

AUDITED FINANCIAL STATEMENTS

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

For the Year Ended December 31, 2015 and 2014

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mid-Coast Radio Project, Inc.
3901 Main St, Suite 203
Kansas City, MO 64111

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, 2015 and 2014, and the related statements of activities 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 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, 2015 and 2014, 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.

Report on Supplementary Information

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

McAULEY & CRANDALL, PA

Overland Park, Kansas

January 23, 2017

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENT OF FINANCIAL POSITION
As of December 31, 2015 and 2014

ASSETS	2015	2014
Current Assets:		
Cash and Cash Equivalents	\$ 184,132	\$ 190,863
Accounts Receivable (net of allowance for bad debts of \$0)	23,572	3,465
Investments (Certificates of Deposit)	30,392	30,321
Prepaid Expenses	12,314	7,975
Total Current Assets	250,410	232,623
Fixed Assets:		
Equipment and Fixtures	423,603	423,603
Facility Improvements	51,543	51,543
Software	2,204	2,204
Accumulated Depreciation	(352,078)	(327,474)
Net Fixed Assets	125,272	149,876
TOTAL ASSETS	\$ 375,683	\$ 382,500
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 8,001	\$ 13,079
Accrued Expenses	12,302	5,888
Deferred Revenue	0	500
Total Current Liabilities	20,303	19,467
TOTAL LIABILITIES	20,303	19,467
Net Assets - Unrestricted	355,379	363,032
TOTAL LIABILITIES AND NET ASSETS	\$ 375,683	\$ 382,500

See accompanying notes.

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended December 31, 2015 and 2014

	2015	2014
	Unrestricted	Unrestricted
Unrestricted Revenues, Gains and Support		
Donations and underwriting	\$ 642,158	\$ 551,821
Grants	4,475	3,888
Sublease Income	36,641	36,266
Interest Income	203	170
Other Income		
<i>Total Revenue</i>	<u>683,478</u>	<u>592,145</u>
 Unrestricted Expenses		
Program Service	330,467	339,131
Management and Administrative	126,507	112,573
Fundraising expenses	234,157	168,029
Total Support Expenses	<u>691,131</u>	<u>619,733</u>
 Change in Unrestricted Net Assets	 \$ (7,653)	 \$ (27,588)
Net Assets as of Beginning of Year	<u>363,032</u>	<u>390,620</u>
Net Assets as of End of Year	<u>\$ 355,379</u>	<u>\$ 363,032</u>

See accompanying notes.

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from restricted and unrestricted gifts	\$ 456,545	\$ 388,619
Cash received from Sublease	36,641	36,266
Dividends and Interest Received	203	170
Cash disbursed for expenses	(500,050)	(416,054)
Net cash flows from Operating Activities	<u>(6,660)</u>	<u>9,001</u>
Cash Flows from Investing Activities		
Purchase of Fixed Assets	0	(8,657)
Increase in Investments	(71)	(2,688)
Net cash flows from Investing Activities	<u>(71)</u>	<u>(11,345)</u>
Cash Flows from Financing Activities		
Payments on Note Payable	0	(1,410)
Net cash flows from Financing Activities	<u>0</u>	<u>(1,410)</u>
Net cash outflow for period	<u>(6,731)</u>	<u>(3,754)</u>
Cash and equivalents, beginning of year	190,863	194,617
Cash and equivalents, end of year	<u><u>\$ 184,132</u></u>	<u><u>\$ 190,863</u></u>

Reconciliation of Changes in Net Assets to Net Cash Provided by

Operating Activities

Change in unrestricted net assets	\$ (7,653)	\$ (27,588)
Net Cash changes by operating activities:		
Depreciation	24,604	23,505
(Increase)/Decrease in Accounts Receivable	(20,107)	1,891
(Increase)/Decrease in Prepaid Expenses	(4,340)	(1,199)
Increase/(Decrease) in Accounts Payable	(5,078)	11,331
Increase/(Decrease) in Accrued Expenses	6,414	561
Increase/(Decrease) in Deferred Revenue	(500)	500
Net Cash Flows from Operating Activities	<u>\$ (6,660)</u>	<u>\$ 9,001</u>

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

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 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, 2015 and 2014.

(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 2013-2015 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

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

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 \$172,810 and \$169,481 recognized by the Organization for in-kind service donations for the year ending December 31, 2015 and 2014, respectively 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) Receivables

Receivables consist of underwriting 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 the year ended December 31, 2015 and 2014, all receivables were considered collectable by management, and there was no allowance for bad debt.

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

(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

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. There were \$0 and \$8,657 in fixed asset additions in the years ending December 31, 2015 and 2014, respectively.

Note 3: Commitments and Contingencies

Mid-Coast Radio Project, Inc. leases office space under an 11 year leasing agreement that expires on May 31, 2019, 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>
2015	48,593
2016	50,049
2017	51,553
2018	53,098
2019	22,395

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>
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MID-COAST RADIO PROJECT, INC.
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

2015	15,216
2016	15,216
2017	10,144

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, 2015 and 2014, 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>	
	<u>12/31/15</u>	<u>12/31/14</u>
Investments at Fair Value as Determined by quoted market price (Level 1)	\$30,392	\$30,321

The following schedule summarized the investment return and its classification in the statement of activities for the years ended December 31, 2015 and 2014. 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 12/31/15	\$203
For the year ended 12/31/14	\$170

Note 7: Management's Review

Subsequent events were evaluated through January 23, 2017. The audit report date is the date the financial statements were available to be issued.

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ending December 31, 2015 and 2014

Expense	2015				2014			
	Mgmt & General	Fundraising	Program	Total	Mgmt & General	Fundraising	Program	Total
Rent Expense	9,546	9,546	49,094	68,186	9,598	9,598	49,362	68,559
Engineering and Maintenance	-	-	8,331	8,331	-	-	13,766	13,766
Depreciation Expense	3,198	3,198	18,207	24,604	3,056	3,056	17,394	23,505
Insurance Expense	3,810	-	9,328	13,138	3,378	-	8,269	11,647
Programming Expenses	-	-	180,623	180,623	-	-	176,810	176,810
Fundraising Expenses	-	129,406	-	129,406	-	66,091	-	66,091
Volunteer Costs	-	-	-	-	614	-	-	614
Marketing Costs	-	-	4,844	4,844	-	-	13,700	13,700
Website and Streaming	-	-	3,314	3,314	-	-	2,952	2,952
Utilities	1,751	1,751	31,512	35,014	1,750	1,750	31,506	35,007
Employment Expenses	62,029	83,249	17,956	163,233	58,547	78,576	16,948	154,070
Board of Directors Expense	4,339	-	-	4,339	887	-	-	887
Conferences, Travel, Meetings & Meals	2,068	-	-	2,068	677	-	-	677
Supplies	2,048	2,048	-	4,096	1,797	1,797	-	3,594
Postage and delivery	1,141	1,141	-	2,281	1,508	1,508	-	3,015
Computer Software,Svc & Support	948	632	1,579	3,159	832	554	1,386	2,772
Financial Expenses	2,215	3,187	-	5,401	3,544	5,099	-	8,643
Legal and Professional	29,470	-	-	29,470	20,495	-	-	20,495
Dues and Subscriptions	-	-	-	-	-	-	-	-
Affiliations Expense	-	-	5,678	5,678	-	-	7,038	7,038
Miscellaneous expenses	2,545	-	-	2,545	231	-	-	231
Bad Debt expense	1,400	-	-	1,400	5,661	-	-	5,661
Total	126,507	234,157	330,467	691,131	112,573	168,029	339,131	619,733