

AUDITED FINANCIAL STATEMENTS

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

For the Years Ended December 31, 2016 and 2015

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

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INDEPENDENT AUDITOR'S 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, 2016, and 2015 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, 2016, 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.

McAuley & Crandall, PA
McAULEY & CRANDALL, PA

Overland Park, Kansas

January 22, 2018

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

ASSETS	2016	2015
Current Assets:		
Cash and Cash Equivalents	\$ 240,785	\$ 184,132
Accounts Receivable (net of allowance for bad debts of \$0)	6,980	23,572
Investments (Certificates of Deposit)	30,464	30,392
Prepaid Expenses	16,214	12,314
Total Current Assets	<u>294,442</u>	<u>250,410</u>
Fixed Assets:		
Equipment and Fixtures	423,603	423,603
Facility Improvements	51,543	51,543
Software	2,204	2,204
Accumulated Depreciation	(375,882)	(352,078)
Net Fixed Assets	<u>101,468</u>	<u>125,272</u>
TOTAL ASSETS	<u>\$ 395,911</u>	<u>\$ 375,683</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 2,947	\$ 8,001
Accrued Expenses	16,770	12,302
Total Current Liabilities	<u>19,717</u>	<u>20,303</u>
TOTAL LIABILITIES	<u>19,717</u>	<u>20,303</u>
Net Assets Without Donor Restrictions	<u>376,194</u>	<u>355,379</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 395,911</u>	<u>\$ 375,683</u>

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2016 and 2015

	2016	2015
	<u>Unrestricted</u>	<u>Unrestricted</u>
Unrestricted Revenues, Gains and Support		
Donations and underwriting	\$ 599,852	\$ 642,158
Grants	8,742	4,475
Sublease Income	34,058	36,641
Interest Income	313	203
Other Income	(891)	0
<i>Total Revenue</i>	<u>642,075</u>	<u>683,478</u>
Unrestricted Expenses		
Program Service	351,923	330,467
Management and Administrative	83,997	126,507
Fundraising expenses	185,340	234,157
Total Support Expenses	<u>621,261</u>	<u>691,131</u>
Change in Unrestricted Net Assets	\$ 20,815	\$ (7,653)
Net Assets as of Beginning of Year	<u>355,379</u>	<u>363,032</u>
Net Assets as of End of Year	<u><u>\$ 376,194</u></u>	<u><u>\$ 355,379</u></u>

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ending December 31, 2016 and 2015

Expense	2016			2015				
	Mgmt & General	Fundraising	Program	Total	Mgmt & General	Fundraising	Program	Total
Affiliations Expense	-	-	5,124	5,124	-	-	5,678	5,678
Bad Debt expense	-	2,625	-	2,625	1,400	-	-	1,400
Board of Directors Expense	1,769	-	-	1,769	4,339	-	-	4,339
Computer Software,Svc & Support	389	259	648	1,295	948	632	1,579	3,159
Conferences, Travel, Meetings & Meals	267	-	-	267	2,068	-	-	2,068
Depreciation Expense	238	238	23,328	23,804	3,198	3,198	18,207	24,604
Employment Expenses	38,299	71,836	33,345	143,480	62,029	83,249	17,956	163,233
Engineering and Maintenance	-	-	12,235	12,235	-	-	8,331	8,331
Financial Expenses	3,168	4,559	-	7,726	2,215	3,187	-	5,401
Fundraising Expenses	-	84,484	-	84,484	-	129,406	-	129,406
Insurance Expense	3,039	-	7,440	10,479	3,810	-	9,328	13,138
Legal and Professional	21,365	-	-	21,365	29,470	-	-	29,470
Marketing Costs	-	6,971	-	6,971	-	-	4,844	4,844
Miscellaneous expenses	538	-	-	538	2,545	-	-	2,545
Postage and delivery	1,240	1,240	-	2,479	1,141	1,141	-	2,281
Programming Expenses	-	-	182,042	182,042	-	-	180,623	180,623
Rent Expense	9,794	9,794	50,370	69,958	9,546	9,546	49,094	68,186
Supplies	1,467	1,467	101	3,036	2,048	2,048	-	4,096
Utilities	1,868	1,868	33,626	37,362	1,751	1,751	31,512	35,014
Volunteer Costs	557	-	-	557	-	-	-	-
Website and Streaming	-	-	3,664	3,664	-	-	3,314	3,314
Total	83,997	185,340	351,923	621,261	126,507	234,157	330,467	691,131

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from restricted and unrestricted gifts	\$ 625,187	\$ 456,545
Cash received from Sublease	34,058	36,641
Dividends and Interest Received	313	203
Cash disbursed for expenses	(601,943)	(500,050)
Net cash flows from Operating Activities	<u>57,616</u>	<u>(6,660)</u>
Cash Flows from Investing Activities		
Increase (Decrease) in Investments	(962)	(71)
Net cash flows from Investing Activities	<u>(962)</u>	<u>(71)</u>
Cash Flows from Financing Activities		
Payments on Note Payable	0	0
Net cash flows from Financing Activities	<u>0</u>	<u>0</u>
Net cash flows for period	56,653	(6,731)
Cash and equivalents, beginning of year	184,132	190,863
Cash and equivalents, end of year	<u><u>\$ 240,785</u></u>	<u><u>\$ 184,132</u></u>

**Reconciliation of Changes in Net Assets to Net Cash Provided by
Operating Activities**

Change in net assets without donor restrictions	\$ 20,815	\$ (7,653)
Net Cash changes by operating activities:		
Loss on Investments	\$ 891	
Depreciation	23,804	24,604
(Increase)/Decrease in Accounts Receivable	16,592	(20,107)
(Increase)/Decrease in Prepaid Expenses	(3,900)	(4,340)
Increase/(Decrease) in Accounts Payable	(5,054)	(5,078)
Increase/(Decrease) in Accrued Expenses	4,468	6,414
Increase/(Decrease) in Deferred Revenue	0	(500)
Net Cash Flows from Operating Activities	<u>\$ 57,616</u>	<u>\$ (6,660)</u>

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

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: net assets without donor restrictions and net assets with donor restrictions. 90.1 FM KKFI has only net assets without donor restrictions as of December 31, 2016 and 2015.

90.1 FM KKFI has 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. The effect of the change is an update to the account title; there are no other adjustments since all net assets are absent of donor-imposed restrictions.

MID-COAST RADIO PROJECT, INC.
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

(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 2014-2016 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 \$174,461 and \$172,810 recognized by the Organization for in-kind service donations for the year ending December 31, 2016 and 2015, 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.

MID-COAST RADIO PROJECT, INC.
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

(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, 2016 and 2015, all receivables were considered collectable by management, and there was no allowance for bad debt.

(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 \$0 in fixed asset additions in the years ending December 31, 2016 and 2015, respectively.

MID-COAST RADIO PROJECT, INC.
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

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>
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 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>
2016	14,581
2017	14,741
2018	15,281
2019	15,281
2020	15,281
2021	15,281

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, 2016, and 2015, Mid-Coast Radio Project's cash deposits in financial institutions were fully insured.

MID-COAST RADIO PROJECT, INC.
(90.1 FM KKFI)
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

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>12/31/16</u>	<u>12/31/15</u>
Investments at Fair Value as Determined by quoted market price (Level 1)	\$30,464	\$30,392

The following schedule summarized the investment return and its classification in the statement of activities for the years ended December 31, 2016 and 2015. 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 12/31/16	\$313
For the year ended 12/31/15	\$203

Note 7: Management's Review

Subsequent events were evaluated through January 22, 2018. The audit report date is the date the financial statements were available to be issued.