

Radio Milwaukee, Inc.

Milwaukee, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016



Radio Milwaukee, Inc.

Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

Board of Directors
Radio Milwaukee, Inc.
Milwaukee, Wisconsin

We have audited the accompanying consolidated financial statements of Radio Milwaukee, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Radio Milwaukee, Inc. 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.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

July 5, 2018

Radio Milwaukee, Inc.

Consolidated Statements of Financial Position

December 31, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 1,575,613	\$ 1,513,185
Accounts receivable, net	175,060	142,338
Current portion of pledges receivable, net	455,820	406,859
Prepaid expenses	17,054	15,854
Total current assets	2,223,547	2,078,236
Pledges receivable, less current portion, net	181,575	142,550
Unemployment reserve	13,703	13,708
Property and equipment, net	2,927,842	2,933,357
TOTAL ASSETS	\$ 5,346,667	\$ 5,167,851
Liabilities and Net Assets	2017	2016
Current liabilities:		
Accounts payable	\$ 14,465	\$ 49,904
Accrued payroll	46,593	26,344
Accrued expenses	2,550	6,771
Deferred revenue	68,580	7,089
Total current liabilities	132,188	90,108
Net assets:		
Unrestricted	4,534,861	4,383,625
Temporarily restricted	679,618	694,118
Total net assets	5,214,479	5,077,743
TOTAL LIABILITIES AND NET ASSETS	\$ 5,346,667	\$ 5,167,851

See accompanying notes to consolidated financial statements.

Radio Milwaukee, Inc.

Consolidated Statements of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Individual gifts and membership	\$ 680,274	\$ 352,377	\$ 1,032,651
Foundations	229,130	141,650	370,780
Underwriting	1,070,676	-	1,070,676
Public funding	173,163	-	173,163
In-kind donations	80,341	-	80,341
Event revenue	171,262	5,425	176,687
Interest income	3,158	143	3,301
Other income	42,727	-	42,727
Net assets released from restrictions	514,095	(514,095)	-
Total support and revenue	2,964,826	(14,500)	2,950,326
Expenses:			
Salaries and wages	1,464,737	-	1,464,737
Employee benefits	200,643	-	200,643
Payroll taxes	116,414	-	116,414
Professional fees - Administration	28,699	-	28,699
Station programming and related	183,776	-	183,776
Community outreach	112,993	-	112,993
Fundraising and member events	84,628	-	84,628
Costs of direct benefits to donors	14,680	-	14,680
Advertising and marketing	162,393	-	162,393
Postage and shipping	19,892	-	19,892
Office supplies	13,387	-	13,387
Telephone and internet	28,332	-	28,332
Equipment	14,630	-	14,630
Occupancy	74,690	-	74,690
Travel, conferences and meetings	28,824	-	28,824
Other operating	50,982	-	50,982
Depreciation	213,890	-	213,890
Total expenses	2,813,590	-	2,813,590
Changes in net assets	151,236	(14,500)	136,736
Net assets at beginning of year	4,383,625	694,118	5,077,743
Net assets at end of year	\$ 4,534,861	\$ 679,618	\$ 5,214,479

Radio Milwaukee, Inc.

Consolidated Statements of Activities (Continued)

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Individual gifts and membership	\$ 553,245	\$ 260,527	\$ 813,772
Foundations	301,000	72,000	373,000
Underwriting	878,174	-	878,174
Public funding	167,412	-	167,412
Capital campaign contributions	-	12,950	12,950
In-kind donations	159,708	-	159,708
Event revenue	134,989	2,675	137,664
Interest income	1,291	236	1,527
Other income	40,251	-	40,251
Net assets released from restrictions	394,398	(394,398)	-
Total support and revenue	2,630,468	(46,010)	2,584,458
Expenses:			
Salaries and wages	1,234,236	-	1,234,236
Employee benefits	142,049	-	142,049
Payroll taxes	97,227	-	97,227
Professional fees - Administration	242,676	-	242,676
Station programming and related	195,804	-	195,804
Community outreach	75,750	-	75,750
Fundraising and member events	63,288	-	63,288
Costs of direct benefits to donors	4,581	-	4,581
Advertising and marketing	126,961	-	126,961
Postage and shipping	16,885	-	16,885
Office supplies	13,213	-	13,213
Telephone and internet	31,561	-	31,561
Equipment	9,503	-	9,503
Occupancy	73,273	-	73,273
Travel, conferences and meetings	18,238	-	18,238
Other operating	39,648	-	39,648
Depreciation	184,891	-	184,891
Total expenses	2,569,784	-	2,569,784
Changes in net assets	60,684	(46,010)	14,674
Net assets at beginning of year	4,322,941	740,128	5,063,069
Net assets at end of year	\$ 4,383,625	\$ 694,118	\$ 5,077,743

See accompanying notes to consolidated financial statements.

Radio Milwaukee, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 136,736	\$ 14,674
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	213,890	184,891
In-kind donations of equipment	(15,213)	-
Contributions restricted for capital campaign	-	(12,950)
Changes in operating assets and liabilities:		
Accounts receivable	(32,722)	(28,799)
Pledges receivable	(160,250)	(62,236)
Prepaid expenses	(1,200)	(6,527)
Accounts payable	(14,067)	2,978
Accrued payroll	20,249	8,200
Accrued expenses	(4,221)	(3,805)
Deferred revenue	61,491	(6,358)
Net cash provided by operating activities	204,693	90,068
Cash flows from investing activities:		
Capital expenditures	(214,534)	(100,060)
Net change in unemployment reserve	5	(3,666)
Net cash used in investing activities	(214,529)	(103,726)
Cash flows from financing activities:		
Collections of capital campaign pledges and gifts	72,264	84,487
Increase in cash and cash equivalents	62,428	70,829
Cash and cash equivalents at beginning of year	1,513,185	1,442,356
Cash and cash equivalents at end of year	\$ 1,575,613	\$ 1,513,185
Noncash investing activities:		
Purchases of property and equipment included in accounts payable at year-end	\$ -	\$ 21,372

See accompanying notes to consolidated financial statements.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Radio Milwaukee, Inc. (“Radio Milwaukee” or the “Organization”) was organized as a non-profit corporation to provide a local voice to the Milwaukee radio market. Through music and stories created for a culturally open-minded community, Radio Milwaukee is a catalyst for creating a better, more inclusive and engaged Milwaukee. On-air since 2007, the station reaches a new generation of radio listeners on air, on line, and in the community with a wide range of music and short-form public affairs programming to a diverse segment of the Milwaukee area. Working closely with Milwaukee Public Schools, Radio Milwaukee celebrates Milwaukee - its music, arts and culture, neighborhoods, and community organizations - by celebrating diversity, encouraging collaboration and community engagement, while promoting a positive global identity for Milwaukee.

Radio Milwaukee broadcasts on 88.9 FM, WYMS. The station is licensed by the Federal Communications Commission to the Milwaukee Board of School Directors. Radio Milwaukee provides programming for the station, which also broadcasts school board meetings and other promotions of Milwaukee Public Schools.

Sound Foundation, LLC, (“Sound Foundation”), a Wisconsin limited liability corporation, was created in February 2013 for the purpose of purchasing property for studios and other functions of Radio Milwaukee. Radio Milwaukee is the sole member of Sound Foundation.

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of Radio Milwaukee and Sound Foundation. All material intercompany balances and transactions have been eliminated in the consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”).

Net Assets

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

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or may not be met either by actions of Radio Milwaukee and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit Radio Milwaukee to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2017 and 2016.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect certain reported amounts of disclosures. Accordingly, actual results may differ from these estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are generally uncollateralized underwriting contract obligations due upon performance. Payments of accounts receivable are allocated to the specific invoices identified on the client's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Management individually reviews all past due accounts receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of accounts receivable were reduced by allowances of \$3,000 that reflect management's estimate of uncollectible amounts at December 31, 2017 and 2016.

Pledges Receivable

Pledges are recorded as receivables in the year the pledge was made. Pledges and other promises to give whose eventual uses are restricted by the donor are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received.

Pledges receivable are reported in the consolidated statements of financial position net of unamortized discounts and an allowance for uncollectible pledges. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate that approximates the rate of government securities. Amortization of the discount is recorded as an increase in contribution revenue. The effective discount rates applied were 4.0% and 2.0% for pledges received in 2017 and 2016, respectively. Management individually reviews all pledges receivable and estimates the portion, if any, of the balance that will not be collected.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of December 31, 2017, \$25,000 of conditional promises to give require the Organization to incur qualifying expenses for its Cultural Commons and In the Wings programs. These promises to give are not recorded at December 31, 2017. There were no conditional promises to give as of December 31, 2016.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unemployment Reserve

The Organization has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred. The Organization has an unemployment reserve established with an area financial institution of \$13,703 and \$13,708 at December 31, 2017 and 2016, respectively, to meet state funding requirements.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, improvement and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives (see Note 3).

Deferred Revenue

Deferred revenue consists of funds received in advance of fundraising events and underwriting receipts received in advance of completion of the underwriting contracts. Revenues will be recognized in future periods as the revenue is earned.

Contributions

Contributions are recognized when the donor makes a promise to give to Radio Milwaukee that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Donations

Contributed services are reflected as both contribution revenue and expenses in the accompanying consolidated statements of activities at their estimated fair value at the date of receipt, if they meet the criteria defined in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605-25-16, *Contributed Services*. Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. Radio Milwaukee recognized \$65,128 and \$159,708 of in-kind services for the years ended December 31, 2017 and 2016, respectively.

Radio Milwaukee capitalized \$15,213 of in-kind equipment donations in 2017.

In addition, Radio Milwaukee receives services from volunteers who give significant amounts of their time to Radio Milwaukee's programs and fundraising campaigns. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred and totaled \$162,393 and \$126,961 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes

Radio Milwaukee is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Radio Milwaukee is also exempt from state income taxes on related income.

Radio Milwaukee recognizes the benefits of a tax position only after determining whether it is more likely than not that the taxing authority would sustain the tax position upon examination of the technical merits of the tax position assuming the taxing authority has full knowledge of all information. Radio Milwaukee has recorded no assets or liabilities related to uncertain tax positions.

Sound Foundation is considered a disregarded entity for income tax purposes.

Subsequent Events

Subsequent events have been evaluated through July 5, 2018, which is the date the consolidated financial statements were available to be issued.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 2: Pledges Receivable

Pledges receivable consist of the following:

<i>As of December 31,</i>	2017	2016
Less than one year	\$ 505,020	\$ 448,859
One to five years	198,175	134,250
More than five years	-	25,000
Gross pledges receivable	703,195	608,109
Less:		
Allowance for uncollectible pledges receivable	(49,200)	(45,000)
Unamortized present value discount	(16,600)	(13,700)
Pledges receivable, net	637,395	549,409
Less - Current portion	(455,820)	(406,859)
Pledges receivable, less current portion, net	\$ 181,575	\$ 142,550

Note 3: Property and Equipment

Property and equipment consists of the following:

<i>As of December 31,</i>	Depreciable Lives	2017	2016
Land	Not applicable	\$ 285,000	\$ 285,000
Building and building improvements	5 to 35 years	2,346,131	2,283,063
Furniture, fixtures and equipment	3 to 10 years	223,098	214,179
Studio equipment	7 to 10 years	512,237	462,687
Software and information technology	3 to 7 years	270,707	202,139
Construction in progress	Not applicable	18,270	-
Total property and equipment		3,655,443	3,447,068
Less: Accumulated depreciation		(727,601)	(513,711)
Property and equipment, net		\$ 2,927,842	\$ 2,933,357

Note 4: Line of Credit

Radio Milwaukee has a \$100,000 line of credit with an area bank which is collateralized by a general business security agreement. Interest is payable monthly at the greater of the prime rate plus 2.25% or 4.50% (6.75% at December 31, 2017). There was no balance outstanding on the line of credit at December 31, 2017 and 2016. The line of credit matures in September 2017.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 5: Operating Lease

Radio Milwaukee leases an automobile under an operating lease requiring monthly payments of \$320 through May 2019. Vehicle lease expense totaled \$4,920 and \$3,920 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments are as follows:

<i>Years Ending December 31,</i>	
2018	\$ 3,840
2019	1,600
Total	\$ 5,440

Note 6: Temporarily Restricted Net Assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time and use. Temporarily restricted net assets consist of the following:

<i>As of December 31, 2017</i>	Cash	Pledges Receivable	Construction in Progress	Total
Operations	\$ -	\$ 380,152	\$ -	\$ 380,152
Capital campaign	23,953	164,343	18,270	206,566
Backline program	-	92,900	-	92,900
Temporarily restricted net assets	\$ 23,953	\$ 637,395	\$ 18,270	\$ 679,618

<i>As of December 31, 2016</i>	Cash	Pledges Receivable	Total
Operations	\$ -	\$ 315,202	\$ 315,202
Capital campaign	144,709	234,207	378,916
Temporarily restricted net assets	\$ 144,709	\$ 549,409	\$ 694,118

Reclassifications from temporarily restricted net assets to unrestricted net assets occur when Radio Milwaukee fulfills the purpose for which the net assets were restricted by the donor, the donor-imposed restrictions expire with the passage of time, or a restriction is withdrawn. Net assets released from restriction as reported on the consolidated statements of activities were as follows:

<i>Years Ended December 31,</i>	2017	2016
Community programming - Operations	\$ 339,202	\$ 272,966
Building and equipment - Capital campaign	174,893	121,432
Net assets released from restrictions	\$ 514,095	\$ 394,398

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 7: Functional Expenses

Program expenses relate to the development of radio programming, music, and music education. Expenses shown by their functional classification are as follows:

<i>Years Ended December 31,</i>	2017	2016
Program	\$ 1,903,148	\$ 1,708,114
Management and general	456,293	496,222
Fundraising	454,149	365,448
Total expenses	\$ 2,813,590	\$ 2,569,784

Note 8: Concentrations

Radio Milwaukee maintains depository relationships with area financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured.

Pledges receivable from one donor constitute 19.6% and 27.3% of total pledges receivable at December 31, 2017 and 2016, respectively.

Note 9: Retirement Plan

Radio Milwaukee sponsors a 401(k) plan covering substantially all employees which provides for employer matching contributions of up to 3% of employee wages plus one half of the next 2% of deferrals. Radio Milwaukee may also extend an annual profit sharing contribution to all participating employees at its discretion. For the years ended December 31, 2017 and 2016, retirement plan expense was \$43,483 and \$36,048, respectively.

Note 10: Commitments

In April 2018, Radio Milwaukee committed to the purchase of software and equipment totaling \$76,200. The additions will be financed with funds from the capital campaign.