

Radio Milwaukee, Inc.

Milwaukee, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Radio Milwaukee, Inc.

Consolidated Financial Statements

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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., which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, 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 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 consolidated 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, 2015 and 2014, 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

April 29, 2016

Radio Milwaukee, Inc.

Consolidated Statements of Financial Position

December 31, 2015 and 2014

<i>Assets</i>	2015	2014
Current assets:		
Cash and cash equivalents	\$ 1,442,356	\$ 1,458,248
Accounts receivable, net	113,539	67,905
Current portion of pledges receivable	361,300	424,221
Prepaid expenses	9,327	11,159
Total current assets	1,926,522	1,961,533
Pledges receivable, less current portion, net	197,410	319,345
Unemployment reserve	10,042	10,037
Property and equipment, net	2,996,816	2,958,941
TOTAL ASSETS	\$ 5,130,790	\$ 5,249,856
<i>Liabilities and Net Assets</i>	2015	2014
Current liabilities:		
Accounts payable	\$ 26,096	\$ 80,646
Accrued payroll	18,144	18,737
Accrued expenses	10,034	10,034
Deferred revenue	13,447	10,525
Total current liabilities	67,721	119,942
Net assets:		
Unrestricted	4,322,941	4,137,541
Temporarily restricted	740,128	992,373
Total net assets	5,063,069	5,129,914
TOTAL LIABILITIES AND NET ASSETS	\$ 5,130,790	\$ 5,249,856

See accompanying notes to the consolidated financial statements.

Radio Milwaukee, Inc.

Consolidated Statements of Activities

Years Ended December 31, 2015 and 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Individual gifts and membership	\$ 549,321	\$ 225,166	\$ 774,487
Foundations	322,500	47,000	369,500
Underwriting	688,066	-	688,066
Public funding	334,740	-	334,740
Capital campaign contributions	-	5,300	5,300
In-kind donations	88,069	-	88,069
Event revenue	118,642	800	119,442
Interest income	1,964	-	1,964
Other income	31,964	422	32,386
Loss on disposal of equipment	(71,146)	-	(71,146)
Net assets released from restrictions	530,933	(530,933)	-
Total support and revenue	2,595,053	(252,245)	2,342,808
Expenses:			
Personnel costs	1,364,391	-	1,364,391
Professional fees - Administration	66,902	-	66,902
Station programming and related	322,950	-	322,950
Community outreach	226,703	-	226,703
Fundraising and member events	72,323	-	72,323
Postage and shipping	19,444	-	19,444
Office supplies	11,078	-	11,078
Telephone and internet	18,911	-	18,911
Equipment	16,413	-	16,413
Occupancy	74,359	-	74,359
Travel, conferences and meetings	25,308	-	25,308
Other operating	36,336	-	36,336
Interest	53	-	53
Depreciation	154,482	-	154,482
Total expenses	2,409,653	-	2,409,653
Changes in net assets	185,400	(252,245)	(66,845)
Net assets at beginning of year	4,137,541	992,373	5,129,914
Net assets at end of year	\$ 4,322,941	\$ 740,128	\$ 5,063,069

See accompanying notes to the consolidated financial statements.

2014		
Unrestricted	Temporarily Restricted	Total
\$ 503,477	\$ 182,429	\$ 685,906
331,602	65,000	396,602
648,387	-	648,387
203,503	-	203,503
-	76,683	76,683
19,500	-	19,500
95,067	-	95,067
1,402	-	1,402
34,174	194	34,368
-	-	-
393,096	(393,096)	-
2,230,208	(68,790)	2,161,418
1,313,110	-	1,313,110
41,043	-	41,043
133,636	-	133,636
124,739	-	124,739
69,161	-	69,161
15,801	-	15,801
15,489	-	15,489
19,821	-	19,821
8,796	-	8,796
66,859	-	66,859
20,200	-	20,200
30,669	-	30,669
960	-	960
143,951	-	143,951
2,004,235	-	2,004,235
225,973	(68,790)	157,183
3,911,568	1,061,163	4,972,731
\$ 4,137,541	\$ 992,373	\$ 5,129,914

Radio Milwaukee, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (66,845)	\$ 157,183
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	154,482	143,951
Loss on disposal of equipment	71,146	-
Contributions restricted for capital campaign	(5,300)	(76,683)
Changes in operating assets and liabilities:		
Accounts receivable	(45,634)	17,188
Pledges receivable	(5,538)	(109,694)
Prepaid expenses	1,832	(11,159)
Accounts payable	(27,950)	(25,390)
Accrued payroll	(593)	(49,416)
Deferred revenue	2,922	(9,325)
Net cash provided operating activities	78,522	36,655
Cash flows from investing activities:		
Net change in unemployment reserve	(5)	(3)
Capital expenditures	(290,103)	(1,022,740)
Net cash used in investing activities	(290,108)	(1,022,743)
Cash flows from financing activities:		
Principal payments on long-term debt	-	(327,488)
Collections of capital campaign pledges and gifts	195,694	380,871
Net cash provided by financing activities	195,694	53,383
Decrease in cash and cash equivalents	(15,892)	(932,705)
Cash and cash equivalents at beginning of year	1,458,248	2,390,953
Cash and cash equivalents at end of year	\$ 1,442,356	\$ 1,458,248
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 53	\$ 960
Noncash investing activities:		
Purchases of property and equipment included in accounts payable at year end	\$ -	\$ 26,600

See accompanying notes to the 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 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. Under the laws of the State of Wisconsin for limited liability companies, the member is typically not responsible for the business debts and liabilities of the limited liability company.

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.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

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, 2015 and 2014.

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.

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 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 and 13,000 that reflect management's estimate of uncollectible amounts at December 31, 2015 and 2014, respectively.

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 2.0% for pledges received in 2015 and 2014. Management individually reviews all pledges receivable and estimates the portion, if any, of the balance that will not be collected.

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 \$10,042 and \$10,037 at December 31, 2015 and 2014, 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.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

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 statement 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.

In-kind Donations

Contributed services are reflected as both contribution revenues 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 \$88,069 and \$19,500 of in-kind services for the years ended December 31, 2015 and 2014, respectively.

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.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

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. Tax returns for the year ended December 31, 2012 and all subsequent years remain subject to examination by the applicable taxing authorities.

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

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and totaled \$66,999 and \$51,151 for the years ended December 31, 2015 and 2014, respectively.

Subsequent Events

Subsequent events have been evaluated through April 29, 2016, 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 consisted of the following as of December 31:

	2015	2014
Less than one year	\$ 400,300	\$ 454,221
One to five years	174,110	285,345
More than five years	50,000	75,000
Gross pledges receivable	624,410	814,566
Less: Allowance for uncollectible pledges receivable	(46,000)	(40,000)
Less: Unamortized present value discount	(19,700)	(31,000)
Pledges receivable, net	558,710	743,566
Less - Current portion	361,300	424,221
Pledges receivable, less current portion	\$ 197,410	\$ 319,345

Note 3 Property and Equipment

Property and equipment consisted of the following at December 31:

	Depreciable Lives	2015	2014
Land	N/A	\$ 285,000	\$ 285,000
Building	35 years	2,283,063	2,283,063
Furniture, fixtures and equipment	7 to 10 years	208,272	171,166
Studio equipment	7 to 10 years	417,427	486,571
Software and information technology	5 to 7 years	91,874	65,053
Construction in progress	N/A	40,000	55,864
Total property and equipment		3,325,636	3,346,717
Less: Accumulated depreciation		(328,820)	(387,776)
Property and equipment, net		\$ 2,996,816	\$ 2,958,941

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

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 and due on demand. Interest is payable monthly at the prime rate plus 0.25% (3.50% at December 31, 2015). There was no balance outstanding on the line of credit at December 31, 2015 and 2014.

Note 5 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 consisted of the following at December 31:

	2015	2014
Pledges receivable:		
Operations	\$ 252,966	\$ 247,429
Capital campaign	305,744	496,137
Purpose - Capital campaign	181,418	248,807
Temporarily restricted net assets	\$ 740,128	\$ 992,373

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. During 2015 and 2014, net assets released from restriction as reported on the consolidated statements of activities were for the following:

	2015	2014
Community programming	\$ 267,428	\$ 173,034
Building and equipment	263,505	220,062
Net assets released from restrictions	\$ 530,933	\$ 393,096

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 6 **Functional Expenses**

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

	2015	2014
Program	\$ 1,619,594	\$ 1,305,650
Management and general	424,376	349,485
Fundraising	365,683	349,100
Total expenses	\$ 2,409,653	\$ 2,004,235

Note 7 **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, 2015 and 2014, retirement plan expense was \$34,581 and \$33,522, respectively.

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.

For the years ended December 31, 2015 and 2014, support from one donor constituted 11.5% and 15.8% of total support.

Pledges receivable from one donor constitute 28.0% and 24.6% of total pledges receivable at December 31, 2015 and 2014, respectively.

Radio Milwaukee, Inc.

Notes to Consolidated Financial Statements

Note 9 Related Party Transactions

Radio Milwaukee leases space within their offices to a for-profit company (the "Lessee") whose owner is a member of Radio Milwaukee's Board of Directors. The lease term expires August 2016 with options for renewal and calls for monthly payments of rent of \$1,750 plus the Lessee's pro rata share of Radio Milwaukee's operating expenses of the space. For each of the years ended December 31, 2015 and 2014, rent revenues from the lease were \$21,000 and shared operating expenses were \$12,197.

Revenues received from underwriting contracts with the Lessee were \$7,245 and \$7,050 for the years ended December 31, 2015 and 2014, respectively. Balances due from the Lessee under underwriting contracts as of December 31, 2015 and 2014, were \$1,210 and \$1,200, respectively.