

SUNRISE COMMUNICATIONS, INC.

dba KZUM RADIO

LINCOLN, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sunrise Communications, Inc., dba KZUM Radio
Lincoln, Nebraska

We have audited the accompanying financial statements of Sunrise Communications, Inc., dba KZUM Radio (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, 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.

Auditors' 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 of 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 Sunrise Communications, Inc., dba KZUM Radio, as of September 30, 2016, the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dana J Cole + Company, LLP

Lincoln, Nebraska
April 6, 2017

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

ASSETS

ASSETS	
Cash	174,796
Accounts receivable	1,720
Prepaid expenses	278
Leasehold improvements, radio, and other equipment, net of accumulated depreciation of \$363,090	117,573
Security deposits	<u>1,400</u>
 TOTAL ASSETS	 <u>295,767</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	2,231
Salaries and payroll taxes payable	5,106
Deferred revenue	1,350
Vacation pay accrued	<u>2,161</u>
Total liabilities	<u>10,848</u>
 NET ASSETS	
Unrestricted	<u>284,919</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>295,767</u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

REVENUE, GAINS, AND OTHER SUPPORT	
Contributions	285,038
Grants	73,579
Broadcasting and production	51,271
Special events	21,878
Interest	69
Other	<u>6</u>
Total revenue, gains, and other support	<u>431,841</u>
EXPENSES AND LOSSES	
Program Services	
Programming	<u>195,553</u>
Supporting Services	
Membership development	55,111
Management and general	<u>52,291</u>
Total supporting services	<u>107,402</u>
Total expenses and losses	<u>302,955</u>
CHANGE IN NET ASSETS	128,886
NET ASSETS, beginning of year	<u>156,033</u>
NET ASSETS, end of year	<u>284,919</u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR THEN ENDED SEPTEMBER 30, 2016

	Program Services	Supporting Services			
	Programming and Production	Management and General	Membership Development	Total Supporting Services	Total Expenses
Salaries and payroll taxes	66,913	17,212	26,162	43,374	110,287
Telephone	2,685	895		895	3,580
Advertising and promotion	26,573				26,573
Repairs and maintenance	2,229	743		743	2,972
Dues	612	1,848		1,848	2,460
Member premiums			12,392	12,392	12,392
Professional fees	25,571	3,655		3,655	29,226
Program Rights and News Wire	5,224				5,224
Fundraising			16,389	16,389	16,389
Bank and card fees	1,735	578		578	2,313
Online and website fees	3,160	2,107		2,107	5,267
Travel expenses	1,346	168	168	336	1,682
Occupancy	40,101	13,367		13,367	53,468
Insurance		5,560		5,560	5,560
Miscellaneous	932				932
Supplies and equipment	9,794	3,265		3,265	13,059
Office expenses	2,632	878		878	3,510
Depreciation and amortization	6,046	2,015		2,015	8,061
TOTAL	<u>195,553</u>	<u>52,291</u>	<u>55,111</u>	<u>107,402</u>	<u>302,955</u>

SUNRISE COMMUNICATIONS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions	243,532
Grants	73,579
Other income	73,532
Cash paid to suppliers and employees	<u>(300,128)</u>
Net cash provided by operating activities	<u>90,515</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash purchases of radio and other equipment	<u>(6,155)</u>
Net cash used in investing activities	<u>(6,155)</u>
NET INCREASE IN CASH	84,360
CASH, beginning of year	<u>93,061</u>
CASH, end of year	<u><u>177,421</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	
Change in net assets	<u>128,886</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,061
Noncash equipment contributions	(41,980)
Decrease in accounts receivable	308
Decrease in pledges receivable	474
Decrease in prepaid expenses	55
Decrease in accounts payable and accrued expenses	<u>(5,289)</u>
Total adjustments	<u>(38,371)</u>
Net cash provided by operating activities	<u><u>90,515</u></u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sunrise Communications, Inc., dba KZUM Radio, is an educational FM radio station organized as a nonprofit corporation in Lincoln, Nebraska. The financial statements of KZUM Radio have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor.

The Organization had no temporarily restricted or permanently restricted net assets as of September 30, 2016.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At September 30, 2016, the Organization had no cash equivalents.

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization utilizes FASB ASC 958-605. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market 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 market value when received. The amounts reflected in the accompanying financial statements as contributions revenue are offset by like amounts included in expenses or additions to property and equipment. These contributions amounted to \$110,522 for the year ended September 30, 2016.

Accounts and Pledges Receivable

Accounts and pledges receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year-end.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their useful lives, which range from 5 to 10 years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the statement of functional expenses.

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees' vacation benefits are recognized in the period earned. Accrued vacation pay at September 30, 2016, was \$2,161.

Advertising

Advertising costs of the Organization are expensed as incurred. The Organization incurred \$26,573 in advertising expenses during the year ended September 30, 2016.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization utilizes the provisions of the FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The tax returns of the Organization for the years 2012 and after are subject to examination by the taxing authorities.

Use of Estimates

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

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2016, was as follows:

Leasehold improvements	34,462
Radio and other equipment	446,201
	<u>480,663</u>
Less accumulated depreciation	(363,090)
	<u>117,573</u>

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEASES

The Organization has entered into an operating lease for office space beginning March 1, 2012, and expiring February 28, 2022. This lease provides for base rental amounts starting at \$2,650 and increasing 4% each two-year period after the first two years. The lease also provided for an additional 250 square feet at \$1 per square foot, which was added in March 2014. In addition, the lease allows for one ten-year option to renew beginning March 1, 2022.

The future minimum rental payments due under this lease at September 30, 2016, are as follows:

2017	37,640
2018	38,518
2019	39,145
2020	40,051
2021	40,699
2022	16,958

The Organization entered into a six-month lease for a communications facilities lease site from May 1, 2012 to October 31, 2012, for \$600 per month. The lease has continued on a month-to-month basis since October 31, 2012.

The Organization also entered into a 60-month lease for a copier on June 8, 2012, for \$111.04 per month.

The future minimum rental payments due under this lease at September 30, 2016, are as follows:

2017	666
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NOTE 4. RELATED PARTY TRANSACTIONS

The Organization has an agreement with Bourbon Theatre, in which the owner is also a board member of the organization, and records in-kind rent in the amount of \$117 per month. For the year ending September 20, 2016, the Organization recorded \$1,404.

NOTE 5. SUPPLEMENTAL STATEMENT OF CASH FLOWS DISCLOSURE

Noncash investing activities for the year ended September 30, 2016, also consisted of \$41,980 of equipment that was donated to the Organization.

NOTE 6. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 6, 2017, the date the financial statements were available to be issued.