

SUNRISE COMMUNICATIONS, INC.

dba KZUM RADIO

LINCOLN, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021



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

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S 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 - 13



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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunrise Communications, Inc., dba KZUM Radio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunrise Communications, Inc., dba KZUM Radio's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sunrise Communications, Inc., dba KZUM Radio's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunrise Communications, Inc., dba KZUM Radio's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dana F Cole + Company, LLP

Lincoln, Nebraska
February 10, 2023

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	ASSETS		2022	2021
ASSETS				
Cash			362,149	386,182
Accounts receivable			1,013	1,021
Prepaid expenses			287	278
Leasehold improvements, radio, and other equipment, net of accumulated depreciation of \$445,256 for 2022 and \$439,115 for 2021			68,552	69,681
Security deposits			<u>1,400</u>	<u>1,400</u>
 TOTAL ASSETS			 <u>433,401</u>	 <u>458,562</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable			12,214	7,710
Salaries and payroll taxes payable			9,612	6,828
Deferred revenue			7,872	3,950
Vacation pay accrued			<u>4,307</u>	<u>5,331</u>
Total liabilities			<u>34,005</u>	<u>23,819</u>
 NET ASSETS				
Without donor restrictions			389,396	424,743
With donor restrictions			<u>10,000</u>	<u>10,000</u>
Total net assets			<u>399,396</u>	<u>434,743</u>
 TOTAL LIABILITIES AND NET ASSETS			 <u>433,401</u>	 <u>458,562</u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
 dba KZUM RADIO
 STATEMENTS OF ACTIVITIES
 YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue, gains, and other support		
Contributions	320,854	309,684
Grants	94,687	274,560
Broadcasting and production	45,539	27,713
Special events	7,694	3,565
Interest	<u>551</u>	<u>333</u>
Total revenue, gains, and other support	<u>469,325</u>	<u>615,855</u>
Expenses		
Program services		
Programming	<u>270,096</u>	<u>246,682</u>
Supporting services		
Membership development	92,335	89,495
Management and general	<u>142,241</u>	<u>136,161</u>
Total supporting services	<u>234,576</u>	<u>225,656</u>
Total expenses	<u>504,672</u>	<u>472,338</u>
CHANGE IN NET ASSETS	(35,347)	143,517
NET ASSETS, beginning of year	<u>434,743</u>	<u>291,226</u>
NET ASSETS, end of year	<u>399,396</u>	<u>434,743</u>

See accompanying notes to financial statements.

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services	Supporting Services			
	Programming and Production	Management and General	Membership Development	Total Supporting Services	Total Expenses
Salaries and payroll taxes	14,622	97,120	82,498	179,618	194,240
Telephone	6,022	2,007		2,007	8,029
Advertising and promotion	169,161				169,161
Repairs and maintenance	2,495	832		832	3,327
Dues	1,179	3,537		3,537	4,716
Member premiums			5,040	5,040	5,040
Professional fees		11,112		11,112	11,112
Program rights and news wire	4,035				4,035
Special and community outreach events	7,217				7,217
Fundraising			4,797	4,797	4,797
Bank and card fees	3,004	1,001		1,001	4,005
Online and website fees	1,412	942		942	2,354
Occupancy	46,678	15,559		15,559	62,237
Insurance		5,593		5,593	5,593
Miscellaneous	656				656
Supplies and equipment	7,619	2,540		2,540	10,159
Office expenses	1,390	463		463	1,853
Depreciation and amortization	4,606	1,535		1,535	6,141
	<u>270,096</u>	<u>142,241</u>	<u>92,335</u>	<u>234,576</u>	<u>504,672</u>
TOTAL	<u>270,096</u>	<u>142,241</u>	<u>92,335</u>	<u>234,576</u>	<u>504,672</u>

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services	Supporting Services			Total Expenses
	Programming and Production	Management and General	Membership Development	Total Supporting Services	
Salaries and payroll taxes	15,682	89,613	73,931	163,544	179,226
Telephone	4,679	1,560		1,560	6,239
Advertising and promotion	148,220				148,220
Repairs and maintenance	3,928	1,309		1,309	5,237
Dues	1,083	3,250		3,250	4,333
Member premiums			3,645	3,645	3,645
Professional fees		11,620		11,620	11,620
Program rights and news wire	3,010				3,010
Special and community outreach events	470				470
Fundraising			11,919	11,919	11,919
Bank and card fees	2,671	890		890	3,561
Online and website fees	2,032	1,355		1,355	3,387
Travel expenses	3				3
Occupancy	42,367	14,122		14,122	56,489
Insurance		5,401		5,401	5,401
Miscellaneous	1,413				1,413
Supplies and equipment	9,446	3,149		3,149	12,595
Office expenses	1,345	448		448	1,793
Depreciation and amortization	10,333	3,444		3,444	13,777
TOTAL	<u>246,682</u>	<u>136,161</u>	<u>89,495</u>	<u>225,656</u>	<u>472,338</u>

SUNRISE COMMUNICATIONS, INC.
dba KZUM RADIO
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions	320,854	309,684
Grants	94,687	274,560
Other income	57,714	32,457
Cash paid to suppliers and employees	<u>(492,276)</u>	<u>(449,632)</u>
Net cash provided by (used in) operating activities	<u>(19,021)</u>	<u>167,069</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash purchases of radio and other equipment	<u>(5,012)</u>	<u>(1,394)</u>
Net cash used in investing activities	<u>(5,012)</u>	<u>(1,394)</u>
NET INCREASE (DECREASE) IN CASH	(24,033)	165,675
CASH, beginning of year	<u>386,182</u>	<u>220,507</u>
CASH, end of year	<u><u>362,149</u></u>	<u><u>386,182</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by (used in) Operating Activities		
Change in net assets	<u>(35,347)</u>	<u>143,517</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,141	13,777
(Increase) decrease in accounts receivable	8	1,139
Increase (decrease) in prepaid expenses	(9)	
Increase (decrease) in accounts payable and accrued expenses	6,264	8,929
Increase (decrease) in deferred revenue	<u>3,922</u>	<u>(293)</u>
Total adjustments	<u>16,326</u>	<u>23,552</u>
Net cash provided by (used in) operating activities	<u><u>(19,021)</u></u>	<u><u>167,069</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 (the Organization), 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

The financial statements report amounts by class of net assets, as required by ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements 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, 2022 and 2021, the Organization had no cash equivalents.

Contributions

The Organization utilizes Financial Accounting Standards Board (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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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 \$170,005 for the year ended September 30, 2022, and \$150,776 for the year ended September 30, 2021.

Revenue Recognition

The Organization has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard. Our service revenue contains a single delivery element and revenue is recognized at a single point in time after services have been performed.

Revenue With or Without Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purpose of property and equipment. Otherwise, donor restrictions on contributions of property and equipment of assets restricted for purchase of property or equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grant amounts awarded, but not received, are reported as receivables. Grant revenue is recognized in the period the grant is awarded, provided it is unconditional, and is recorded as revenue in net assets with or without donor restrictions, depending on the grantor's intent. Unrestricted grant program revenues represent grant dollars received which were either not restricted by the donor, or for which restrictions were met in the year received. Conditional grants are recognized as revenue is earned.

Investment earnings on contributions and grants are recorded based on donor restrictions, if any.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Compensated Absences

Employees' vacation benefits are recognized in the period earned. Accrued vacation pay at September 30, 2022 and 2021, was \$4,307 and \$5,331, respectively.

Advertising

Advertising costs of the Organization are expensed as incurred. The Organization incurred \$169,161 in advertising expenses during the year ended September 30, 2022, and \$148,220 during the year ended September 30, 2021.

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).

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2022 and 2021, was as follows:

	2022	2021
Leasehold improvements	40,753	40,753
Radio and other equipment	<u>473,055</u>	<u>468,043</u>
	513,808	508,796
Less accumulated depreciation	<u>(445,256)</u>	<u>(439,115)</u>
	<u><u>68,552</u></u>	<u><u>69,681</u></u>

NOTE 3. LEASES

The Organization 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.

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

NOTE 3. LEASES (Continued)

The future minimum rental payments due under this lease at September 30, 2022, are as follows:

2023	42,327
2024	43,314
2025	44,020
2026	45,047
2027	45,780

The Organization entered into a 60-month lease for a communications facilities lease site from June 1, 2022, to May 31, 2027. This lease provides for base rental amounts starting at \$798 a month and increasing incrementally to \$926 a month.

The future minimum rental payments due under this lease at September 30, 2022, are as follows:

2023	9,672
2024	9,964
2025	10,272
2026	10,696
2027	7,408

The Organization also entered into a 60-month lease for a copier on July 12, 2021, for \$178 per month.

The future minimum rental payments due under this lease at September 30, 2022, are as follows:

2023	2,136
2024	2,136
2025	2,136
2026	1,602

NOTE 4. RELATED PARTY TRANSACTIONS

The Organization received in-kind donations for website and filming services, in which the owner is the spouse of the general manager. The total amount recorded for the services was \$2,940 for the year ended September 30, 2022, and \$-0- for the year ended September 30, 2021.

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

NOTE 5. CONCENTRATION OF CREDIT RISK

The Organization had deposits in one financial institution in excess of the \$250,000 federally insured limit by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2022 and 2021, the amount of deposits not covered was \$129,525 and \$-0-, respectively).

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Organization generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Organization's broad customer base and its customers' financial resources.

NOTE 6. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	2022	2021
Cash	362,149	386,182
Receivables	<u>1,013</u>	<u>1,021</u>
Total financial assets available within one year	363,162	387,203
Less amounts restricted by donors	<u>(10,000)</u>	<u>(10,000)</u>
Total financial assets available to management for general expenditure within one year	<u><u>353,162</u></u>	<u><u>377,203</u></u>

NOTE 7. NET ASSETS

Net assets with donor restrictions at September 30, 2022 and 2021, consist of \$10,000 and \$10,000, respectively, restricted for equipment and transmitter expenses.

NOTE 8. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 10, 2023, the date the financial statements were available to be issued.