



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

June 30, 2018 and 2017



WERS

Special-Purpose Financial Statements

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Independent Auditors' Report

The Board of Trustees of Emerson College
Boston, Massachusetts

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of the Public Telecommunications Entities Operated by Emerson College (also known as "WERS"), which comprise the special-purpose statements of assets, liabilities, and net assets (deficit) as of June 30, 2018 and 2017, and the related special-purpose statements of revenue, expenses, and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the Principles of Accounting and Financial Reporting to Public Telecommunications Entities as promulgated by the Corporation for Public Broadcasting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special-purpose 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 special-purpose 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 special-purpose 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 special-purpose financial statements referred to above present fairly, in all material respects, the financial position of WERS as of June 30, 2018 and 2017, and the results of its changes in net assets (deficit) and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 1 to the special-purpose financial statements, the special-purpose financial statements are prepared by WERS for the purpose of complying with the Principles of Accounting and Financial Reporting to Public Telecommunications Entities as promulgated by the Corporation for Public Broadcasting. Furthermore, WERS is a department of Emerson College, and therefore, these special-purpose financial statements have been prepared on a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the Corporation for Public Broadcasting. Due to the nature and significance of the transactions between WERS and Emerson 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 had operated independently of Emerson College. Our opinion is not modified with respect to these matters.

Purpose of Report - Restriction on Use

Our report is intended solely for the information and use of the Board of Trustees of Emerson College, management of WERS and Emerson College and the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

Maye Hoffman McCann P.C.

February 7, 2019
Boston, Massachusetts

WERS

Special-Purpose Statements of Assets, Liabilities, and Net Assets (Deficit)

Assets	<i>June 30,</i>	
	2018	2017
Underwriting and trade receivables, net	\$ 47,998	\$ 18,492
Prepaid expenses	12,133	10,375
Property and equipment, net	<u>105,512</u>	<u>118,089</u>
Total assets	\$ <u>165,643</u>	\$ <u>146,956</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 51,769	\$ 72,203
Deferred revenue	-	712
Deferred rent	<u>170,533</u>	<u>161,988</u>
Total liabilities	<u>222,302</u>	<u>234,903</u>
Net assets (deficit):		
Unrestricted	(136,304)	(134,826)
Temporarily restricted	<u>79,645</u>	<u>46,879</u>
Total net assets (deficit)	<u>(56,659)</u>	<u>(87,947)</u>
Total liabilities and net assets	\$ <u>165,643</u>	\$ <u>146,956</u>

WERS

Special-Purpose Statements of Revenue, Expenses, and Changes in Net Assets (Deficit)

	Years Ended June 30,			2017
	2018			
	Unrestricted	Temporarily Restricted	Totals	
Operating activities:				
Revenues:				
Gift revenue	\$ 649,143	\$ 35,000	\$ 684,143	\$ 522,555
Grant revenue	-	132,236	132,236	122,279
Underwriting revenue	165,961	-	165,961	122,344
Donated support from Emerson College	825,277	-	825,277	814,838
Other income	9,820	-	9,820	8,851
Release from restrictions	134,470	(134,470)	-	-
Total revenue	1,784,671	32,766	1,817,437	1,590,867
Expenses:				
Programming and production	339,288	-	339,288	422,757
Broadcasting and engineering	178,673	-	178,673	145,106
Program information and promotion	266,131	-	266,131	20,205
Management and general	585,587	-	585,587	594,217
Fundraising and membership development	416,470	-	416,470	449,159
Total operating expenses	1,786,149	-	1,786,149	1,631,444
Change in net assets from operations	(1,478)	32,766	31,288	(40,577)
Net assets (deficit), beginning	(134,826)	46,879	(87,947)	(47,370)
Net assets (deficit), ending	\$ (136,304)	\$ 79,645	\$ (56,659)	\$ (87,947)

See accompanying notes to special-purpose financial statements.

WERS

Special-Purpose Statement of Revenue, Expenses, and Changes in Net Assets (Deficit)

	<i>Year Ended June 30, 2017</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Totals</i>
Operating activities:			
Revenues:			
Gift revenue	\$ 507,555	\$ 15,000	\$ 522,555
Grant revenue	-	122,279	122,279
Underwriting revenue	122,344	-	122,344
Donated support from Emerson College	814,838	-	814,838
Other income	8,851	-	8,851
Release from restrictions	90,400	(90,400)	-
	1,543,988	46,879	1,590,867
Expenses:			
Programming and production	422,757	-	422,757
Broadcasting and engineering	145,106	-	145,106
Program information and promotion	20,205	-	20,205
Management and general	594,217	-	594,217
Fundraising and membership development	449,159	-	449,159
	1,631,444	-	1,631,444
Change in net assets from operations	(87,456)	46,879	(40,577)
Net assets (deficit), beginning	(47,370)	-	(47,370)
Net assets (deficit), ending	\$ (134,826)	\$ 46,879	\$ (87,947)

WERS

Special-Purpose Statements of Cash Flows

	Years Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Change in net assets (deficit)	\$ 31,288	\$ (40,577)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Depreciation	36,795	39,805
Provision for doubtful accounts, underwriting receivables	-	8,731
Provision for doubtful accounts, other receivables	-	2,550
Changes in:		
Underwriting receivables	(29,506)	284
Other receivables	-	(2,550)
Prepaid expenses	(1,758)	(3,110)
Accounts payable and accrued expenses	(20,434)	4,194
Deferred revenue	(712)	75
Deferred rent	8,545	11,293
	<u>24,218</u>	<u>20,695</u>
Net cash provided by operating activities	24,218	20,695
Cash flows from investing activities:		
Purchase of property and equipment	<u>(24,218)</u>	<u>(20,695)</u>
Net cash used in investing activities	(24,218)	(20,695)
Change in cash and cash equivalents	-	-
Cash, beginning	<u>-</u>	<u>-</u>
Cash, ending	\$ <u>-</u>	\$ <u>-</u>

WERS

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 Principles of Accounting and Financial Reporting to Public Telecommunications Entities as promulgated by 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 WERS expend the assets as specified and are satisfied either by the passage of time or by actions of WERS.

WERS

Notes to Special-Purpose Financial Statements

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

Financial Statement Presentation (Continued)

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, 2018 and 2017.

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

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, 2018 and 2017.

WERS

Notes to Special-Purpose Financial Statements

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

Corporation for Public Broadcasting (“CPB”) Grants

The Corporation for Public Broadcasting is a private, nonprofit grant making organizations responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets. WERS recognized community service grant revenue of \$132,236 and \$122,279 during the years ended June 30, 2018 and 2017, respectively.

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 statements of revenue, expenses, and changes in net assets (deficit).

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 statements of revenue, expenses, and changes in net assets (deficit) (see Note 3).

WERS

Notes to Special-Purpose Financial Statements

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

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, 2018, WERS had \$500 in net trade receivables. At June 30, 2017, WERS had no net trade receivables. If merchandise or services are received prior to program underwriting, deferred revenue is recorded. At June 30, 2018 and 2017, 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, 2018 and 2017, net underwriting receivables of \$47,498 and \$18,492, respectively, are included in underwriting and trade receivables, net on the special-purpose statements of assets, liabilities, and net assets (deficit). Amounts received in advance of broadcasting are recorded as deferred revenue. At June 30, 2018, there was no deferred revenue related to underwriting. At June 30, 2017, deferred revenue related to underwriting was \$712.

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, 2018 and 2017, the allowance for doubtful accounts was \$10,671 and \$23,900, 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 (deficit). There were no other receivables at June 30, 2018. At June 30, 2017, gross other receivables of \$11,750 are included in other receivables on the special-purpose statements of assets, liabilities, and net assets (deficit) net of the allowance for doubtful accounts of \$11,750.

WERS

Notes to Special-Purpose Financial Statements

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

Income Taxes

WERS is a department of the College. 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 the Company, management has concluded that disclosures relative to tax provisions are not necessary.

Uncertain Tax Positions

WERS is a department of the College. 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 a 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

WERS has evaluated subsequent events through February 7, 2019, the date the special-purpose financial statements were authorized to be issued. WERS concluded that no material subsequent events have occurred.

Reclassifications

Certain amounts from the prior year’s financial statements were reclassified in order to conform to the current year’s financial statements.

WERS

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>		<u>2018</u>	<u>2017</u>
Automobiles, furniture and equipment	5 years	\$	509,613	\$ 485,395
Computers and software	3 years		81,892	81,892
			<u>591,505</u>	<u>567,287</u>
Less accumulated depreciation			<u>(485,993)</u>	<u>(449,198)</u>
Property and equipment, net		\$	<u>105,512</u>	\$ <u>118,089</u>

Depreciation expense was \$36,795 and \$39,805 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 of \$306,016 and \$305,303, respectively, is included in the special-purpose statements of revenue, expenses, and changes in net assets (deficit) 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 cash to WERS to purchase new property and equipment of \$24,218 and \$20,695 for the years ended December 31, 2018 and 2017, respectively. Additionally, the College absorbed \$495,043 and \$488,840 of expenses in excess of total revenue for the years ended June 30, 2018 and 2017, respectively. These amounts are included in donated support in the special-purposes statements of revenue, expenses, and changes in net assets (deficit).

Note 4 - Commitments and Contingencies

WERS has entered into a number of operating leases primarily for transmitter space. Annual lease payments range from \$10,331 to \$59,535 and the leases expire at various dates through fiscal 2032. WERS's future minimum lease payments as of June 30, 2018 are as follows:

Fiscal year:				
2019		\$	92,848	
2020			95,774	
2021			98,794	
2022			101,911	
2023			105,127	
Thereafter			<u>910,663</u>	
Total		\$	<u>1,405,117</u>	

WERS

Notes to Special-Purpose Financial Statements

Note 4 - Commitments and Contingencies (Continued)

WERS recognizes rent expense on a straight-line basis over the lease term. The difference between rental payments made under the leases and rent expense calculated on the straight-line basis is recorded on the balance sheet as deferred rent. For the years ended June 30, 2018 and 2017, rent expense was \$98,556.

Note 5 - Temporarily Restricted Net Assets

At June 30, 2018, WERS had temporarily restricted net assets of \$79,645, which consisted of \$40,365 of restricted funds associated with the CSG grant and \$39,280 of contributions restricted for an event to be held in the summer of 2018. During the year ended June 30, 2018, WERS released \$134,470 of temporarily restricted net assets, \$123,750 related to the CSG grant for which the intended purpose of the grant had been met, the remaining \$10,720 related to the annual event for which the intended purpose had been met.

At June 30, 2017, WERS had temporarily restricted net assets of \$46,879, which consisted of \$31,879 of restricted funds associated with the CSG grant and \$15,000 restricted for an event to be held in the spring of 2018. During the year ended June 30, 2017, WERS released \$90,400 of temporarily restricted net assets related to the CSG grant for which the intended purpose of the grant had been met.