

AUDITED FINANCIAL STATEMENTS

MID-COAST RADIO PROJECT, INC.
(KKFI 90.1 FM)
For the Year Ended December 31, 2013

INDEPENDENT AUDITOR'S 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, 2013, 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, 2013, 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.



McAULEY & CRANDALL, PA

Overland Park, Kansas

November 24, 2014

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 194,617
Accounts Receivable (net of allowance for bad debts of \$1,723)	5,356
Investments (Certificates of Deposit)	27,632
Prepaid Expenses	6,776
Total Current Assets	<u>234,381</u>

Fixed Assets:

Equipment and Fixtures	414,946
Facility Improvements	51,543
Software	2,204
Accumulated Depreciation	<u>(303,969)</u>
Net Fixed Assets	164,724
TOTAL ASSETS	<u><u>\$ 399,105</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 1,748
Accrued Expenses	5,327
Current Portion of Long Term Debt	<u>1,410</u>
Total Current Liabilities	<u>8,485</u>
TOTAL LIABILITIES	8,485

Net Assets -Unrestricted	<u>390,620</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 399,105</u></u>
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MID-COAST RADIO PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2013

	<u>Unrestricted</u>
Unrestricted Revenues, Gains and Support	
Donations and underwriting	\$ 520,496
Grants	4,390
Sublease Income	36,266
Investment Income	149
Other Income	544
<i>Total Revenue</i>	<u>561,845</u>
 Unrestricted Expenses	
Program Service	338,262
Management and Administrative	84,671
Fundraising expenses	124,959
Total Support Expenses	<u>547,893</u>
 Change in Unrestricted Net Assets	 \$ 13,952
Net Assets as of Beginning of Year	<u>376,669</u>
Net Assets as of End of Year	<u><u>\$ 390,620</u></u>

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

Cash Flows from Operating Activities	
Cash received from restricted and unrestricted gifts	\$ 525,526
Cash received from Sublease	36,266
Cash received from Other Income	544
Dividends and Interest Received	149
Cash disbursed for expenses	(521,329)
Net cash flows from Operating Activities	41,155
Cash Flows from Investing Activities	
Purchase of Fixed Assets	(6,490)
Increase in Investments	2,520
Net cash provided by Investing Activities	(3,970)
Cash Flows from Financing Activities	
Payments on Note Payable	(16,464)
Net cash provided by Financing Activities	(16,464)
Net cash increase for period	20,721
Cash and equivalents, beginning of year	173,896
Cash and equivalents, end of year	<u>\$ 194,617</u>
Reconciliation of Changes in Net Assets to Net Cash Provided by	
Operating Activities	
Decrease in Net Assets	\$ 13,952
by operating activities:	
Depreciation	26,895
(Increase)/Decrease in Accounts Receivable	640
(Increase)/Decrease in Prepaid Expenses	13
Increase/(Decrease) in Accounts Payable	(1,936)
Increase/(Decrease) in Accrued Expenses	1,592
Net Cash Flows from Operating Activities	\$ 41,155

See accompanying notes.

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

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, 2013.

(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 2011-2013 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

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

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 \$169,481 recognized by the Organization for in-kind service donations for the year ending December 31, 2013 by program directors and radio personalities for their broadcasting services rendered. These services were recorded as income and expense during this period.

(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

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

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 leasing 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>
2014	47,180
2015	48,593
2016	50,049
2017	51,553
2018	53,098

The Organization leased space for their broadcasting tower in Blue Summit, Missouri. This lease is under a 2nd extension, expiring August 2017, 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>
2014	15,216
2015	15,216
2016	15,216
2017	15,216
2018	15,216

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

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, 2013, 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>	
	12/31/13	12/31/12
Investments at Fair Value as Determined by quoted market price (Level 1)	\$27,632	\$30,161

The following schedule summarized the investment return and its classification in the statement of activities for the year ended December 31, 2013. 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 12/31/13	\$96

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
2014	1,410

Note 8: Management's Review

Subsequent events were evaluated through November 24, 2014. The audit report date is the date the financial statements were available to be issued.