

**AUDITED FINANCIAL STATEMENTS**

**MID-COAST RADIO PROJECT, INC.  
(90.1 FM KKFI)**

**For the Years Ended December 31, 2022 and 2021**

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
of Mid-Coast Radio Project, Inc.

### **Opinion**

We have audited the accompanying financial statements of Mid-Coast Radio Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Coast Radio Project, Inc. as of December 31, 2022, and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mid-Coast Radio Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid-Coast Radio Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including

omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mid-Coast Radio Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid-Coast Radio Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "McAuley & Crandall, PA".

McAULEY & CRANDALL, PA  
Overland Park, Kansas  
May 18, 2023

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2022 and 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
Current Assets:		
Cash and Cash Equivalents	\$ 624,984	\$ 635,921
Accounts Receivable (net of allowance for bad debts of \$0)	66,624	92,544
Prepaid Expenses	21,349	14,772
Total Current Assets	712,957	743,238
Fixed Assets:		
Equipment and Fixtures	556,491	470,801
Facility Improvements	61,903	61,903
Software	18,104	15,944
Easement	5,035	2,260
Right of Use-Asset	377,102	0
Accumulated Depreciation	(519,703)	(480,090)
Net Fixed Assets	498,932	70,818
<b>TOTAL ASSETS</b>	<b>\$ 1,211,889</b>	<b>\$ 814,056</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable	\$ 17	\$ 2,807
Accrued Expenses	41,949	56,004
Current Portion of Lease Liability	52,604	0
Total Current Liabilities	94,571	58,811
Long Term Liabilities:		
Lease liability	377,102	0
Less: Current Portion	(52,604)	0
Total Long Term Liabilities	324,497	0
<b>TOTAL LIABILITIES</b>	419,068	58,811
Net Assets:		
Net Assets Without Donor Restrictions	465,553	651,400
Net Assets With Donor Restrictions	327,268	103,845
<b>TOTAL NET ASSETS</b>	792,821	755,245
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,211,889</b>	<b>\$ 814,056</b>

See accompanying notes.

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**As of December 31, 2022 and 2021**

	<u>2022</u>			<u>2021</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Support</b>						
Donations and underwriting	\$ 643,695	\$ 264,597	\$ 908,292	\$ 807,710	\$ 119,689	\$ 927,399
Grants	89,851		89,851	92,910		92,910
Sublease Income	7,350		7,350	33,683		33,683
Interest Income	1,783		1,783	127		127
Other Income	(191)		(191)	124		124
Net assets released from restrictions	41,174	(41,174)	-	27,013	(27,013)	-
<i>Total Revenue</i>	783,662	223,423	1,007,085	961,567	92,675	1,054,243
<b>Expenses</b>						
Program Service	574,404	-	574,404	560,494	-	560,494
Management and Administrative	124,341		124,341	103,578		103,578
Fundraising expenses	247,627		247,627	255,484		255,484
<i>Total Support Expenses</i>	946,372	-	946,372	919,556	-	919,556
<b>Change in Net Assets</b>	\$ (162,709)	\$ 223,423	\$ 60,714	\$ 42,012	\$ 92,675	\$ 134,687
<b>Prior Period Adjustment</b>	(23,138)		(23,138)			
<b>Net Assets, Beginning of Year</b>	651,400	103,845	755,245	609,389	11,169	620,558
<b>Net Assets, End of Year</b>	\$ 465,553	\$ 327,268	\$ 792,821	\$ 651,400	\$ 103,845	\$ 755,245

See accompanying notes.

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**As of December 31, 2022 and 2021**

Expense	2022				2021			
	Mgmt & General	Fundraising	Program	Total	Mgmt & General	Fundraising	Program	Total
Affiliations Expense	-	-	6,340	6,340	-	-	6,007	6,007
Board of Directors Expense	1,878	-	-	1,878	1,030	-	-	1,030
Computer Software,Svc & Support	2,965	-	2,965	5,930	2,227	-	2,227	4,455
Conferences, Travel, Meetings & Meals	-	254	289	543	-	254	286	540
Depreciation Expense	-	-	16,790	16,790	-	-	23,876	23,876
Employment Expenses	47,599	98,925	62,446	208,970	50,193	120,378	68,972	239,543
Engineering and Maintenance	-	-	19,425	19,425	-	-	16,215	16,215
Financial Expenses	584	13,067	-	13,651	176	14,414	-	14,590
Fundraising Expenses	-	78,605	-	78,605	-	92,719	-	92,719
Insurance Expense	14,066	-	-	14,066	13,375	-	-	13,375
Legal and Professional	37,541	-	-	37,541	16,979	-	-	16,979
Marketing Costs	-	36,431	85,319	121,750	-	6,509	85,319	91,828
Miscellaneous expenses	1,207	61	-	1,268	1,001	61	-	1,062
Postage and delivery	205	818	-	1,023	462	1,849	-	2,311
Programming Expenses	-	-	282,506	282,506	-	-	259,936	259,936
Rent Expense	11,735	11,735	53,638	77,108	11,603	11,603	55,417	78,622
Supplies	1,562	1,042	-	2,604	1,499	1,000	-	2,499
Utilities	4,999	1,250	31,192	37,441	5,032	1,258	31,076	37,365
Volunteer Costs	-	5,440	4,959	10,399	-	5,440	398	5,838
Website and Streaming	-	-	8,534	8,534	-	-	10,766	10,766
<b>Total</b>	<b>124,341</b>	<b>247,627</b>	<b>574,404</b>	<b>946,372</b>	<b>103,578</b>	<b>255,484</b>	<b>560,494</b>	<b>919,556</b>

See accompanying notes.

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**STATEMENTS OF CASH FLOWS**  
**As of December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from gifts without donor restrictions	\$ 628,172	\$ 694,510
Cash received from Sublease	7,350	33,683
Dividends and Interest Received	1,783	127
Cash disbursed for expenses	(557,304)	(564,511)
<b>Net cash flows from Operating Activities</b>	<b>80,002</b>	<b>163,809</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets	(87,850)	(16,980)
Purchase of Easement	(2,775)	(2,260)
Loss on asset disposal	(314)	0
<b>Net cash flows from Investing Activities</b>	<b>(90,939)</b>	<b>(19,240)</b>
<b>Net cash flows for period</b>	<b>(10,937)</b>	<b>144,569</b>
<b>Cash and equivalents, beginning of year</b>	<b>635,921</b>	<b>491,352</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 624,984</b>	<b>\$ 635,921</b>
 <b>Reconciliation of Changes in Net Assets to Net Cash Provided by</b>		
<b>Operating Activities</b>		
Change in net assets without donor restrictions	\$ 60,714	\$ 134,687
<b>Net Cash changes by operating activities:</b>		
Depreciation	16,790	23,876
(Increase)/Decrease in Accounts Receivable	25,920	17,656
(Increase)/Decrease in Prepaid Expenses	(6,577)	4,787
Increase/(Decrease) in Accounts Payable	(2,790)	(9,499)
Increase/(Decrease) in Accrued Expenses	(14,055)	(7,698)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 80,002</b>	<b>\$ 163,809</b>



**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2022 and 2021**

**Note 1: Summary of Accounting Policies**

(a) Nature of Activities

The Mid-Coast Radio Project, Inc. (90.1 FM KKFI) is a non-profit corporation in the State of Missouri, organized in 1977, as a non-commercial, educational public radio station serving Kansas City, Missouri and its surrounding areas. Mid-Coast Radio Project, Inc. operates and broadcasts under the call letters KKFI at 90.1 FM.

(b) Mission

90.1 FM KKFI is the Kansas City's area independent, non-commercial community radio station. It seeks to stimulate, educate and entertain its audience, to reflect the diversity of the local and world community, and to provide a channel for individuals, groups, issues and music that have been overlooked, suppressed, or underrepresented by other media.

(c) Basis of Accounting

The financial statements are presented on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when realized and earned and expenses are recognized when incurred. All revenues and expenses are considered for operations.

(d) 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 90.1 FM KKFI and changes therein are classified and reported as follows: net assets without donor restrictions and net assets with donor restrictions.

In 2016, 90.1 FM KKFI elected early adoption of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205-45-2 as prescribed by FASB Accounting Standards Update (ASU) 2016-14. Under the previous standard, net assets were classified and reported in three groups—permanently restricted, temporarily restricted, and unrestricted—based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. Under the updated standard, net assets are classified and reported in two groups— net assets without donor restrictions and net assets with donor restrictions—based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to any donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions on their use that may be met by actions of 90.1 FM KKFI or the passage of time. When a donor restriction expires, temporarily restricted

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2022 and 2021**

**Note 1: Summary of Accounting Policies (continued)**

net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

(e) Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation, therefore no provision has been made for federal and state income taxes in the accompanying financial statements. The tax years 2022-2020 are currently open to examination by federal and state taxing agencies.

(f) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

(g) Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased. Assets reserved for property improvements on the statements of financial position include restricted cash received with restrictions imposed by donors (but not yet spent) for property improvements.

(h) In-Kind Donations

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived 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. Contributions of tangible assets are recognized at fair value when received.

There was \$273,794, and \$251,669, recognized by the Organization for in-kind service donations for the years ending December 31, 2022, and 2021, respectively by program directors and radio personalities for their broadcasting services rendered. The increase is a result in a change in estimate. For years ending December 31, 2022 and prior, the estimate was based on one programmer for an entire year. For the year ending December 31, 2022 the estimate is based on the actual number of programmers per program during the year, increasing the accuracy of the estimate. These services were recorded as income and expense during this period.

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2022 and 2021**

**Note 1: Summary of Accounting Policies (continued)**

(i) Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain shared costs have been allocated among the programs and supporting services benefited.

(j) Advertising Costs

Advertising costs are charged to operations when incurred. There was \$121,750, and \$91,828, reported by the Organization for advertising costs for the years ended December 31, 2022, and 2021, respectively.

(k) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. All other donor contributions and donor contributions with restrictions that expire in the fiscal year are reported as increases in net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(l) Receivables

Receivables consist of underwriting and pledges receivables recorded at cost due at year end, net of an allowance for bad debts. Management evaluates the accounts at year end to determine collectability and adjusts the allowance for any amounts deemed to be questionable at year end. Bad debt is adjusted for uncollectible accounts. At years ended December 31, 2022 and 2021, all receivables were considered collectable by management, and there was no allowance for bad debt.

At the years ended December 31, 2022 and 2021, receivables were \$66,624 and \$92,544, respectively.

(m) Fixed Assets and Depreciation

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. The useful lives are as follows:

Equipment	5-7 years
Facility Improvements	7 years
Software	3 years

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2022 and 2021**

**Note 2: Cash**

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows.

	<u>12/31/2022</u>	<u>12/31/2021</u>
Cash	\$ 620,923	\$ 630,697
Restricted cash included in assets reserved for property improvements	4,060	5,224
Totals	<u>\$ 624,984</u>	<u>\$ 635,921</u>

As of December 31, 2022, and 2021, cash deposits in financial institutions that were not insured by the Federal Deposit Insurance Corporation (FDIC) were reported as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Cash and Cash Equivalents Not Insured by FDIC	\$153,689	\$183,054

As of December 31, 2022, and 2021, the cash deposits in financial institutions that were not insured by the FDIC were as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
US Treasury Bills Not Insured by FDIC	\$199,417	\$0
Money Market Not Insured by FDIC	\$28,668	\$207,593
Cash and Cash Equivalents Not Insured by FDIC	\$680	\$740

**Note 3: Property and Equipment**

It is the Organization's policy to capitalize property and equipment over \$2,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donated assets are recorded at their fair market value on the date of donation. Assets donated with the explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, 90.1 FM KKFI reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. 90.1 FM KKFI reclassifies temporarily restricted net assets to net assets without donor restrictions at that time. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Property and equipment are depreciated over their estimated useful lives using the straight-line method. The estimated useful life of the assets may be different than their actual economic useful lives.

There were \$92,885 and \$19,240 in fixed asset additions in the years ending December 31, 2022 and 2021, respectively.

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2022 and 2021**

**Note 4: Commitments and Contingencies**

Mid-Coast Radio Project, Inc. leases office space under an 11-year leasing agreement that expired on May 31, 2019, with two five-year options available after the original term. The lease was renewed for the first five-year option and will expire on May 31, 2024. Rent obligation under this lease is \$3,433 per month, with a yearly increase of 3% at the lease anniversary. Required future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	59,757
2023	61,549
2024	63,396
2025	26,740

The Organization leased space for their broadcasting tower in Blue Summit, Missouri. This lease is under a 3rd extension, expiring August 2022, with an additional two (2) five (5) year extensions available. The current lease calls for monthly rental payments, adjusted for inflation every five years. The lease also requires that 40% of any revenue from the sublease of the tower be paid to the Lessor. The current future minimum annual rental payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	15,281

The leased space for their broadcasting tower in Blue Summit, Missouri was purchased by Mid-Coast Radio Project, Inc. and ownership transferred to the Organization on January 1, 2023, precluding future lease payments by the Organization related to use of the tower.

**Note 5: Compensated Absences**

Employees of the Mid-Coast Radio Project, Inc. are entitled to paid vacation, paid sick days, and personal days off, depending on length of service. Employees can accumulate sick leave and vacation leave and, upon separation, are paid out any unused vacation. At December 31, 2022 and 2021 the Organization's liability for compensated absences is estimated at \$4,023 and \$7,741, respectively.

**Note 6: Functional Expenses**

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses are allocated to their respective programs or function.

As of December 31, 2022, of the total expenses reported, \$574,404 is for program service fees, \$124,341 is for management and general expenses, and \$247,627 is for fundraising expenses. As of December 30, 2021, of the total expenses reported, \$560,494 is for program service fees, \$103,578 is for management and general expenses, and \$255,484 is for fundraising expenses.

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2022 and 2021**

**Note 7: Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following programs as of December 31, 2022:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Fundraising Drive	\$ 327,268	\$ 103,845
Totals	\$ 327,268	\$ 103,845

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

	<u>12/31/2022</u>	<u>12/31/2021</u>
Grants	\$ 15,527	\$ 189
Fundraising Drive	25,647	26,824
Totals	\$ 41,174	\$ 27,013

**Note 8: Liquidity and Availability of Financial Resources**

Those matters include the following:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Current assets, excluding non-financial assets	\$ 691,608	\$ 728,466
Donor restrictions	(327,268)	(11,169)
Financial assets available to meet cash needs for general expenditures within one year	\$ 364,340	\$ 717,296

90.1 FM KKFI receives contributions each year from donors and funds from operating activities that are used to fund program initiatives and are available to meet annual cash needs for general expenditures. 90.1 FM KKFI does not have any board designated net assets, so all financial assets are available to meet the needs of general expenditures. During the year ended December 31, 2022 and 2021, the organization was able to meet its cash needs utilizing current year contributions.

**Note 9: Accounting Standards Adopted**

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes nearly all existing revenue recognition guidance under U.S. accounting principles. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The core principle of the new standard is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new accounting standard defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. accounting principles.

**MID-COAST RADIO PROJECT, INC.**  
**(90.1 FM KKFI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2022 and 2021**

**Note 9: Accounting Standards Adopted (continued)**

90.1 FM KKFI adopted the standard on January 1, 2020. Its program revenue is generated substantially from grants and contributions. The Organization analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and has concluded that no changes are necessary to conform with the new standard. The timing of revenue recognition was not affected by the new standard.

The Organization leases office space under a lease expiring in May 2024. Beginning June 2021 through May 2022 the monthly base rent is \$4,894 with increasing rental payments of approximately 3% each year. Rent expense for the year ended December 31, 2022, was \$59,757.

Minimum lease payments under these leases are as follows:

Years Ending December 31,	
2023	61,549
2024	63,396
2025	65,296
2026	67,251
2027	69,266
Total	<u>\$ 326,758</u>

The Organization is a party to one, 60-month operating lease. The Company adopted FASB ASC 842, *Leases*, at the beginning of the year. This new lease is the only lease required to be included on the balance sheet under FASB ASC 842. As a result, adopting FASB ASC 842 had no impact to prior year balance sheet information, and because these leases are operating leases, the adoption of this standard has no impact on the results of operations. The Company has elected to apply the short-term lease exception to all leases with a term of one year or less. The Company has not entered into any other material, short-term lease commitments as of December 31, 2022.

As of December 31, 2022, the right-of-use (ROU) asset had a balance of \$377,102, as shown in noncurrent assets on the balance sheet; the lease liability is included in long-term liabilities (\$324,497). The lease asset and liability were calculated utilizing the risk-free discount rate (4%), according to the Organization's elected policy.

Additional information about the Organization's leases is as follows:

Total Lease Payments	428,189
Less: Interest	<u>(51,087)</u>
Present Value of Lease Liabilities	<u>377,102</u>

**Note 10: Management's Review**

Subsequent events were evaluated through May 18, 2023. The audit report date is the date the financial statements were available to be issued.