

AUDITED FINANCIAL STATEMENTS

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

For the Year Ended December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mid-Coast Radio Project, Inc.
Kansas City, Missouri

We have audited the accompanying financial statements of Mid-Coast Radio Project, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 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 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 financial statements based on our audit. We conducted our audit 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Mid-Coast Radio Project, Inc. as of December 31, 2012, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

McAULEY & CRANDALL, PA

Overland Park, Kansas

August 26, 2013

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

Current Assets:

| | |
|---|----------------|
| Cash and Cash Equivalents | \$ 173,896 |
| Accounts Receivable (net of allowance for bad debts of \$1,723) | 5,996 |
| Investments (Certificates of Deposit) | 30,152 |
| Prepaid Expenses | 6,789 |
| Total Current Assets | <u>216,832</u> |

Fixed Assets:

| | |
|--------------------------|--------------------------|
| Equipment and Fixtures | 419,280 |
| Facility Improvements | 51,543 |
| Software | 2,204 |
| Accumulated Depreciation | (287,896) |
| Net Fixed Assets | <u>185,130</u> |
| TOTAL ASSETS | <u><u>\$ 401,963</u></u> |

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|-----------------------------------|---------------|
| Accounts Payable | \$ 3,684 |
| Accrued Expenses | 3,735 |
| Current Portion of Long Term Debt | 16,464 |
| Total Current Liabilities | <u>23,883</u> |

Long Term Liabilities:

| | |
|-----------------------------|---------------|
| Note Payable | <u>1,410</u> |
| Total Long Term Liabilities | <u>1,410</u> |
| TOTAL LIABILITIES | <u>25,293</u> |

| | |
|--------------------------|----------------|
| Net Assets -Unrestricted | <u>376,669</u> |
|--------------------------|----------------|

| | |
|---|--------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 401,963</u></u> |
|---|--------------------------|

MID-COAST RADIO PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2012

| | <u>Unrestricted</u> |
|---|----------------------------|
| Unrestricted Revenues, Gains and Support | |
| Donations and underwriting | \$ 520,991 |
| Grants | 1,567 |
| Sublease Income | 40,016 |
| Investment Income | 112 |
| Other Income | 938 |
| <i>Total Revenue</i> | <u>563,626</u> |
| Unrestricted Expenses | |
| Program Service | 343,162 |
| Management and Administrative | 81,735 |
| Fundraising expenses | 108,838 |
| Total Support Expenses | <u>533,735</u> |
| Change in Unrestricted Net Assets | \$ 29,890 |
| Net Assets as of Beginning of Year | <u>346,779</u> |
| Net Assets as of End of Year | <u><u>\$ 376,669</u></u> |

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

| | |
|--|-------------------|
| Cash Flows from Operating Activities | |
| Cash received from restricted and unrestricted gifts | \$ 322,505 |
| Cash received from Sublease | 40,016 |
| Cash received from Other Income | 938 |
| Dividends and Interest Received | 112 |
| Cash disbursed for expenses | (305,863) |
| Net cash flows from Operating Activities | 57,709 |
| Cash Flows from Investing Activities | |
| Purchase of Fixed Assets | (3,734) |
| Increase in Investments | (82) |
| Net cash provided by Investing Activities | (3,817) |
| Cash Flows from Financing Activities | |
| Payments on Note Payable | (15,663) |
| Net cash provided by Financing Activities | (15,663) |
| Net cash increase for period | 38,229 |
| Cash and equivalents, beginning of year | 135,667 |
| Cash and equivalents, end of year | \$ 173,896 |
| Reconciliation of Changes in Net Assets to Net Cash Provided by | |
| Operating Activities | |
| Decrease in Net Assets | \$ 29,890 |
| by operating activities: | |
| Depreciation | 26,942 |
| (Increase)/Decrease in Accounts Receivable | (1,005) |
| (Increase)/Decrease in Prepaid Expenses | (1,100) |
| Increase/(Decrease) in Accounts Payable | 2,898 |
| Increase/(Decrease) in Accrued Expenses | 84 |
| Net Cash Flows from Operating Activities | \$ 57,709 |

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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, which celebrates the local Kansas City musical roots and current cultural diversity. 90.1 FM KKFI also presents a window to the music of the world and a progressive view of the news.

(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 under represented 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 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: unrestricted, temporarily restricted or permanently restricted net assets. 90.1 FM KKFI has only unrestricted net assets as of December 31, 2012.

(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 2010-2012 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 and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

(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 \$199,049 recognized by the Organization for in-kind service donations for the year ending December 31, 2012.

(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.

(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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions 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 to unrestricted net assets.

(l) 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 |

Note 2: Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. 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 unrestricted net assets at that time. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Property and equipment is 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.

Note 3: Commitments and Contingencies

Mid-Coast Radio Project, Inc. leases office space under an 11 year lease agreement that expires on September 30, 2020, with two five-year options available after the original term. 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> |
|-------------|---------------|
| 2013 | 45,016 |
| 2014 | 46,366 |
| 2015 | 49,190 |
| 2016 | 50,666 |
| 2017 | 52,186 |

The Organization leased space for their broadcasting tower in Blue Summit, Missouri. This lease is under an extension, expiring August 2014, with an additional three (3) 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> |
|-------------|---------------|
| 2013 | 15,216 |
| 2014 | 15,216 |
| 2015 | 15,216 |
| 2016 | 15,216 |
| 2017 | 15,216 |

Note 4: Compensated Absences:

A liability for compensated absences was not accrued because the organization has a policy of not allowing rollover of sick and vacation accruals.

Note 5: Cash:

Cash and cash equivalents include petty cash, checking accounts, undeposited funds and investments with maturities of less than three months. As of December 31, 2012, Mid-Coast Radio Project's cash deposits in financial institutions were fully insured.

Note 6: Investments:

Investments are composed of certificates of deposit and are carried at the following values:

| <u>Fair Value of Investments</u> | <u>Principal Amount</u> | |
|--|-------------------------|----------|
| | 12/31/12 | 12/31/11 |
| Investments at Fair Value as Determined by quoted market price (Level 1) | \$30,161 | \$30,070 |

The following schedule summarized the investment return and its classification in the statement of activities for the year ended December 31, 2011. Investments are available for sale, but are classified as long term as the funds in which they are held has been maintained over a long term.

| | <u>Total</u> |
|---|--------------|
| Return on Investment For the year ended 12/31/12 | \$85 |

Note 7: Note Payable:

The Organization entered into a long term debt agreement with IFF from which it borrowed \$75,000 to pay for equipment upgrades and related expenses which resulted from the obsolescence of programming equipment. This note payable carries an interest rate of 5% and is due five years from the date of the agreement, or January 1, 2014 with monthly payments of approximately \$1,415. Equipment is used for collateral on the loan. The current future minimum note principal payments are as follows:

| Year | Amount |
|------|--------|
| 2013 | 16,399 |
| 2014 | 1,410 |

Note 8: Management's Review

Subsequent events were evaluated through August 26, 2013. The audit report date is the date the financial statements were available to be issued.

MID-COAST RADIO PROJECT, INC.
Statement of Functional Expenses
For the Year Ending December 31, 2012

| Expense | QB | | | |
|---|----------------|----------------|----------------|----------------|
| | Total | Mgmt & General | Fundraising | Total |
| Rent Expense | 62,699 | 8,778 | 8,778 | 62,699 |
| Engineering and Maintenance | 9,444 | - | - | 9,444 |
| Depreciation Expense | 26,942 | 3,502 | 3,502 | 26,942 |
| Insurance Expense | 11,450 | 3,279 | - | 11,450 |
| Programming Expenses | 4,417 | - | - | 4,417 |
| Fundraising Expenses | 30,429 | - | 30,429 | 30,429 |
| Volunteer Costs | 32 | 32 | - | 32 |
| Marketing Costs | 9,434 | - | - | 9,434 |
| Website and Streaming | 4,025 | - | - | 4,025 |
| Utilities | 29,622 | 1,481 | 1,481 | 29,622 |
| Employment Expenses | 107,959 | 41,024 | 55,059 | 107,959 |
| Board of Directors Expense | 2,755 | - | 2,755 | 2,755 |
| Supplies | 3,072 | 1,536 | 1,536 | 3,072 |
| Postage and delivery | 2,648 | 1,324 | 1,324 | 2,648 |
| Computer Software, Service & Support | 874 | 262 | 175 | 874 |
| Financial Expenses - Interest & Bank Fees | 6,440 | 2,640 | 3,800 | 6,440 |
| Legal and Professional | 6,143 | 6,143 | - | 6,143 |
| Volunteer Programmers | - | - | - | 199,049 |
| Affiliations Expense | 4,570 | - | - | 4,570 |
| Other | 5,432 | 5,432 | - | 5,432 |
| Bad Debt expense | 6,300 | 6,300 | - | 6,300 |
| Total | 334,686 | 81,735 | 108,838 | 533,735 |