SUNRISE COMMUNICATIONS, INC.

dba KZUM RADIO

LINCOLN, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
NOTES TO FINANCIAL STATEMENTS	8 - 12

DANA F. COLE
& COMPANY LLP
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 statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2017 and 2016, the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dana Cole + Company, LLP

Lincoln, Nebraska
January 15, 2018

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

ASSETS

	2017	2016
ASSETS		
Cash	202,276	174,796
Accounts receivable	2,193	1,720
Prepaid expenses	278	278
Leasehold improvements, radio, and other equipment, net of accumulated depreciation of $378,169 in 2017 and $363,090 in 2016	116,048	117,573
Security deposits	1,400	1,400
TOTAL ASSETS	322,195	295,767

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	2,115	2,231
Salaries and payroll taxes payable	7,191	5,106
Deferred revenue	3,486	1,350
Vacation pay accrued	3,400	2,161
Total liabilities	16,192	10,848
NET ASSETS		
Unrestricted	306,003	284,919
TOTAL LIABILITIES AND NET ASSETS	322,195	295,767

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	317,098	285,038
Grants	93,813	73,579
Broadcasting and production	51,101	51,271
Special events	14,025	21,878
Interest	74	69
Other	21	6
Total revenue, gains, and other support	476,132	431,841
EXPENSES AND LOSSES		
Program Services		
Programming	262,686	195,553
Supporting Services		
Membership development	85,428	55,111
Management and general	106,934	52,291
Total supporting services	192,362	107,402
Total expenses and losses	455,048	302,955
CHANGE IN NET ASSETS	21,084	128,886
NET ASSETS, beginning of year	284,919	156,033
NET ASSETS, end of year	306,003	284,919

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	Program Services	Supporting Services			
	Programming and Production	Management and General	Membership Development	Total Supporting Services	Total Expenses
Salaries and payroll taxes	77,543	34,698	43,923	78,621	156,164
Telephone	2,602	867		867	3,469
Advertising and promotion	99,156				99,156
Repairs and maintenance	2,318	773		773	3,091
Dues	1,309	3,928		3,928	5,237
Member premiums			15,264	15,264	15,264
Professional fees		36,106		36,106	36,106
Program Rights and News Wire	3,209				3,209
Fundraising			26,094	26,094	26,094
Bank and card fees	2,341	780		780	3,121
Online and website fees	3,292	2,194		2,194	5,486
Travel expenses	1,182	148	147	295	1,477
Occupancy	41,362	13,787		13,787	55,149
Insurance		5,130		5,130	5,130
Miscellaneous	2,804				2,804
Supplies and equipment	12,849	4,283		4,283	17,132
Office expenses	1,411	470		470	1,881
Depreciation and amortization	11,308	3,770		3,770	15,078
TOTAL	262,686	106,934	85,428	192,362	455,048

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR 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	195,553	52,291	55,111	107,402	302,955

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions	310,998	243,532
Grants	93,813	73,579
Other income	66,884	70,907
Cash paid to suppliers and employees	(436,762)	(300,128)
Net cash provided by operating activities	34,933	87,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash purchases of radio and other equipment	(7,453)	(6,155)
Net cash used in investing activities	(7,453)	(6,155)
NET INCREASE IN CASH	27,480	81,735
CASH, beginning of year	174,796	93,061
CASH, end of year	202,276	174,796
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	21,084	128,886
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,078	8,061
Noncash equipment contributions	(6,100)	(41,980)
(Increase) decrease in accounts receivable	(473)	308
Decrease in pledges receivable		474
Decrease in prepaid expenses		55
Increase (decrease) in accounts payable and accrued expenses	3,208	(5,289)
Increase (decrease) in deferred revenue	2,136	(2,625)
Total adjustments	13,849	(40,996)
Net cash provided by operating activities	34,933	87,890

See accompanying 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, 2017 and 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, 2017 and 2016, the Organization had no cash equivalents.

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 $141,123 for the year ended September 30, 2017 and $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.

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, 2017 and 2016, was $3,400 and $2,161, respectively.

Advertising

Advertising costs of the Organization are expensed as incurred. The Organization incurred $99,156 in advertising expenses during the year ended September 30, 2017 and $26,573 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 Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

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, 2017 and 2016, was as follows:

	2017	2016
Leasehold improvements	34,462	34,462
Radio and other equipment	459,755	446,201
	494,217	480,663
Less accumulated depreciation	(378,169)	(363,090)
	116,048	117,573

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, 2017, are as follows:

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

The Organization entered into a 60-month lease for a communications facilities lease site from May 1, 2017 to April 30, 2022. This lease provides for base rental amounts starting at $618 a month and increasing incrementally to $696 a month.

The future minimum rental payments due under this lease at September 30, 2017, are as follows:

2018	7,511
2019	7,739
2020	7,967
2021	8,205
2022	4,872

The Organization also entered into a 60-month lease for a copier on August 31, 2016, for $137.29 per month.

The future minimum rental payments due under this lease at September 30, 2017, are as follows:

2018	1,647
2019	1,647
2020	1,647
2021	1,510

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 $229 per month. For the years ending September 30, 2017 and 2016, the Organization recorded $2,750 and $1,404, respectively.

NOTE 5. SUPPLEMENTAL STATEMENT OF CASH FLOWS DISCLOSURE

Noncash investing activities for the years ended September 30, 2017 and 2016, also consisted of $6,100 and $41,980, respectively, 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 January 15, 2018, the date the financial statements were available to be issued.