Pond Community Broadcasting

Notes to Financial Statements

Note 4: Grants and Contributions Receivable

Grants and contributions receivable are as follows at December 31, 2019 and 2018:

	2019	2018
Other	\$ 7,887	\$ 4,247
CPB Grants	28,970	29,067
	36,857	33,314
Less allowance for doubtful accounts	(1,600)	(1,600)
	\$ 35,257	\$ 31,714
Amounts due in:		
Less than one year	\$ 36,857	
One to five years		
	\$ 36,857	

Note 5: Property and Equipment

A summary of property and equipment is as follows as of December 31, 2019 and 2018:

	2019	2018
Land	\$ 15,000	\$ 11,440
Buildings improvements	193,497	193,497
Furniture and fixtures	7,749	6,749
Equipment	374,118	376,330
Music library	248,450	280,330
	838,814	868,346
Less: Accumulated depreciation	641,217	632,738
	\$ 197,597	\$ 235,608

Note 6: Line of Credit

WERU maintains a line of credit with a local bank in the amount of \$150,000 with variable interest at 5% and 4% at December 31, 2019 and 2018, respectively. The line of credit matures September 2020, if not renewed. The line of credit is secured by real property and all business assets. There was no outstanding balance at December 31, 2019 and 2018.

Salt Pond Community Broadcasting

Notes to Financial Statements

Note 7: Net Assets with Donor Restriction

Net assets with donor restrictions are comprised of the following at December 31, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose:		
CPB grants	\$ 88,679	\$ 90,430
Other	7,253	9,253
	95,932	99,683
Endowments:		
Perpetual in nature	25,000	25,000
Total Endowments	25,000	25,000
Total Net Assets with Donor Restrictions	\$ 120,932	\$ 124,683

Note 8: Non-Cash Donations

Non-cash donations consist of various types of audio media contributed to WERU, 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 2019 and 2018 are \$14,670 and \$35,680, respectively.

Note 9: Retirement Plan

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

Note 10: Rent Transmitter

Salt Pond Community Broadcasting 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 2019 and 2018.

Note 11: Risks and Uncertainties

Financial instruments which potentially subject WERU to concentrations of credit risk consist primarily of grants and contributions receivable. Operations of WERU 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 WERU's broadcast signal in Maine. WERU 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.

Salt Pond Community Broadcasting

Notes to Financial Statements

Note 12: Evaluation of Subsequent Events

Management has evaluated subsequent events through June 19, 2020, the date the financial statements were available to be issued.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 outbreak. As of the date of issuance of the financial statements, WERU had not yet suffered material adverse impact from the CV19 Crisis. In 2020, WERU was approved and has received additional federal funds of approximately \$170,000 to support operations. The future impact of the CV19 Crisis on WERU, cannot be reasonably estimated at this time