

SUNRISE COMMUNICATIONS, INC.

dba KZUM RADIO

LINCOLN, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017



**DANA F. COLE  
& COMPANY<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS

SUNRISE COMMUNICATIONS, INC.  
dba KZUM RADIO  
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& COMPANY<sup>LLP</sup>**  
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, 2018 and 2017, 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, 2018 and 2017, 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 J Cole + Company, LLP

Lincoln, Nebraska  
February 7, 2019

SUNRISE COMMUNICATIONS, INC.  
 dba KZUM RADIO  
 STATEMENTS OF FINANCIAL POSITION  
 SEPTEMBER 30, 2018 AND 2017

	ASSETS		2018	2017
ASSETS				
Cash			138,862	202,276
Accounts receivable			2,839	2,193
Prepaid expenses			278	278
Leasehold improvements, radio, and other equipment, net of accumulated depreciation of \$393,718 in 2018 and \$378,169 in 2017			112,293	116,048
Security deposits			<u>1,400</u>	<u>1,400</u>
 TOTAL ASSETS			 <u>255,672</u>	 <u>322,195</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable			10,756	2,115
Salaries and payroll taxes payable			4,475	7,191
Deferred revenue			4,590	3,486
Vacation pay accrued			<u>5,768</u>	<u>3,400</u>
Total liabilities			<u>25,589</u>	<u>16,192</u>
 NET ASSETS				
Unrestricted			<u>230,083</u>	<u>306,003</u>
 TOTAL LIABILITIES AND NET ASSETS			 <u>255,672</u>	 <u>322,195</u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.  
 dba KZUM RADIO  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	297,305	317,098
Grants	87,482	93,813
Broadcasting and production	35,041	51,101
Special events, net of \$8,061 and \$- 0 - of direct benefits to donors	18,101	14,025
Interest	96	74
Other	<u>          </u>	<u>21</u>
Total revenue, gains, and other support	<u>438,025</u>	<u>476,132</u>
 EXPENSES AND LOSSES		
Program Services		
Programming	<u>281,552</u>	<u>262,686</u>
Supporting Services		
Membership development	113,928	85,428
Management and general	<u>118,465</u>	<u>106,934</u>
Total supporting services	<u>232,393</u>	<u>192,362</u>
Total expenses and losses	<u>513,945</u>	<u>455,048</u>
 CHANGE IN NET ASSETS	 (75,920)	 21,084
NET ASSETS, beginning of year	<u>306,003</u>	<u>284,919</u>
NET ASSETS, end of year	<u>230,083</u>	<u>306,003</u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.  
dba KZUM RADIO  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Supporting Services			Total Expenses
	Programming and Production	Management and General	Membership Development	Total Supporting Services	
Salaries and payroll taxes	80,734	39,272	47,324	86,596	167,330
Telephone	3,448	1,149		1,149	4,597
Advertising and promotion	85,456				85,456
Repairs and maintenance	6,007	2,002		2,002	8,009
Dues	1,160	3,482		3,482	4,642
Member premiums			21,536	21,536	21,536
Professional fees		40,107		40,107	40,107
Program Rights and News Wire	5,117				5,117
Special and community outreach events	13,527		26,722	26,722	40,249
Fundraising			17,791	17,791	17,791
Bank and card fees	3,526	1,175		1,175	4,701
Online and website fees	1,246	830		830	2,076
Travel expenses	4,446	556	555	1,111	5,557
Occupancy	48,277	16,092		16,092	64,369
Insurance		5,531		5,531	5,531
Miscellaneous	3,798				3,798
Supplies and equipment	11,626	3,875		3,875	15,501
Office expenses	1,522	507		507	2,029
Depreciation and amortization	<u>11,662</u>	<u>3,887</u>		<u>3,887</u>	<u>15,549</u>
<b>TOTAL</b>	<u><u>281,552</u></u>	<u><u>118,465</u></u>	<u><u>113,928</u></u>	<u><u>232,393</u></u>	<u><u>513,945</u></u>

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
Special and community outreach events			25,024	25,024	25,024
Fundraising			1,070	1,070	1,070
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	<u>11,308</u>	<u>3,770</u>		<u>3,770</u>	<u>15,078</u>
<b>TOTAL</b>	<u><u>262,686</u></u>	<u><u>106,934</u></u>	<u><u>85,428</u></u>	<u><u>192,362</u></u>	<u><u>455,048</u></u>



SUNRISE COMMUNICATIONS, INC.  
 dba KZUM RADIO  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions	292,305	310,998
Grants	87,482	93,813
Other income	53,696	66,884
Cash paid to suppliers and employees	<u>(490,103)</u>	<u>(436,762)</u>
Net cash provided by (used in) operating activities	<u>(56,620)</u>	<u>34,933</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash purchases of radio and other equipment	<u>(6,794)</u>	<u>(7,453)</u>
Net cash used in investing activities	<u>(6,794)</u>	<u>(7,453)</u>
NET INCREASE (DECREASE) IN CASH	(63,414)	27,480
CASH, beginning of year	<u>202,276</u>	<u>174,796</u>
CASH, end of year	<u>138,862</u>	<u>202,276</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	<u>(75,920)</u>	<u>21,084</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,549	15,078
Noncash equipment contributions	(5,000)	(6,100)
Increase in accounts receivable	(646)	(473)
Increase in accounts payable and accrued expenses	8,293	3,208
Increase in deferred revenue	<u>1,104</u>	<u>2,136</u>
Total adjustments	<u>19,300</u>	<u>13,849</u>
Net cash provided by (used in) operating activities	<u>(56,620)</u>	<u>34,933</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, 2018 and 2017.

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, 2018 and 2017, 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 \$131,457 for the year ended September 30, 2018, and \$141,123 for the year ended September 30, 2017.

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, 2018 and 2017, was \$5,768 and \$3,400, respectively.

Advertising

Advertising costs of the Organization are expensed as incurred. The Organization incurred \$85,456 in advertising expenses during the year ended September 30, 2018 and \$99,156 during the year ended September 30, 2017.

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, 2018 and 2017, was as follows:

	2018	2017
Leasehold improvements	40,753	34,462
Radio and other equipment	465,258	459,755
	506,011	494,217
Less accumulated depreciation	(393,718)	(378,169)
	112,293	116,048

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 2-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 10-year option to renew beginning March 1, 2022.

The future minimum rental payments due under this lease at September 30, 2018, are as follows:

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, 2018, are as follows:

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, 2018, are as follows:

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

SUNRISE COMMUNICATIONS, INC.  
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NOTES TO FINANCIAL STATEMENTS

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, 2018 and 2017, the Organization recorded \$2,750 and \$2,750, respectively.

The Organization received an in-kind donation for an office remodel, in which a board member performed the services. The total amount recorded for the services was \$5,000 in the year ended September 30, 2018.

The Organization received in-kind donations for website & filming services, in which the owner is the spouse of the general manager. The total amount recorded for the services was \$6,000 in the year ended September 30, 2018.

NOTE 5. SUPPLEMENTAL STATEMENT OF CASH FLOWS DISCLOSURE

Noncash investing activities for the years ended September 30, 2018 and 2017, also consisted of \$5,000 and \$6,100, 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 February 7, 2019, the date the financial statements were available to be issued.