

SUNRISE COMMUNICATIONS, INC.

dba KZUM RADIO

LINCOLN, NEBRASKA

FINANCIAL STATEMENTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

SEPTEMBER 30, 2015 AND 2014



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying statements of financial position of Sunrise Communications, Inc., dba KZUM Radio, a nonprofit organization, as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying schedules of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

Dana F. Cole + Company, LLP

Lincoln, Nebraska
November 12, 2015

SUNRISE COMMUNICATIONS, INC.
 dba KZUM RADIO
 STATEMENTS OF FINANCIAL POSITION
 SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT
 SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
ASSETS		
Cash	93,061	28,412
Accounts receivable	2,028	1,182
Pledges receivable	474	1,734
Prepaid expenses	333	273
Leasehold improvements, radio, and other equipment, net of accumulated depreciation of \$355,030 and \$348,163	77,499	84,366
Security deposits	<u>1,400</u>	<u>1,400</u>
 TOTAL ASSETS	 <u>174,795</u>	 <u>117,367</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	1,621	2,618
Salaries and payroll taxes payable	6,246	6,607
Vacation pay accrued	<u>8,270</u>	<u>7,085</u>
Total liabilities	<u>16,137</u>	<u>16,310</u>
 NET ASSETS		
Unrestricted	<u>158,658</u>	<u>101,057</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>174,795</u>	 <u>117,367</u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
STATEMENTS OF ACTIVITIES
SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	167,004	108,896
Grants	76,782	72,913
Broadcasting and production	35,987	31,204
Special events	12,734	14,926
Interest	40	20
Other	993	90
Total revenue, gains, and other support	<u>293,540</u>	<u>228,049</u>
EXPENSES AND LOSSES		
Program Services		
Programming	<u>79,124</u>	<u>96,390</u>
Supporting Services		
Membership development	32,684	14,349
Management and general	<u>124,131</u>	<u>130,215</u>
Total supporting services	<u>156,815</u>	<u>144,564</u>
Total expenses and losses	<u>235,939</u>	<u>240,954</u>
CHANGE IN NET ASSETS	57,601	(12,905)
NET ASSETS, beginning of year	<u>101,057</u>	<u>113,962</u>
NET ASSETS, end of year	<u><u>158,658</u></u>	<u><u>101,057</u></u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS
SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions	168,264	110,455
Grants	76,782	72,913
Other income	48,908	46,455
Cash paid to suppliers and employees	<u>(229,305)</u>	<u>(218,977)</u>
Net cash provided by operating activities	<u>64,649</u>	<u>10,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of radio and other equipment	<u> </u>	<u>(2,563)</u>
Net cash used in investing activities	<u> </u>	<u>(2,563)</u>
NET INCREASE IN CASH	64,649	8,283
CASH, beginning of year	<u>28,412</u>	<u>20,129</u>
CASH, end of year	<u><u>93,061</u></u>	<u><u>28,412</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	<u>57,601</u>	<u>(12,905)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,867	21,479
(Increase) decrease in accounts receivable	(846)	215
Decrease in pledges receivable	1,260	1,559
Increase in prepaid expenses	(60)	(5)
Increase (decrease) in accounts payable and accrued expenses	<u>(173)</u>	<u>503</u>
Total adjustments	<u>7,048</u>	<u>23,751</u>
Net cash provided by operating activities	<u><u>64,649</u></u>	<u><u>10,846</u></u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
NOTES TO FINANCIAL STATEMENTS
SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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, 2015 and 2014.

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, 2015 and 2014, the Organization had no cash equivalents.

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
NOTES TO FINANCIAL STATEMENTS
SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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 in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. These contributions amounted to \$13,775 and \$12,685 for the years ended September 30, 2015 and 2014.

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.

Compensated Absences

Employees' vacation benefits are recognized in the period earned. Accrued vacation pay at September 30, 2015 and 2014, was \$8,270 and \$7,085, respectively.

SUNRISE COMMUNICATIONS, INC.
 dba KZUM RADIO
 NOTES TO FINANCIAL STATEMENTS
 SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs of the Organization are expensed as incurred. The Organization incurred \$2,412 and \$5,030 in advertising expenses during the years ended September 30, 2015 and 2014.

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 2011 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, 2015 and 2014, was as follows:

	2015	2014
Leasehold improvements	34,462	34,462
Radio and other equipment	<u>398,067</u>	<u>398,067</u>
	432,529	432,529
Less accumulated depreciation	<u>(355,030)</u>	<u>(348,163)</u>
	<u>77,499</u>	<u>84,366</u>

SUNRISE COMMUNICATIONS, INC.
 dba KZUM RADIO
 NOTES TO FINANCIAL STATEMENTS
 SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

NOTE 3. PLEDGES RECEIVABLE

Annually, the Organization initiates fundraising campaigns to fund its program services. Due to the amount of the pledges, the Organization has decided to not discount the pledges at present value. The collection schedule of the pledges receivable at September 30, 2015, is as follows:

Receivable in less than one (1) year	474
Less discounts to net present value at estimated representative rates	<u>- 0 -</u>
Net pledges receivable at September 30, 2015	<u>474</u>

NOTE 4. 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, 2015, are as follows:

2016	37,036
2017	37,640
2018	38,518
2019	39,145
2020	40,051
2021 - 2022	57,656

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, 2015, are as follows:

2016	1,332
2017	666

SUNRISE COMMUNICATIONS, INC.
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NOTES TO FINANCIAL STATEMENTS
SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

NOTE 5. 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 years ending September 20, 2015 and 2014, the Organization recorded \$1,404 and \$1,404, respectively.

NOTE 6. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 12, 2015, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SUNRISE COMMUNICATIONS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT
YEAR THEN ENDED SEPTEMBER 30, 2015

	Program Services	Supporting Services			Total Expenses
	Programming and Production	Management and General	Membership Development	Total Supporting Services	
Salaries, payroll taxes, and employee benefits	55,407	56,778	13,517	70,295	125,702
Telephone	300	3,228		3,228	3,528
Advertising			2,412	2,412	2,412
Repairs and maintenance		2,290		2,290	2,290
Dues	1,182	2,917	250	3,167	4,349
Member premiums			3,066	3,066	3,066
Professional fees		4,220	5,255	9,475	9,475
Program Rights and News Wire	3,334				3,334
Fundraising		4,410		4,410	4,410
Bank and card fees		697	1,206	1,903	1,903
Contract services	1,813	2,508		2,508	4,321
Occupancy	7,750	41,129	2,784	43,913	51,663
Insurance		4,470		4,470	4,470
Miscellaneous	269	64		64	333
Supplies and equipment	2,202	1,420	4,194	5,614	7,816
Depreciation and amortization	<u>6,867</u>				<u>6,867</u>
TOTAL	<u><u>79,124</u></u>	<u><u>124,131</u></u>	<u><u>32,684</u></u>	<u><u>156,815</u></u>	<u><u>235,939</u></u>

SUNRISE COMMUNICATIONS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT
YEAR THEN ENDED SEPTEMBER 30, 2014

	Program Services	Supporting Services			
	Programming and Production	Management and General	Membership Development	Total Supporting Services	Total Expenses
Salaries, payroll taxes, and employee benefits	61,346	55,961		55,961	117,307
Telephone	300	3,155		3,155	3,455
Advertising		790	4,240	5,030	5,030
Repairs and maintenance		2,380		2,380	2,380
Dues		3,907	700	4,607	4,607
Member premiums			3,539	3,539	3,539
Professional fees	500	7,705		7,705	8,205
Program Rights and News Wire	3,464				3,464
Fundraising		3,958	89	4,047	4,047
Bank and card fees		505		505	505
Contract services	156	4,796		4,796	4,952
Occupancy	7,750	39,646	2,834	42,480	50,230
Insurance		5,352		5,352	5,352
Miscellaneous		110		110	110
Supplies and equipment	1,395	1,950	2,947	4,897	6,292
Depreciation and amortization	<u>21,479</u>				<u>21,479</u>
TOTAL	<u><u>96,390</u></u>	<u><u>130,215</u></u>	<u><u>14,349</u></u>	<u><u>144,564</u></u>	<u><u>240,954</u></u>