Auricle Communications

Consolidated Financial Statements
and
Supplementary Information
(Together with Independent Auditors' Report)

Years Ended June 30, 2015 and 2014

MARKS PANETH

ACCOUNTANTS & ADVISORS

AURICLE COMMUNICATIONS

Consolidated Financial Statements and Supplementary Information

for the Years Ended June 30, 2015 and 2014

(Together with Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Auricle Communications
Jersey City, NJ

We have audited the accompanying consolidated financial statements of Auricle Communications and subsidiary which comprise the consolidated statement of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the 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 of America; 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.

Auditors' 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 of America. 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Auricle Communications and subsidiary as of June 30, 2015 and 2014 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

November 25, 2015
Tarrytown, NY

AURICLE COMMUNICATIONS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30, 2015	2014
CURRENT ASSETS:		
Cash and cash equivalents	$ 107,556	$ 396,750
Pledges and grant receivable	207,169	168,246
Prepaid expenses	59,136	58,281
TOTAL CURRENT ASSETS	373,861	623,277
FIXED ASSETS (Net of accumulated depreciation of $768,875 in 2015 and $696,399 in 2014)	992,809	1,025,665
OTHER ASSETS (Net of accumulated amortization of $443,427 in 2015 and $225,477 in 2014)	748,400	303,691
	$ 2,115,070	$ 1,952,633
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 138,888	$ 43,490
Mortgage payable - current	20,052	19,076
SBA loan payable - current	7,886	7,618
TOTAL CURRENT LIABILITIES	166,826	70,184
SBA loan payable, less current portion	30,590	40,044
Mortgage payable, less current portion	546,407	565,958
TOTAL LIABILITIES	576,997	606,002
COMMITMENTS		
NET ASSETS:		
Unrestricted	1,371,247	1,093,227
Temporarily restricted	-	183,220
	1,371,247	1,276,447
	$ 2,115,070	$ 1,952,633

The accompanying notes are an integral part of these financial statements.

AURICLE COMMUNICATIONS

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30, 2015	Year Ended June 30, 2014
CHANGES IN NET ASSETS:		
REVENUES:		
Contributions	$ 2,308,007	$ 1,957,738
Investment income	47	2,565
Other income	15,396	8,680
	2,323,450	1,968,984
NET ASSETS RELEASED FROM RESTRICTIONS:		
Artworks - mixed media project	5,331	54,669
Hurricane Sandy relief	-	19,750
Radio Vision	177,889	22,111
	183,220	96,530
Total revenues and other support	2,506,670	2,065,514
EXPENSES:		
Program	1,620,099	1,537,125
Management and general	189,511	239,090
Fund raising	419,040	463,390
Total expenses	2,228,650	2,239,605
Increase (decrease) in unrestricted net assets	278,020	(174,091)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	-	260,000
Net assets released from restrictions	(183,220)	(96,530)
(Decrease) increase in temporarily restricted net assets	(183,220)	163,470
INCREASE (DECREASE) IN NET ASSETS	94,800	(10,621)
NET ASSETS - beginning of year	1,276,447	1,287,068
NET ASSETS - end of year	$ 1,371,247	$ 1,276,447

The accompanying notes are an integral part of these financial statements.

AURICLE COMMUNICATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2015	Year Ended June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	$ 94,800	$ (10,621)
Adjustments to reconcile Increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	290,427	207,434
Changes in assets and liabilities:		
Increase (decrease) in pledges and grants receivable	(38,923)	53,627
Decrease in officer loan receivable	-	25,000
Increase in security deposit	-	(2,329)
Increase in prepaid expenses	(854)	(3,686)
Increase in accounts payable	95,398	8,381
Net cash provided by operating activities	440,848	277,806
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(39,620)	(103,484)
Purchase of other assets	(662,660)	(209,082)
Net cash used in investing activities	(702,280)	(312,566)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of loans payable	-	(105,000)
Payments of mortgage payable	(18,576)	(14,966)
Proceeds of SBA loan payable	268	35,000
Payments of SBA loan payable	(9,454)	(1,338)
Net cash used in financing activities	(27,762)	(86,304)
DECREASE IN CASH AND CASH EQUIVALENTS	(289,194)	(121,064)
CASH AND CASH EQUIVALENTS - beginning of year	396,750	517,814
CASH AND CASH EQUIVALENTS - end of year	$ 107,556	$ 396,750
SUPPLEMENTAL DISCLOSURES:		
CASH PAID - INTEREST	$ 71,570	$ 74,967

The accompanying notes are an integral part of these financial statements.

AURICLE COMMUNICATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Auricle Communications ("Auricle" or "The Organization") is a nonprofit corporation which operates a noncommercial public radio station "WFMU" in Jersey City, NJ.

Principles of Consolidation

The accompanying consolidated financial statements reflect the financial position, activities and changes in net assets, and cash flows of Auricle and its wholly-owned subsidiary, Congera Public Benefit Corporation ("Conegra"). Inter-entity transactions and accounts between Auricle and Congera have been eliminated in these financial statements.

Income taxes

The Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as a Section 501(c)(3) organization.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification "FASB ASC" Topic 740 ("Income Taxes") which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by tax authorities for years before 2012.

Financial statement presentation

In accordance with FASB ASC 958-310, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

In accordance with FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets as indicated above.

Cash and Cash Equivalents

Auricle considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Pledges and Grant Receivable

Pledges and grant receivable represent amounts committed by donors that have not been received by Auricle.

AURICLE COMMUNICATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 these estimates.

Fixed Assets

Property and equipment are stated at cost. Donated assets are recorded at the estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line method based upon estimated useful lives of the assets ranging from 7 to 40 years.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions and other inflows of assets whose use by Auricle is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Auricle pursuant to those stipulations. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged.

Auricle reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires by the passage of time or its restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction.

Contributions of services are recognized when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In-kind contributions consist of donated engineering, bookkeeping, maintenance and disc jockey services. The estimated fair value of these donations approximated $119,340 for the year ended June 30, 2015 and 2014 and are reflected in the accompanying Statement of Activities and Changes in Net Assets. Donated personal services of volunteers are not reflected in the accompanying financial statements, because such services do not require specialized skills.

Expense Allocations

Certain expenses are allocated to program or support services based upon estimates determined by management.

AURICLE COMMUNICATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Market Risk

Financial instruments which potentially subject the organization to a concentration of credit risk are accounts with a major financial institution. Management believes that credit risk related to those accounts is minimal.

Subsequent events

In preparing the accompanying financial statements, management has reviewed events that have occurred after June 30, 2015 through the date the financial statements were available to be issued on November XX, 2015. During this period Auricle did not have any materially subsequent events that are required to be disclosed in the financial statements.

2. FIXED ASSETS

	2015	2014
Building and improvements	1,457,180	1,457,180
Equipment	304,504	264,884
	1,761,684	1,722,064
Less: Accumulated depreciation	(768,875)	(696,399)
	$ 992,809	$ 1,025,665

3. MORTGAGE PAYABLE

Auricle has a mortgage from Wells Fargo. The mortgage bears interest of 5% and is payable in monthly installments of $3,984 including principal and interest.

Principal payments at June 30, 2015, are due as follows:

June 30, 2016	$ 20,052
2017	21,077
2018	22,156
2019	23,289
2020	24,481
Thereafter	451,104

AURICLE COMMUNICATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

4. SBA LOAN PAYABLE

Auricle SBA Loan payable is due in monthly installment of $756 and bears interest of 3.45%. Principle payments at June 30, 2015 are due as follows:

June 30, 2016	$ 7,886
2017	8,162
2018	8,448
2019	8,745
2020	6,802

5. COMMITMENTS

Auricle has several operating leases for transmission equipment. The lease expense was $93,969 in 2015 and $90,152 in 2014. Future minimum lease payments at June 30, 2015, are as follows:

June 30, 2016	$ 80,065
2017	71,127
2018	58,814
2019	46,004
2020	7,667

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

We have audited the financial statements of Auricle Communications as of and for the year ended June 30, 2015, and our report thereon dated November 25, 2015, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended June 30, 2015, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

November 25, 2015
Tarrytown, NY

AURICLE COMMUNICATIONS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(Unaudited)

	Program	Management & General	Fundraising	Total
Salaries	$ 568,501	$ 56,932	$ 104,346	$ 729,779
Payroll taxes	38,922	3,992	6,986	49,900
Employee benefits	86,951	8,918	15,606	111,475
Occupancy	32,255	3,308	5,790	41,353
Programming expenses	30,036	-	-	30,036
Transmission	46,339	-	-	46,339
Services	84,654	77,434	1,700	163,788
Interest	55,825	5,726	10,019	71,570
Broadcast equipment	51,520	-	-	51,520
Marathon costs			81,398	81,398
Insurance	22,364	2,294	4,014	28,672
Office expenses	7,867	798	1,393	10,058
Printing and postage	48,399	4,964	8,687	62,050
Record fair expenses	-	-	90,777	90,777
Regulatory expenses	9,037	-	-	9,037
Fundraising			44,320	44,320
Telephone	13,030	1,336	2,339	16,705
Internet and online transmissions	68,309	-	-	68,309
Free music archive	53,749	-	-	53,749
NYC Translator 91.9 FM	8,656	-	-	8,656
Special programming	35,235	-	-	35,235
Depreciation & Amortization	226,533	23,234	40,660	290,427
Sundry	5,604	575	1,005	7,184
Monty hall studio	18,900	-	-	18,900
Wfmu nyc booster	39,454	-	-	39,454
Wfmu west orange 91.1FM	38,220	-	-	38,220
Wmfu Mt. Hope 90.1Fm	29,739	-	-	29,739
	$ 1,620,099	$ 189,511	$ 419,040	$ 2,228,650

See independent auditor's report on additional information.