

Friends of Public Radio, Inc.
d/b/a WHQR 91.3 FM

Financial Statements
For the Year Ended June 30, 2024
(with Comparative Totals for 2023)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM

Opinion

We have audited the accompanying financial statements of Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM as of June 30, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Earnley & Company, PLLC

Wilmington, North Carolina
November 11, 2024

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Financial Position
As of June 30, 2024

	2024				2023	
	Without Donor Restrictions			With Donor	Comparative	
	Operations	Property	Quasi-Endowment	Restrictions	Total	
ASSETS						
Current Assets						
Cash & cash equivalents	\$ 108,305	\$ -	\$ -	\$ -	\$ 214,354	
Investments (Note 7)	515,517	-	-	-	540,197	
Receivables, net of \$3,600 allowance for uncollectibles	180,372	-	-	-	159,526	
Prepaid expenses	2,829	-	-	-	2,829	
Assets whose use is limited (Note 7)	291,550	-	397,195	-	601,131	
Total Current Assets	1,098,573	-	397,195	-	1,518,037	
Pledges receivable - non-current, net of \$600 allowance for uncollectibles	16,453	-	-	-	230	
Net property (Note 2)	-	958,989	-	-	961,277	
Other Assets						
Right-of-use assets (Note 5)	113,378	-	-	-	125,734	
Other assets (Note 8)	-	70,000	-	-	70,000	
Total Other Assets	113,378	70,000	-	-	195,734	
Total Assets	\$ 1,228,404	\$ 1,028,989	\$ 397,195	\$ -	\$ 2,654,588	
					\$ 2,675,278	
LIABILITIES & NET ASSETS						
Current Liabilities						
Accounts payable & accrued expenses	\$ 32,644	\$ -	\$ -	\$ -	\$ 39,207	
Current maturities of note payable (Note 4)	-	25,851	-	-	24,669	
Short-term operating lease liabilities (Note 5)	9,471	-	-	-	11,356	
Total Current Liabilities	42,115	25,851	-	-	75,232	
Long-Term Liabilities						
Long-term note payable (Note 4)	-	237,761	-	-	263,370	
Long-term operating lease liabilities (Note 5)	105,907	-	-	-	115,378	
Total Long-Term Liabilities	105,907	237,761	-	-	378,748	
Total Liabilities	148,022	263,612	-	-	453,980	
Net Assets						
Without donor restrictions	788,832	765,377	-	-	1,620,167	
Board-designated without donor restrictions	291,550	-	397,195	-	601,131	
With donor restrictions	-	-	-	-	-	
Total Net Assets	1,080,382	765,377	397,195	-	2,221,298	
Total Liabilities & Net Assets	\$ 1,228,404	\$ 1,028,989	\$ 397,195	\$ -	\$ 2,654,588	
					\$ 2,675,278	

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Activities
For the Year Ended June 30, 2024

	2024			With Donor Restrictions	Total	2023 Comparative Total
	Without Donor Restrictions					
	Operations	Property	Quasi-Endowment			
SUPPORT & REVENUE						
Corporation for Public Broadcasting - operating	\$ 147,594	\$ -	\$ -	\$ -	\$ 147,594	\$ 138,557
Contributions	950,784	-	-	54,529	1,005,313	1,117,427
Program underwriting	536,259	-	-	-	536,259	538,438
In-kind contributions	38,082	-	-	-	38,082	38,082
Special events, net	67,897	-	-	-	67,897	58,020
Insurance proceeds	49,861	-	-	-	49,861	-
Other revenue	9,719	-	-	-	9,719	6,050
Net assets released from restriction	54,529	-	-	(54,529)	-	-
Total Support & Revenue	<u>1,854,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,854,725</u>	<u>1,896,574</u>
EXPENSES						
Program	1,111,972	115,256	-	-	1,227,228	1,164,902
Administrative	278,221	7,101	-	-	285,322	279,080
Fundraising	420,583	6,440	-	-	427,023	445,363
Total Expenses	<u>1,810,776</u>	<u>128,797</u>	<u>-</u>	<u>-</u>	<u>1,939,573</u>	<u>1,889,345</u>
Increase (Decrease) in Net Assets From Operating Activities	<u>43,949</u>	<u>(128,797)</u>	<u>-</u>	<u>-</u>	<u>(84,848)</u>	<u>7,229</u>
INVESTMENT ACTIVITIES						
Unrealized/realized gain (loss)	19,513	-	61,386	-	80,899	47,926
Investment income	21,641	-	7,200	-	28,841	34,418
Investment fees	(1,288)	-	(1,948)	-	(3,236)	(2,980)
Net Investment Activities	<u>39,866</u>	<u>-</u>	<u>66,638</u>	<u>-</u>	<u>106,504</u>	<u>79,364</u>
Change in Net Assets	<u>83,815</u>	<u>(128,797)</u>	<u>66,638</u>	<u>-</u>	<u>21,656</u>	<u>86,593</u>
Net Assets, Beginning	<u>1,157,260</u>	<u>727,065</u>	<u>336,973</u>	<u>-</u>	<u>2,221,298</u>	<u>2,134,705</u>
Transfers	<u>(160,693)</u>	<u>167,109</u>	<u>(6,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, Ending	<u>\$ 1,080,382</u>	<u>\$ 765,377</u>	<u>\$ 397,195</u>	<u>\$ -</u>	<u>\$ 2,242,954</u>	<u>\$ 2,221,298</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Functional Expenses
For the Year Ended June 30, 2024

	2024				2023 Comparative
	Program	Administrative	Fundraising	Total	Total
Operating Expenses					
Salaries	\$ 337,969	\$ 201,172	\$ 265,547	\$ 804,688	\$ 819,962
Employee benefits	43,988	26,183	34,562	104,733	107,135
Payroll taxes	26,445	15,742	20,779	62,966	64,726
Total Salaries & Related Expenses	408,402	243,097	320,888	972,387	991,823
Major gifts expense	-	-	8,220	8,220	5,318
Membership	1,672	-	54,060	55,732	56,908
National Public Radio	374,146	-	-	374,146	256,123
Other radio expenses	47,874	-	-	47,874	137,352
Utilities	35,630	1,980	1,980	39,590	36,064
Other station expenses	199,313	23,449	11,724	234,486	197,864
Contract staffing	11,633	9,695	17,451	38,779	51,756
Underwriting expenses	-	-	2,560	2,560	3,137
In-kind expenses	33,302	-	3,700	37,002	37,002
Total Operating Expenses	1,111,972	278,221	420,583	1,810,776	1,773,347
Property Expenses					
Interest	11,224	1,321	660	13,205	14,303
Depreciation	104,032	5,780	5,780	115,592	101,695
Total Property Expenses	115,256	7,101	6,440	128,797	115,998
Investment fees	1,295	1,294	647	3,236	2,980
Special events	-	-	36,695	36,695	26,351
Total Functional Expenses	1,228,523	286,616	464,365	1,979,504	1,918,676
Investment fees in investment activities	(1,295)	(1,294)	(647)	(3,236)	(2,980)
Special events net in revenue	-	-	(36,695)	(36,695)	(26,351)
Total Statement of Activities Expenses	\$ 1,227,228	\$ 285,322	\$ 427,023	\$ 1,939,573	\$ 1,889,345

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Functional Expenses
For the Year Ended June 30, 2023

	2023			
	Program	Administrative	Fundraising	Total
Operating Expenses				
Salaries	\$ 344,384	\$ 196,791	\$ 278,787	\$ 819,962
Employee benefits	44,997	25,712	36,426	107,135
Payroll taxes	27,185	15,534	22,007	64,726
Total Salaries & Related Expenses	<u>416,566</u>	<u>238,037</u>	<u>337,220</u>	<u>991,823</u>
Major gifts expense	-	-	5,318	5,318
Membership	1,707	-	55,201	56,908
National Public Radio	256,123	-	-	256,123
Other radio expenses	137,352	-	-	137,352
Utilities	32,458	1,803	1,803	36,064
Other station expenses	168,184	19,786	9,894	197,864
Contract staffing	15,527	12,939	23,290	51,756
Underwriting expenses	-	-	3,137	3,137
In-kind expenses	33,302	-	3,700	37,002
Total Operating Expenses	<u>1,061,219</u>	<u>272,565</u>	<u>439,563</u>	<u>1,773,347</u>
Property Expenses				
Interest	12,158	1,430	715	14,303
Depreciation	91,525	5,085	5,085	101,695
Total Property Expenses	<u>103,683</u>	<u>6,515</u>	<u>5,800</u>	<u>115,998</u>
Investment fees	1,192	1,192	596	2,980
Special events	-	-	26,351	26,351
Total Functional Expenses	<u>1,166,094</u>	<u>280,272</u>	<u>472,310</u>	<u>1,918,676</u>
Investment fees in investment activities	(1,192)	(1,192)	(596)	(2,980)
Special events net in revenue	-	-	(26,351)	(26,351)
Total Statement of Activities Expenses	<u>\$ 1,164,902</u>	<u>\$ 279,080</u>	<u>\$ 445,363</u>	<u>\$ 1,889,345</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Statement of Cash Flows
For the Year Ended June 30, 2024

	2024			With Donor Restrictions	Total	2023 Comparative Total
	Without Donor Restrictions	Property	Quasi-Endowment			
	Operations					
Cash Flows From Operating Activities						
Cash Collections for:						
Support & revenue	\$ 1,795,797	\$ -	\$ -	\$ 54,529	\$ 1,850,326	\$ 1,881,907
Less: Cash Payments for:						
Salaries & related expenses	(972,387)	-	-	-	(972,387)	(991,823)
Other expenses	(806,870)	(13,205)	-	(54,529)	(874,604)	(800,813)
Net Cash Provided (Used)						
By Operating Activities	16,540	(13,205)	-	-	3,335	89,271
Cash Flows From Investing Activities						
Purchase of property & equipment	-	(113,315)	-	-	(113,315)	(185,327)
Purchases & proceeds of investments, net	28,358	-	-	-	28,358	279,649
Net Cash Provided (Used)						
By Investing Activities	28,358	(113,315)	-	-	(84,957)	94,322
Cash Flows From Financing Activities						
Payments reducing note payable	-	(24,427)	-	-	(24,427)	(7,157)
Transfers to/from operations	(150,947)	150,947	-	-	-	-
Net Cash Provided (Used)						
By Financing Activities	(150,947)	126,520	-	-	(24,427)	(7,157)
Net Increase (Decrease) in Cash	(106,049)	-	-	-	(106,049)	176,436
Cash & Cash Equivalents, Beginning	214,354	-	-	-	214,354	37,918
Cash & Cash Equivalents, Ending	\$ 108,305	\$ -	\$ -	\$ -	\$ 108,305	\$ 214,354
Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:						
Change in net assets	\$ 83,815	\$ (128,797)	\$ 66,638	\$ -	\$ 21,656	\$ 86,593
Depreciation	-	115,592	-	-	115,592	101,695
Unrealized/realized (gain) loss	(19,513)	-	(61,386)	-	(80,899)	(47,926)
Investment (income) loss, net of fees	(20,353)	-	(5,252)	-	(25,605)	(31,438)
Bad debt expense	-	-	-	-	-	-
Change in Current Assets & Liabilities (Use) Source:						
Receivables	(20,846)	-	-	-	(20,846)	(29,976)
Prepaid expenses	-	-	-	-	-	(109)
Accounts payable	(6,563)	-	-	-	(6,563)	10,432
Net Cash Provided (Used)						
By Operating Activities	\$ 16,540	\$ (13,205)	\$ -	\$ -	\$ 3,335	\$ 89,271
Supplemental Disclosure						
Interest paid					\$ 13,205	\$ 14,303
Income taxes paid					\$ -	\$ -

The Accompanying Notes are an Integral Part of these Financial Statements

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2024

1. DESCRIPTION OF ORGANIZATION

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM (the "Station"), a non-profit corporation organized under the laws of North Carolina, was established for the purpose of operating WHQR 91.3 FM, a public radio broadcasting station transmitting from Wilmington, North Carolina. The Station's support comes primarily from individual donors' contributions and various government and art agency grants.

The majority of the Station's contributions and grants are received from corporations, foundations, and individuals located in the southeastern North Carolina area. As such, the Station's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of North Carolina. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Station's services.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Station prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. Accordingly, support and revenue are recognized when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Station's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Station's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2024

Net Assets

The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated net assets for a board-designated reserve from net assets without donor restrictions.

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. Donor-imposed restrictions are released when a restriction expires, which is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2024 and 2023, there were no net assets with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts and certificates of deposit with maturities of less than three months. From time to time during the periods presented, the Station has had cash balances in financial institutions that have exceeded federal depository insurance limits. The Station deposits its cash with high quality institutions, and management believes the Station is not exposed to significant credit risk on those amounts.

Cash and cash equivalents are as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Truist Bank Operating	\$ 107,166	\$ -
Operations Checking	195	213,446
Live Oak Bank Business Savings	<u>944</u>	<u>908</u>
Total Cash & Cash Equivalents	<u>\$ 108,305</u>	<u>\$ 214,354</u>

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2024

Accounts Receivable and Pledges Receivable

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Station adopted the standard effective July 1, 2023. The Station's allowance estimate is derived from a review of its historical losses based on the aging of receivables. The estimate is adjusted for the Station's assessment of current conditions, reasonable and supportable forecasts regarding future events, and other factors deemed relevant by the Station. Based on experience, management has determined that an allowance for credit losses of \$600 is reasonable for June 30, 2024 and 2023. The impact of the adoption of the standard was not considered material to the financial statements.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Fair Value Measurements

The Station reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Station has access at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

The primary use for fair value measures in the Station's financial statements is for recurring measurement of investments (Note 7).

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2024

Property and Equipment

Buildings and equipment are reported in the statement of financial position at cost if purchased and at fair value at the date of donation if donated. All buildings are capitalized. Equipment is capitalized if it has a cost of \$2,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings & leasehold improvements	5-39 years
Office furniture	7-20 years
Equipment	3-10 years
Technology	3-5 years

Buildings and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period. The following is a summary of property accounts as of June 30:

	2024	2023
Broadcast equipment	\$ 1,086,289	\$ 814,182
Leasehold improvements	338,617	334,567
Station renovation	327,970	327,970
Warwick Building	615,133	615,133
Office furniture	57,058	57,058
Technology	43,564	29,119
Vehicles	2,500	2,500
Construction in progress	-	177,298
	2,471,131	2,357,827
Less: Accumulated depreciation	(1,512,142)	(1,396,550)
Net Property	<u>\$ 958,989</u>	<u>\$ 961,277</u>

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2024

Leases

The Station determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets, short-term operating lease liabilities, and long-term operating lease liabilities on the Station's statement of financial position. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The rates implicit within the Station's leases are generally not determinable; therefore, the Station uses judgment to determine the incremental borrowing rate used to calculate the present value of lease payments. The incremental borrowing rate is determined using information available related to similar terms and payments as of the commencement date. ROU assets are assessed for impairment in accordance with the Station's accounting policy for long-lived assets. The Station's lease terms include options to extend or terminate. The period which is subject to an option to extend the lease is included in the lease term if it is reasonably certain that the option will be exercised. The period which is subject to an option to terminate the lease is included in the lease term if it is reasonably certain that the option will not be exercised. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. For all material classes of leased assets, the Station does not separate lease components from non-lease components, and accounts for both components as a single lease component.

Support and Revenue Recognition

Support and revenue are recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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 are not recognized until the conditions on which they depend have been substantially met.

Friends of Public Radio, Inc. d/b/a WHQR 91.3 FM
Notes to Financial Statements
June 30, 2024

In-Kind Contributions

The Station periodically receives contributions in a form other than cash or investments. If the Station receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Station's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The Station benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Station's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. U.S. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

The Station received in-kind services provided by UNCW interns valued at \$37,002 for the year ended June 30, 2024 and \$37,002 for the year ended June 30, 2023.

Expense Recognition and Allocation

The cost of providing the Station's programs and other activities is summarized on a functional basis in the statement of activities and statements of functional expenses. Total expenses for the year ended June 30, 2024 were \$1,939,573. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective bases, such as time spent, salaries, square feet, and other bases.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Station. Administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising costs are expensed as incurred even though they may result in contributions received in future years. The Station generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

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Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Station's audited financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Income Taxes

The Station is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is exempt from income taxes on related income pursuant to Section 501(a) of the Code and contributions may be deductible to donors. The Station files Form 990 with the Internal Revenue Service (IRS) annually; those forms are generally subject to examination by the IRS for a period of up to three years after they are filed.

Subsequent Events

Subsequent events have been evaluated through November 11, 2024, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

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3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet general expenditures over the next 12 months are as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Operating Assets at Year End:		
Cash & cash equivalents	\$ 108,305	\$ 214,354
Investments	515,517	540,197
Pledges & other receivables	<u>196,825</u>	<u>159,756</u>
Total Operating Assets at Year End	<u>820,647</u>	<u>914,307</u>
 Plus: Net assets with purpose or time restrictions to be met in less than a year	 <u>-</u>	 <u>-</u>
 Financial Assets Available to Meet General Expenditures Over the Next 12 Months	 <u>\$ 820,647</u>	 <u>\$ 914,307</u>

The Station operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The accompanying statement of cash flows on page 8 identifies the sources and uses of cash and shows positive cash generated by operations. The Station regularly monitors liquidity required to meet its operating needs and other contractual commitments.

4. NOTE PAYABLE

The Station had a note payable from Truist Bank that was dated August 22, 2014, and the original face amount was \$510,000. The proceeds were used to purchase the Station's facility at 254 N. Front Street, Unit 301, Wilmington, North Carolina (3rd floor of the Warwick Building).

The note with Truist Bank requires principal and interest payments of \$3,136 per month until April 2033, with all remaining principal and accrued interest due at that time. The interest rate is fixed at 4.69%. The note payable is collateralized by the Station's facility.

The balance outstanding as of June 30, 2024 was \$263,612. Future maturities are summarized as follows for the years ending June 30:

	<u>Amount Due</u>
2025	\$ 25,851
2026	27,090
2027	28,388
2028	29,748
2029	31,174
Thereafter	<u>121,361</u>
Total	263,612
Less: Current maturities	<u>(25,851)</u>
Long-Term Note Payable	<u>\$ 237,761</u>

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5. LEASES

The Station leases tower space in two different counties within the Station's listening area. Leased space on these towers is used to place certain pieces of transmitting equipment. The leases specify terms spanning multiple years and monthly rates ranging from \$90 to \$750 with increases over time.

As of June 30, 2024, the statement of financial position includes \$113,378 of right-of-use assets, \$9,471 of short-term operating lease liabilities, and \$105,907 of long-term operating lease liabilities.

The components of the lease expense are as follows for the year ended June 30:

	<u>2024</u>
Operating lease expense	<u>\$ 16,000</u>
Total	<u>\$ 16,000</u>

Supplemental information related to the leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 15,000
ROU assets obtained in exchange for new operating lease liabilities	\$ -
Weighted-average remaining lease term in years for operating leases	13.91
Weighted-average discount rate for operating leases	3.04%

Future minimum lease payments under the non-cancellable leases are as follows:

<u>For the Years Ending June 30</u>	<u>Operating</u>
2025	\$ 12,800
2026	13,600
2027	13,800
2028	13,926
2029	13,926
Thereafter	<u>75,242</u>
Total Undiscounted Cash Flows	143,294
Less: Present value discount	<u>(27,916)</u>
Total Lease Liabilities	<u>\$ 115,378</u>

6. CORPORATION FOR PUBLIC BROADCASTING

The Corporation for Public Broadcasting (CPB) is a private, non-profit, grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. The Station uses these funds for purposes relating primarily to production and acquisition of programming.

The CSGs received and expended by the Station were \$147,594 for the year ended June 30, 2024 and \$138,557 for the year ended June 30, 2023. The total received is approximately 8% for the year ended June 30, 2024 and 7.3% for the year ended June 30, 2023 of the Station's total support and revenue. A significant reduction in the level of this support, if this were to occur, could have a significant effect on the Station's programs and activities.

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7. INVESTMENTS

The Board of Directors has set aside certain investment resources designated as a quasi-endowment and a board-designated fund. The Station's investment objective is to maintain the purchasing power of the assets, as well as to provide additional real growth through investment return with an acceptable level of risk. The endowment invests in cash and cash equivalents and mutual funds. These assets are recorded at their fair market value.

Changes in investments are as follows as of June 30:

2024				
	Investment	Board-Designated Fund	Quasi-Endowment	Total
Investments, beginning	\$ 540,197	\$ 264,158	\$ 336,973	\$ 1,141,328
Contributions	-	50,000	7,000	57,000
Investment income	12,436	9,167	7,200	28,803
Net appreciation (depreciation)	13,416	19,513	47,970	80,899
Advisory fees	(632)	(1,288)	(1,948)	(3,868)
Released to be used	(49,900)	(50,000)	-	(99,900)
Investments, ending	<u>\$ 515,517</u>	<u>\$ 291,550</u>	<u>\$ 397,195</u>	<u>\$ 1,204,262</u>

2023				
	Investment	Board-Designated Fund	Quasi-Endowment	Total
Investments, beginning	\$ -	\$ 290,153	\$ 294,352	\$ 584,505
Contributions	590,518	-	6,000	596,518
Investment income	14,276	7,916	7,050	29,242
Net appreciation (depreciation)	(715)	17,435	31,205	47,925
Advisory fees	(380)	(1,346)	(1,634)	(3,360)
Released to be used	(63,502)	(50,000)	-	(113,502)
Investments, ending	<u>\$ 540,197</u>	<u>\$ 264,158</u>	<u>\$ 336,973</u>	<u>\$ 1,141,328</u>

Investment composition is as follows as of June 30:

	2024	2023
Cash	\$ 316,463	\$ 315,031
Mutual funds	887,799	826,297
Total Investments	<u>\$ 1,204,262</u>	<u>\$ 1,141,328</u>

As of June 30, 2024 and 2023, all investments were considered Level 1 investments.

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8. OTHER ASSETS

On September 11, 2014, the Station executed an agreement with Conner Media Corporation to purchase licenses and other intangible assets of FM Translator Station W243CX at a cost of \$45,000. On May 15, 2016, another FM translator was purchased for \$25,000, which enables the Station to offer its listeners an additional, all classical radio station. The assets have indefinite lives and, therefore, have not been amortized. These assets are reviewed for impairment when a significant change in the asset's use or other indicators of possible impairment are present. Management believes there are no indicators of possible impairment for the year ended June 30, 2024.

9. RETIREMENT PLAN

The Station has adopted a defined contribution retirement plan (tax deferred annuity). For full-time employees, the Station matches a participant's salary reduction contribution (minimum of 2% of employee salary) up to 5% of the participant's salary. The Station's total matching contributions were \$21,717 in fiscal year 2024 and \$19,434 in fiscal year 2023.

10. PLEDGES RECEIVABLE

In fiscal year 2012, the Station initiated a major fundraising campaign, the purpose of which is to strengthen program services, engage the community, build a sustainable organization, and unleash the power of technology to benefit the audience and community. The Station has a \$1,500,000 capital campaign goal, which was achieved during fiscal year 2017. As of June 30, 2024, the capital campaign was completed. There are pledges receivable of \$17,053. The allowance for uncollectible receivables is \$600. Thus, the net amount of pledges receivable is \$16,453.

11. RISK MANAGEMENT

From time to time, the Station may be aware of various asserted and unasserted claims. Management feels that these claims can be successfully defended and intends to resist the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interest were to be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

The Station is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Station purchases commercial insurance coverage against risk of loss due to property damage, theft, and various other insurable risks. In 2024, the Station carries property insurance in the amount of \$1,193,862 for personal property with a deductible of \$5,000 for all perils except flood, earthquake, windstorm, or hail. The Station carries inland marine insurance for all peril on outside equipment in the amount of \$286,138 with a deductible of \$1,000. The Station carries wind insurance in the amount of \$957,100 with a deductible of 1% of the coverage limit. The Station carries commercial general liability insurance with \$2,000,000 aggregate and a per occurrence limit of \$1,000,000. The Station also carries a \$2,000,000 umbrella liability policy, a \$5,000,000 directors and officers liability policy, and a \$1,000,000 media professional liability policy.

No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.