

Radio Milwaukee, Inc.

Consolidated Financial Statements

Years Ended December 31, 2019 and 2018



Radio Milwaukee, Inc.

Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, and the related consolidated statements of activities, functional expenses 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, 2019 and 2018, 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.

Emphasis of Matters

Changes in Accounting Policies

As discussed in Note 1 to the consolidated financial statements, Radio Milwaukee, Inc. adopted Accounting Standards Updates (ASU) No. 2016-18, Statement of Cash Flows (Topic 230) - *Restricted Cash* and ASU No. 2018-08, Not-for-Profit Entities (Topic 958) - *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended December 31, 2019. Our opinion is not modified with respect to that matter.

Correction of Errors

As discussed in Note 14 to the consolidated financial statements, certain errors resulting in an understatement of amounts previously reported for trade and barter revenue and certain expenses, and an overstatement of net assets released from restrictions as of and for the year ended December 31, 2018, were discovered by management of Radio Milwaukee, Inc. during the current year. Accordingly, amounts reported for trade and barter revenue, certain expenses, net assets released from restrictions, and the classification of net assets have been restated in the 2018 consolidated financial statements now presented to correct the errors. Our opinion is not modified with respect to that matter.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

August 5, 2020

Radio Milwaukee, Inc.

Consolidated Statements of Financial Position

December 31, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 1,664,791	\$ 1,723,116
Accounts receivable, net	170,632	217,424
Current portion of promises to give, net	623,375	753,764
Prepaid expenses	16,267	17,726
Total current assets	2,475,065	2,712,030
Promises to give, less current portion, net	117,200	186,500
Unemployment reserve	16,268	16,320
Property and equipment, net	2,694,562	2,852,079
TOTAL ASSETS	\$ 5,303,095	\$ 5,766,929
Liabilities and Net Assets	2019	2018
Current liabilities:		
Accounts payable	\$ 41,619	\$ 53,622
Accrued payroll	52,758	87,494
Accrued expenses	33,386	12,625
Deferred revenue	21,895	32,205
Total current liabilities	149,658	185,946
Net assets - Restated as of December 31, 2018:		
Without donor restrictions	4,331,210	4,446,656
With donor restrictions	822,227	1,134,327
Total net assets	5,153,437	5,580,983
TOTAL LIABILITIES AND NET ASSETS	\$ 5,303,095	\$ 5,766,929

See accompanying notes to consolidated financial statements.

Radio Milwaukee, Inc.
Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

	2019			2018 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Individual gifts and membership	\$ 521,298	\$ 576,140	\$ 1,097,438	\$ 648,444	\$ 509,761	\$ 1,158,205
Foundations	204,646	61,954	266,600	211,390	400,910	612,300
Underwriting	1,208,671	42,000	1,250,671	1,298,705	58,500	1,357,205
Trade and barter	1,173,046	-	1,173,046	1,292,146	-	1,292,146
Public funding	194,395	-	194,395	181,416	-	181,416
In-kind donations	34,185	-	34,185	35,651	-	35,651
Event revenue	106,466	14,684	121,150	113,275	15,459	128,734
Interest income	8,983	190	9,173	3,604	36	3,640
Other income	47,915	-	47,915	43,776	-	43,776
Net assets released from restrictions	1,007,068	(1,007,068)	-	529,957	(529,957)	-
Total support and revenue	4,506,673	(312,100)	4,194,573	4,358,364	454,709	4,813,073
Expenses:						
Program	3,338,875	-	3,338,875	3,226,127	-	3,226,127
Management and general	475,753	-	475,753	493,682	-	493,682
Fundraising	807,491	-	807,491	726,760	-	726,760
Total expenses	4,622,119	-	4,622,119	4,446,569	-	4,446,569
Changes in net assets	(115,446)	(312,100)	(427,546)	(88,205)	454,709	366,504
Net assets at beginning of year	4,446,656	1,134,327	5,580,983	4,534,861	679,618	5,214,479
Net assets at end of year	\$ 4,331,210	\$ 822,227	\$ 5,153,437	\$ 4,446,656	\$ 1,134,327	\$ 5,580,983

See accompanying notes to consolidated financial statements.

Radio Milwaukee, Inc.

Consolidated Statements of Functional Expenses

Years Ended December 31, 2019 and 2018

	2019				2018 (Restated)			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 958,058	\$ 316,895	\$ 423,160	\$1,698,113	\$ 921,674	\$ 312,526	\$ 426,695	\$1,660,895
Employee benefits	103,367	34,190	45,655	183,212	95,229	32,290	44,086	171,605
Payroll taxes	83,804	25,027	33,419	142,250	69,636	23,513	32,102	125,251
Professional fees	-	22,799	-	22,799	1,372	30,216	-	31,588
Station programming and related	615,664	3,960	8,429	628,053	428,700	28,028	4,100	460,828
Community outreach	433,214	-	95,785	528,999	488,383	-	109,470	597,853
Fundraising and member events	768,067	-	57,350	825,417	823,479	-	46,896	870,375
Costs of direct benefits to donors	-	-	15,438	15,438	-	-	11,840	11,840
Postage and shipping	-	4,756	14,268	19,024	-	19,911	356	20,267
Office supplies	1,328	13,778	1,913	17,019	10,179	3,451	4,712	18,342
Telephone and internet	15,708	5,196	6,938	27,842	15,158	5,140	7,018	27,316
Equipment	6,573	1,041	822	8,436	11,654	2,557	1,449	15,660
Occupancy	73,632	4,091	4,091	81,814	79,562	4,420	4,420	88,402
Travel, conferences, and meetings	45,598	24,355	7,423	77,376	39,643	17,101	3,663	60,407
Other operating	7,357	7,081	51,266	65,704	35,380	3,075	18,409	56,864
Bad debt expense	-	-	28,950	28,950	-	-	-	-
Depreciation	226,505	12,584	12,584	251,673	206,078	11,454	11,544	229,076
Total expenses	\$ 3,338,875	\$ 475,753	\$ 807,491	\$ 4,622,119	\$ 3,226,127	\$ 493,682	\$ 726,760	\$ 4,446,569

See accompanying notes to consolidated financial statements.

Radio Milwaukee, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (427,546)	\$ 366,504
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	28,950	-
Depreciation	251,673	229,076
Changes in operating assets and liabilities:		
Accounts receivable	24,842	(42,364)
Promises to give	157,589	(348,069)
Prepaid expenses	1,459	(672)
Accounts payable	(12,003)	39,157
Accrued payroll	(34,736)	40,901
Accrued expenses	20,761	10,075
Deferred revenue	(10,310)	(36,375)
Net cash provided by operating activities	679	258,233
Cash flows from investing activities - Capital expenditures	(94,156)	(153,313)
Cash flows from financing activities - Collections of capital campaign pledges and gifts	35,100	45,200
(Decrease) increase in cash, cash equivalents, and restricted cash	(58,377)	150,120
Cash, cash equivalents, and restricted cash at beginning of year	1,739,436	1,589,316
Cash, cash equivalents, and restricted cash at end of year	\$ 1,681,059	\$ 1,739,436
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 1,664,791	\$ 1,723,116
Unemployment reserve	16,268	16,320
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	\$ 1,681,059	\$ 1,739,436

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") is organized as a non-profit corporation in Milwaukee, Wisconsin. 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. Radio Milwaukee reaches a new generation of radio listeners with Milwaukee's most entertaining and adventurous selection of music and public affairs programming. It champions Milwaukee - our music, arts and culture, neighborhoods and community organizations - by celebrating diversity and encouraging 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 (collectively the "Organization"). 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").

The Organization maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Changes in Accounting Policies

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230) - *Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance in this ASU was adopted by the Organization for the year ended December 31, 2019. The impact of this update on the consolidated statements of cash flows was to increase cash, cash equivalents, and restricted cash as of January 1, 2018 by \$13,703. Restricted cash consists of funds held for the unemployment reserve.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Changes in Accounting Policies (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Accounting Standards Codification (ASC) Subtopic 958-605 or as exchange (reciprocal) transactions subject to ASC 606 and (2) determining whether a contribution is conditional. In 2019, the Organization applied the amendments in this ASU on a modified prospective basis. There was no change to opening balances of net assets.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for the Organization in 2020. The Organization is currently evaluating the impact of the provisions of ASU No. 2014-09.

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.

Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization 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.

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 explicit 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, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 \$19,400 and \$3,000 that reflect management's estimate of uncollectible amounts at December 31, 2019 and 2018, respectively.

Promises to Give

Promises to give are recorded as receivables in the year the promise was made. Promises to give whose eventual uses are restricted by the donor are recorded as increases in net assets with donor restrictions. Promises without donor restrictions to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received.

Promises to give are reported in the consolidated statements of financial position net of unamortized discounts and an allowance for uncollectible promises. Promises to give 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 5.0% for promises received in 2019 and 2018, respectively. Management individually reviews all promises to give 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.

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.

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

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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 \$16,268 and \$16,320 at December 31, 2019 and 2018, respectively, to meet state funding requirements.

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.

Support and Revenue

Individual Gifts, Memberships, and Foundations

Individual gifts, memberships, and foundations are considered to be contributions as the donor does not receive a reciprocal benefit. Contributions, including promises to give, are evaluated to determine if they contain conditions prior to recognizing revenue. Unconditional contributions are recognized as revenue when cash or other assets are received. Conditional contributions are recognized as revenue when the barriers to entitlement are overcome. Assets received for which the condition has not been satisfied are recorded as refundable advance liability. There were no refundable advance liabilities as of December 31, 2019 and 2018.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Organization reports unfulfilled memberships totaling \$103,246 and \$85,412 for the years ended December 31, 2019 and 2018, respectively, as an offset to individual gifts and memberships in the consolidated statements of activities.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Support and Revenue (Continued)

Underwriting

Underwriting represents on-air announcement services and on-line advertising provided by the Organization for various companies and non-profit organizations. The Organization recognizes revenue as the services are fulfilled over the term of the service contract.

Trade and Barter

Trade and barter revenue results from in-kind, non-monetary agreements with outside organizations which provide goods and services in exchange for on-air announcements and other services. Trade and barter revenue, and the related expenses, approximate the fair value of the transactions. Revenue or expense and a corresponding asset or liability are reported when announcements are aired or when goods and services are received or provided. The Organization recognized no gains or losses associated with trade and barter transactions for the years ended December 31, 2019 and 2018. Additionally, there were no assets or liabilities associated with trade and barter transactions as of December 31, 2019 and 2018.

Public Funding

The Organization receives grant awards from the Corporation of Public Broadcasting that are classified as contributions. The grant awards are subject to certain conditions and are recognized as revenue when the conditions in the award are satisfied.

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 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 \$34,185 and \$35,651 of in-kind services for the years ended December 31, 2019 and 2018, respectively.

In addition, the Organization receives services from volunteers who give significant amounts of their time to the Organization'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.

Event Revenue

Support and revenue from fundraising events are recognized when the event occurs.

Interest Income

Interest income is reported as revenue without donor restrictions unless the income is restricted by donor or law.

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, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Radio Milwaukee is also exempt from state income taxes on related income.

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

The Organization 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. The Organization has recorded no assets or liabilities related to uncertain tax positions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses have been allocated based upon time spent, utilization, and square footage.

Program expenses relate to the development of radio programming, music, and music education.

Subsequent Events

Subsequent events have been evaluated through August 5, 2020, which is the date the consolidated financial statements were available to be issued. See Note 15 for disclosures of significant subsequent events.

Note 2: Promises to Give

Promises to give consist of the following:

<i>As of December 31,</i>	2019	2018
Less than one year	\$ 692,725	\$ 810,564
One to five years	122,500	201,500
Total promises to give	815,225	1,012,064
Less:		
Allowance for uncollectible promises to give	(69,350)	(56,800)
Unamortized present value discount	(5,300)	(15,000)
Promises to give, net	740,575	940,264
Less - Current portion	(623,375)	(753,764)
Promises to give, less current portion, net	\$ 117,200	\$ 186,500

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 3: Property and Equipment

Property and equipment consists of the following:

<i>As of December 31,</i>	Depreciable Lives	2019	2018
Land	Not applicable	\$ 285,000	\$ 285,000
Building and building improvements	5 to 35 years	2,371,354	2,352,008
Furniture, fixtures and equipment	3 to 10 years	224,828	223,098
Studio equipment	7 to 10 years	602,883	598,438
Software and information technology	3 to 7 years	408,534	350,212
Construction in progress	Not applicable	10,313	-
Total property and equipment		3,902,912	3,808,756
Less: Accumulated depreciation		(1,208,350)	(956,677)
Property and equipment, net		\$ 2,694,562	\$ 2,852,079

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% (7.00% at December 31, 2019). There was no balance outstanding on the line of credit at December 31, 2019 and 2018. The line of credit matures in December 2020.

Note 5: Operating Lease

Radio Milwaukee leases an automobile under an operating lease requiring monthly payments of \$343 through May 2022. Vehicle lease expense totaled \$4,674 and \$3,913 for the years ended December 31, 2019 and 2018, respectively. Future minimum lease payments are as follows:

<i>Years Ending December 31,</i>	
2020	\$ 4,116
2021	4,116
2022	1,372
Total future minimum lease payments	\$ 9,604

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 6: Net Assets With Donor Restrictions

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

<i>As of December 31,</i>	2019	2018 (Restated)
Subject to expenditure for specified purpose:		
Backline program	\$ 81,652	\$ 194,063
Promises to give, the proceeds from which have been restricted by donors for:		
Capital campaign	-	45,820
Backline program	191,600	234,700
Total subject to expenditure for specified purpose	273,252	474,583
Subject to the passage of time - Promises to give that are not restricted by donors but which are unavailable for expenditure until received	548,975	659,744
Total net assets with donor restrictions	\$ 822,227	\$ 1,134,327

Reclassifications from net assets with donor restrictions to net assets without donor restrictions 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 restrictions as reported on the consolidated statements of activities were as follows:

<i>Years Ended December 31,</i>	2019	2018 (Restated)
Satisfaction of purpose restrictions:		
Capital expenditures	\$ 43,261	\$ 153,312
Backline program	355,158	62,347
Expiration of time restrictions	608,649	296,028
Building and equipment placed into service	-	18,270
Net assets released from restrictions	\$ 1,007,068	\$ 529,957

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date comprise the following:

<i>As of December 31,</i>	2019	2018 (Restated)
Cash and cash equivalents	\$ 1,664,791	\$ 1,723,116
Accounts receivable, net	170,632	217,424
Promises to give, net	740,575	940,264
Unemployment reserve	16,268	16,320
Total financial assets	2,592,266	2,897,124
Less:		
Restricted program contributions included in cash and cash equivalents	(81,652)	(194,063)
Cash restricted for reimbursement of claims under the provisions of Wisconsin unemployment compensation laws	(16,268)	(16,320)
Promises to give restricted by donors for purpose	(191,600)	(280,520)
Total financial assets available for general expenditure	\$ 2,302,746	\$ 2,406,221

The Organization maintains financial assets in liquid form such as cash and cash equivalents for approximately six months of operating expenditures. The Organization invests cash in excess of daily requirements in certificates of deposit and money market accounts with maturities of 12 months or less. The Organization also has a line of credit available for cash flow needs up to \$100,000 as further described in Note 4.

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.

Concentrations of promises to give are as follows:

<i>As of December 31,</i>	2019	2018
Donor A	10.1 %	10.6 %
Donor B	*	21.3 %

* Donor does not constitute a major concentration of promises to give at December 31, 2019.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 9: Lessor Activity

The Organization leases space within its offices to a for-profit company under an operating lease requiring monthly rental payments of \$1,875 plus the lessee's pro rata share of the Organization's operating expenses of the space. The lease term expires in August 2022, with options for renewals through August 2031. For the years ended December 31, 2019 and 2018, rent revenues from the lease were \$22,453 and \$24,750, respectively, and are included in other income on the consolidated statements of activities. Expected future minimum lease revenues are as follows:

<i>Years Ending December 31,</i>	
2020	\$ 22,500
2021	22,500
2022	15,000
<hr/>	
Total future minimum lease revenues	\$ 60,000

Note 10: Trade and Barter

Trade and barter received by the Organization consists of the following:

<i>Years Ended December 31,</i>	2019	2018
Fundraising and member events	\$ 51,869	\$ 36,056
Community outreach	28,782	13,015
Advertising and marketing	289,820	371,786
Member benefits	35,330	40,397
Events and sponsorships	738,203	800,165
Building maintenance and repairs	-	6,555
Meeting expenses	23,281	24,172
Dues	5,761	-
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Total trade and barter	\$ 1,173,046	\$ 1,292,146

Note 11: Advertising and Marketing

Advertising and marketing costs are expensed as incurred and are included in community outreach in the consolidated statements of functional expenses. Advertising and marketing costs consist of the following:

<i>Years Ended December 31,</i>	2019	2018
Direct advertising and marketing	\$ 120,302	\$ 99,617
Advertising and marketing from trade and barter agreements	289,820	371,786
<hr/>		
Total advertising and marketing	\$ 410,122	\$ 471,403

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 12: 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, 2019 and 2018, retirement plan expense was \$56,903 and \$52,432, respectively.

Note 13: Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 classifications. Expenses reported on the 2018 consolidated statements of activities and functional expenses have been reclassified as to functional category to conform to the Organization's 2019 functional allocation policy (See Note 14). The change in functional allocation policy affects salaries and wages, employee benefits, payroll taxes, office expenses, and telephone and internet and is considered preferable as it more accurately reflects the utilization of those resources on a functional basis. Such reclassifications had no effect upon net assets or the change in net assets.

Note 14: Restatement of Previously Issued Financial Statements

The consolidated financial statements as of and for the year ended December 31, 2018 have been restated to correct errors that were detected during the audit for the year ended December 31, 2019.

Recharacterization of Net Assets

The Organization's 2018 consolidated financial statements improperly reported net assets as to donor restrictions. To correct this error, amounts previously reported in the 2018 consolidated financial statements have been restated as follows:

<i>Year Ended December 31, 2018</i>	As Previously Reported	Adjustments	Restated
<u>Consolidated Statement of Financial Position:</u>			
Net assets without donor restrictions	\$ 4,530,780	\$ (84,124)	\$ 4,446,656
Net assets with donor restrictions	1,050,203	84,124	1,134,327
<u>Consolidated Statement of Activities:</u>			
Support and revenue - Net assets released from restrictions	\$ 614,081	\$ (84,124)	\$ 529,957

There was no effect on the change in net assets.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 14: Restatement of Previously Issued Financial Statements (Continued)

Trade and Barter

The Organization's 2018 consolidated financial statements improperly excluded revenues and expenses associated with trade and barter activity. To correct this error, amounts previously reported in the 2018 consolidated financial statements have been restated. There was no effect on the change in net assets.

<i>Year Ended December 31, 2018</i>	As Previously Reported	Adjustment to Recognize Trade and Barter	Functional Reclassifications	Restated
<u>Consolidated Statement of Activities:</u>				
Support and revenue - Trade and barter	\$ -	\$ 1,292,146	\$ -	\$ 1,292,146
Expenses:				
Program	\$ 2,363,725	\$ 1,222,862	(360,460)	\$ 3,226,127
Management and general	413,974	11,086	68,622	493,682
Fundraising	376,724	58,198	291,838	726,760
<u>Consolidated Statement of Functional</u>				
<u>Expenses:</u>				
Expenses:				
Station programming and related	\$ 447,813	\$ 13,015	\$ -	\$ 460,828
Community outreach	185,670	412,183	-	597,853
Fundraising and member events	34,154	836,221	-	870,375
Occupancy	81,847	6,555	-	88,402
Travel, conferences, and meetings	36,235	24,172	-	60,407

Note 15: Business Conditions

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Crisis including financial markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results including the timing and proceeds from fundraising events and activities. As of the date of the issuance the financial statements, the Organization continues to broadcast but has restricted access to or cancelled certain onsite and offsite events and activities. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

On April 10, 2020, the Organization entered into a promissory note agreement with a local financial institution in the amount of \$388,800. The loan was issued pursuant to the Paycheck Protection Program (the "PPP"), administered by the Small Business Administration, and bears interest at 1.00% with monthly payments of interest beginning November 10, 2020 and a final payment of all principal and accrued interest due April 10, 2022. All or a portion of the loan may be forgiven if the Organization uses the proceeds of the loan for eligible payroll costs and other expenses in accordance with the PPP.