

LEXINGTON COMMUNITY RADIO, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017

*BESTEN & DIERUF, PLLC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Lexington Community Radio, Inc.  
Lexington, Kentucky

We have audited the accompanying financial statements of Lexington Community Radio, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2017 and the related statement of support, revenue, and expenses – modified cash basis 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 the modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**Auditor's 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 from 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 assets, liabilities, and net assets of Lexington Community Radio, Inc. as of December 31, 2017 and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

**Basis of Accounting**

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Beaton + Dineen, LLC". The signature is written in a cursive, flowing style.

May 8, 2018

LEXINGTON COMMUNITY RADIO, INC.  
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents

	\$ 29,221
TOTAL CURRENT ASSETS	<u>29,221</u>

LIABILITIES AND NET ASSETS

NET ASSETS

Unrestricted

	\$ 29,221
TOTAL NET ASSETS	<u>29,221</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 29,221</u></u>
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See Independent Auditors' Report and Notes to Financial Statements.

LEXINGTON COMMUNITY RADIO, INC.  
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Underwriting revenues	\$ 29,486	\$ -	\$ -	\$ 29,486
Direct public support income	68,104	-	-	68,104
In-kind contributions	228,389	-	-	228,389
Grant income	38,871	-	-	38,871
Fundraising	3,791	-	-	3,791
Miscellaneous	563	-	-	563
Interest and dividends	172	-	-	172
Net assets released from restriction:				
Satisfaction of program restrictions	1,800	(1,800)	-	-
TOTAL SUPPORT AND REVENUE	<u>371,176</u>	<u>(1,800)</u>	<u>-</u>	<u>369,376</u>
<b>EXPENSES</b>				
Program services	303,678	-	-	303,678
Supporting services:				
Management and general administration	35,180	-	-	35,180
Fundraising	46,643	-	-	46,643
TOTAL EXPENSES	<u>385,501</u>	<u>-</u>	<u>-</u>	<u>385,501</u>
CHANGE IN NET ASSETS	(14,325)	(1,800)	-	(16,125)
NET ASSETS - BEGINNING OF YEAR	<u>43,546</u>	<u>1,800</u>	<u>-</u>	<u>45,346</u>
NET ASSETS - END OF YEAR	<u>\$ 29,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,221</u>

See Independent Auditors' Report and Notes to Financial Statements.

LEXINGTON COMMUNITY RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION

Lexington Community Radio, Inc. (the Organization) is a Kentucky nonprofit organization whose purpose is to empower the community by engaging listeners with local, timely, and relevant information and opinions that positively impact safety and quality of life in Lexington.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

These financial statements have been prepared on the modified cash basis of accounting; consequently, certain revenue and related assets are recognized when paid rather than when the obligation is incurred. The cash basis has been modified to include certain in-kind revenue and expenses.

Cash and Cash Equivalents

The Organization considers all cash in banks and certificates of deposit to be cash equivalents.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – net assets used for the general activities of the Organization and encompass the portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets - net assets resulting from contributions and other inflows whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets - net assets resulting from contributions whose use by the Organization is limited by the donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

There are no permanently or temporarily restricted net assets as of December 31, 2017.

Donated Services

In-kind contributions include services provided for underwriting, design work, consulting, technological services, and other services. These in-kind revenues have corresponding expenses included in the statement of functional expenses – modified cash basis with other expenditures of the same functional category. They are reflected in the accompanying statements at their estimated values at the date the services are rendered. There was no donated property during the year.

Net in-kind revenue is \$0 for the year ended December 31, 2017. As such, management believes recording the services contributed does not create a material difference to not recording the contributed services under the modified cash basis of accounting.

LEXINGTON COMMUNITY RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – continued

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private Organization.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Uncertain Tax Positions

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. As tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

Date of Management's Review

Management has evaluated subsequent events through May 8, 2018, which is the date the financial statements were available to be issued.

NOTE C - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of support, revenue, and expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The supplemental schedule of functional expenses presents the expenses by natural classification.

NOTE D – CONCENTRATIONS

Although the Organization is directly affected by economic conditions in the geographic area, management does not believe significant credit risk exists as of December 31, 2017.

NOTE E – IN-KIND REVENUES AND EXPENSES

As mentioned in Note B, the Organization's uses the modified cash basis of accounting to incorporate in-kind contributions and corresponding expenses. All in-kind contributions recognized by management represent expenses that would have been purchased if not donated. Management has determined the value of in-kind revenues totaled \$228,389, in-kind expenses totaled \$228,389, and net income related to in-kind totaled \$0 for the year ended December 31, 2017. The fair market value of contributions is reported as revenue and expense in the period in which the services are performed. Management believes that this modification to the cash basis has no net impact to the financial statements and more accurately reflects the overall revenue and expenses required to operate the Organization.

SUPPLEMENTAL INFORMATION

LEXINGTON COMMUNITY RADIO, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2017

	Program	Management and General Administration	Fundraising	Total
Salaries and wages	\$ 147,468	\$ 16,231	\$ 38,633	\$ 202,332
Payroll tax expense	7,614	1,021	1,022	9,657
Employee benefits	375	3,000	-	3,375
Occupancy expenses	34,412	1,377	1,377	37,166
Tower rental and transmission	10,980	-	-	10,980
Information technology expenses	4,418	142	77	4,637
Telephone	1,109	540	-	1,649
Direct programing expenses	9,765	-	-	9,765
Music licensing fees	4,123	-	-	4,123
Insurance expense	4,428	652	176	5,256
Legal and professional	74,305	7,144	1,500	82,949
Advertising	1,810	143	200	2,153
Direct fundraising expense	3	-	3,253	3,256
Bank and credit card fees	-	9	207	216
Printing and copying	160	240	-	400
Postage and delivery	-	69	54	123
Post office box rental	-	132	-	132
Website registration and maintenance fees	648	10	36	694
Office supplies	275	1,173	-	1,448
Dues and memberships	99	125	-	224
Administrative information technology	547	1,185	99	1,831
Conferences and meeting expense	331	-	-	331
Travel and entertainment	588	355	-	943
Miscellaneous expenses	220	1,632	9	1,861
	<u>\$ 303,678</u>	<u>\$ 35,180</u>	<u>\$ 46,643</u>	<u>\$ 385,501</u>
	<u>78.8%</u>	<u>9.0%</u>	<u>12.1%</u>	

See Independent Auditors' Report and Notes to Financial Statements.