

Special-Purpose Financial Statements
**Public Telecommunication Entities Operated
by Emerson College (also known as WERS)**

June 30, 2016 and 2015

WERS

Special-Purpose Financial Statements

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Independent Auditors' Report

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Notes to Special-Purpose Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the Public Telecommunications Entities Operated by Emerson College (also known as “WERS”).

Student run and professionally managed, WERS 88.9 FM (which includes W243BG and W268AM in New Bedford and Gloucester, MA, respectively) is the oldest educational non-commercial radio station in New England dating to 1949, and became eligible for funding from the Corporation for Public Broadcasting (“CPB”) during October of 2015. The Board of Trustees of Emerson College (the “College”) is the licensee for WERS, which is a department of the College. The College is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and provides support to WERS.

The majority of on-air and support staff has always been comprised of Emerson College students and training of these students remains an important component of the WERS mission.

A summary of significant accounting policies applied consistently to the special-purpose financial statements is as follows:

Basis of Presentation

The accompanying special-purpose financial statements have been prepared on the accrual basis of accounting in accordance with the reporting principles of not-for-profit accounting, and were prepared for the purpose of complying with the Annual Financial Report requirements of the CPB. In addition, these special-purpose financial statements are presented in accordance with accounting principles generally accepted in the United States of America with the exception that WERS is a department of the College and does not represent a separate legal entity for financial reporting purposes. As such, WERS shares in certain costs incurred by the College, including fringe benefits, operations and maintenance expense, and College debt service, all allocated to WERS by the College. Additionally, any costs exceeding revenue recognized by WERS are absorbed by the College with no expectation of repayment to the College; as such, these amounts are recognized as contributions by WERS. The financial position and financial results may not be indicative of results that would have been achieved if WERS had been operating as an unaffiliated organization.

Financial Statement Presentation

The special-purpose financial statements are presented on the accrual basis of accounting and have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of WERS and changes therein are classified and reported as follows:

Unrestricted net assets - represent the portion of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets - include funds with donor-imposed restrictions, which stipulate that the WERS expend the assets as specified and are satisfied either by the passage of time or by actions of the WERS. WERS had no such net assets at June 30, 2016 and 2015.

Permanently restricted net assets - include resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently but may permit WERS to use or expend part or all of the gains derived from the donated assets. WERS had no such net assets at June 30, 2016 and 2015.

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Notes to Special-Purpose Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Cash

The financial policies of the College, under which WERS operates, require that all cash be held centrally by the College. Accordingly, cash available for use by WERS is provided by the College as needed though WERS holds no cash of its own.

Fair Value Measurements

The WERS reports recurring fair value measurements and non-recurring fair value measurements, such as contributed property and services, in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

Gift Revenue

Gifts, including unconditional promises to give and non-cash contributions, are recorded at fair value at the date of contribution using Level 2 inputs to valuation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. WERS had no unconditional promises to give at June 30, 2016 and 2015.

Corporation for Public Broadcasting (“CPB”) Grants

WERS receives community service grants from the CPB. Funding of these grants is dependent on WERS’s continued compliance with CPB’s Annual Financial Reporting requirements. WERS recognized community service grant revenue of \$114,165 during the year ended June 30, 2016. WERS recognized no community service grant revenue during the year ended June 30, 2015.

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Notes to Special-Purpose Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at fair value at the date of contribution using Level 2 inputs to valuation. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts, and any gains and/or losses are reflected in the statement of revenues, expenses and changes in net assets.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets.

Donated Facilities and Administrative Support

WERS is dependent on the College for a variety of administrative and financial needs. WERS is a department of the College and does not represent a separate legal entity for financial reporting purposes. As such, WERS shares in certain costs incurred by the College, including fringe benefits, operations and maintenance expense, and College debt service. Additionally, any costs exceeding revenue recognized by WERS are absorbed by the College with no expectation of repayment to the College and are recorded as donated support on the special-purpose statement of revenue, expenses and changes in net assets (see Note 3).

Accounts Receivable

Trades

WERS enters into trade transactions for products or services in exchange for program underwriting. Trade transactions are recorded at the estimated fair value of the product or service received using Level 2 inputs to valuation. Trade revenue is recorded when the program underwriting is broadcast. Trade expense is recorded when merchandise or services are received.

If the program underwriting occurs prior to receipt or use of merchandise or services, a receivable is recorded. At June 30, 2016 and 2015, net trade receivables of \$300 and \$501, respectively are included in underwriting receivables on the special-purpose statement of assets, liabilities, and net assets. If merchandise or services are received prior to program underwriting, deferred revenue is recorded. At June 30, 2016 and 2015, no deferred revenue related to trade was recorded.

Underwriting

WERS enters into contracts with various third parties for underwriting of programs broadcast on WERS's stations. All revenue is recorded at the time the underwriting is broadcast. At June 30, 2016 and 2015, net underwriting receivables of \$27,207 and \$19,222, respectively are included in underwriting receivable on the special-purpose statement of assets, liabilities, and net assets. Amounts received in advance of broadcasting are recorded as deferred revenue. At June 30, 2016 and 2015, deferred revenue related to underwriting was \$637 and \$1,552, respectively.

WERS

Notes to Special-Purpose Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Accounts Receivable (Continued)

Allowance for Doubtful Account, Underwriting

On a regular basis, WERS reviews the adequacy of its allowance for doubtful accounts based on historical collection results and current economic conditions using factors based on the aging of its accounts. In addition, WERS estimates specific additional allowances based on indications that a specific underwriter may be experiencing financial difficulties. At June 30, 2016 and 2015, the allowance for doubtful accounts was \$15,169 and \$6,932, respectively.

Other

WERS enters into contracts and agreements with various third parties for studio rentals. All revenue is recorded as other income on the special-purpose statements of revenue, expenses and changes in net assets. At June 30, 2016 and 2015, gross other receivables of \$9,200 and \$5,951, respectively, are included in other receivables on the special-purpose statement of assets, liabilities, and net assets net of the allowance for doubtful accounts of \$9,200 at June 30, 2016. No allowance for doubtful accounts was recorded at June 30, 2015.

Income Taxes

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of WERS, management has concluded that disclosures relative to tax provisions are not necessary.

Uncertain Tax Positions

The College accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. WERS has identified its tax status as department of a tax exempt entity as its only significant tax position; however, WERS has determined that such tax position does not result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdictions and the last three tax years are open for review.

Use of Estimates

In preparing special-purpose financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates included in the special-purpose financial statements relate to the allowance for doubtful accounts, accrual of expenses and donated support.

Subsequent Events

The WERS has evaluated subsequent events through February 10, 2017, the date the special-purpose financial statements were authorized to be issued. WERS concluded that no material subsequent events have occurred.

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Notes to Special-Purpose Financial Statements

Note 2 - Property and Equipment

A June 30, property and equipment consisted of the following:

	<i>Estimated Useful Lives</i>		<i>2016</i>	<i>2015</i>
Automobiles, furniture and equipment	5 years	\$	464,700	335,271
Computers and software	3 years		81,892	81,892
			546,592	417,163
Less accumulated depreciation			(409,393)	(369,486)
Property and equipment, net		\$	137,199	47,677

Depreciation expense was \$39,907 and \$46,879 for the years ended June 30, 2016 and 2015, respectively.

Note 3 - Emerson College

WERS is a department of the College. Due to the nature and significance of the transactions between WERS and the College, the financial position, changes in net assets and cash flows may not be indicative of the results, which would have been attained if WERS was not a department of the College. Total donated facilities and administrative support provided to WERS from the College for the years ended June 30, 2016 and 2015 was \$291,645 and \$286,814, respectively is included in the special-purpose statement of revenue, expenses, and changes in net assets in the related expense category. Donated facilities and administrative support are determined based on the square footage occupied by WERS and the station's employee headcount. The College contributed property and equipment of \$99,826 and \$1,446 for the years ended December 31, 2016 and 2015, respectively. Additionally, the College absorbed \$466,740 and \$384,249 of expenses in excess of total revenue for the years ended June 30, 2016 and 2015 respectively. These amounts are included in donated support in the special-purpose statement of revenue, expense, and changes in net assets.

