

LOWER CAPE COMMUNICATIONS, INC.

Financial Statements

September 30, 2021 and 2020

LOWER CAPE COMMUNICATIONS, INC.

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September 30, 2021

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LAMB, MASON, BULGER & CO., P.C.
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INDEPENDENT AUDITOR'S REPORT

January 26, 2022

To the Board of Directors
Lower Cape Communications, Inc.
Provincetown, Massachusetts

We have audited the accompanying financial statements of Lower Cape Communications, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021 and 2020, and the related statements of activities, cash flows and functional expenses 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.

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 financial position of Lower Cape Communications, Inc. as of September 30, 2021 and 2020, 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.

Lamb, Mason, Bulger & Co., P.C.

Lamb, Mason, Bulger & Co., P.C.

LOWER CAPE COMMUNICATION, INC.

Statement of Activities

For the Years Ended September 30, 2021 and 2020

(See Independent Auditor's Report)

	<u>2021</u>	<u>2020</u>
Support and Revenue:		
Contributions, gifts, and private grants	\$ 83,707	\$ 63,694
Government grants	254,348	278,663
Program service revenue	63,134	55,297
Memberships	304,223	273,834
Interest on savings	721	577
Events revenue	33,656	17,101
Rental income	<u>48,432</u>	<u>49,667</u>
Total Support and Revenue	<u>788,221</u>	<u>738,833</u>
Expenses:		
Program expenses		
Broadcasting	299,139	259,480
General and administrative	179,619	156,591
Fundraising	<u>135,417</u>	<u>119,603</u>
Total Expenses	<u>614,175</u>	<u>535,674</u>
Change in Net Assets	174,046	203,159
Net Assets Without Restrictions at Beginning of the Year	<u>927,364</u>	<u>724,205</u>
Net Assets Without Restrictions at End of the Year	<u>\$ 1,101,410</u>	<u>\$ 927,364</u>

LOWER CAPE COMMUNICATIONS, INC.

Statement of Cash Flows

For the Years Ended September 30, 2021 and 2020

(See Independent Auditor's Report)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 174,046	\$ 203,159
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	43,490	34,761
Amortization	232	232
(Increase) Decrease in operating assets		
Accounts receivable	2,750	(1,750)
Prepaid expense	6,000	-
Increase (Decrease) in operating liabilities		
Accounts payable	3,829	(2,988)
Deferred revenue	(2,559)	4,452
Security deposits	<u>(1)</u>	<u>8</u>
Net Cash Provided by Operating Activities	<u>227,787</u>	<u>237,874</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	<u>-</u>	<u>(265,790)</u>
Net Cash (Used) by Investing Activities	<u>-</u>	<u>(265,790)</u>
Cash Flows from Financing Activities:		
Payments of long term debt	<u>(115,483)</u>	<u>(57,906)</u>
Net Cash (Used) by Financing Activities	<u>(115,483)</u>	<u>(57,906)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	112,304	(85,822)
Beginning Cash and Cash Equivalents	<u>224,287</u>	<u>310,109</u>
Ending Cash and Cash Equivalents	<u>\$ 336,591</u>	<u>\$ 224,287</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 11,325</u>	<u>\$ 15,557</u>

See Accompanying Notes to Financial Statements

LOWER CAPE COMMUNICATIONS, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2021

(See Independent Auditor's Report)

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages and benefits	\$ 62,507	\$ 85,905	\$ 76,944	\$ 225,356
Payroll taxes	4,338	5,982	4,636	14,956
Insurance	13,928	12,865	252	27,045
Occupancy	45,366	14,764	-	60,130
Telephone	991	1,367	1,060	3,418
Repairs and maintenance	21,191	620	-	21,811
Office supplies and services	6,119	8,956	15,282	30,357
Postage and delivery	-	4,585	2,508	7,093
Advertising and public relations	38,004	-	-	38,004
Professional fees	7,025	12,945	461	20,431
Conferences, travel and hospitality	-	75	3,793	3,868
Programming purchases	6,551	-	-	6,551
Production costs	20,985	-	-	20,985
Antenna rent	46,784	-	-	46,784
Depreciation	19,571	23,919	-	43,490
Amortization	116	116	-	232
Interest	5,663	5,662	-	11,325
Contracted services	-	705	-	705
Bank charges	-	234	12,481	12,715
Filing fees	-	919	-	919
Events	-	-	18,000	18,000
Total Expenses	<u>\$ 299,139</u>	<u>\$ 179,619</u>	<u>\$ 135,417</u>	<u>\$ 614,175</u>

See Accompanying Notes to Financial Statements

LOWER CAPE COMMUNICATIONS, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2020

(See Independent Auditor's Report)

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages and benefits	\$ 55,046	\$ 75,490	\$ 70,382	\$ 200,918
Payroll taxes	3,674	5,035	3,878	12,587
Insurance	14,027	10,126	695	24,848
Occupancy	42,856	10,001	-	52,857
Telephone	956	1,319	1,022	3,297
Repairs and maintenance	11,494	506	-	12,000
Office supplies and services	5,954	7,494	13,872	27,320
Postage and delivery	-	4,265	2,377	6,642
Advertising and public relations	27,836	-	8,016	35,852
Professional fees	424	13,756	453	14,633
Conferences, travel and hospitality	-	419	391	810
Programming purchases	6,201	-	-	6,201
Production costs	11,760	-	-	11,760
Antenna rent	47,390	-	-	47,390
Depreciation	15,642	19,119	-	34,761
Amortization	116	116	-	232
Interest	7,779	7,778	-	15,557
Contracted services	-	-	390	390
Bank charges	-	249	9,468	9,717
Filing fees	-	918	-	918
Events	8,325	-	8,659	16,984
Total Expenses	<u>\$ 259,480</u>	<u>\$ 156,591</u>	<u>\$ 119,603</u>	<u>\$ 535,674</u>

See Accompanying Notes to Financial Statements

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2021 and 2020

(See Independent Auditor's Report)

Note 1 – Nature of Activities and Significant Accounting Policies:Nature of Activities

Lower Cape Communications, Inc. (the Organization) is a not-for-profit corporation organized on December 26, 1976, under the laws of the State of Massachusetts. Its purpose is to operate a non-commercialized, educational radio station to benefit the communities of lower Cape Cod and to provide broadcast service to the community which is entertaining, informative, and educational; to encourage participation by members of the community in the management of the station and in the production of radio programs; to provide an outlet for members of the community in the management of the station and in the production of radio programs; and to provide an outlet for members of the community to present educational, artistic, and informative programs.

The following summary of significant accounting policies is presented in order to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when goods are received and services rendered. Contributions are received and recorded as without restrictions or with restrictions depending on the existence or nature of any donor restrictions.

Net assets of the Organization have been broken down into two different classifications as follows:

Net assets without restrictions – consist of unrestricted amounts that are available for use in carrying out the mission of the Organization.

Net assets with restrictions – consist of those amounts that are donor restricted for a specific purpose. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has elected, however, to show those restricted contributions whose restrictions are met in the same reporting period as they are received as unrestricted support.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2021 and 2020

(See Independent Auditor's Report)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued):Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity 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. Accordingly, actual results could differ from those estimates.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that cost in excess of \$1,000. Property and equipment is recorded at cost or the estimated value at the date of the gift, if donated.

Depreciation

Property and equipment is recorded at cost or the estimated value at the date of the gift, if donated. Depreciation is computed over estimated useful lives as follows:

Buildings	40 years
Building Improvements	20 years
Furniture	7 years
Office Equipment	7 years
Transmission Shack	10 years

Total depreciation expense was \$43,490 and \$34,761 for the years ended September 30, 2021 and 2020, respectively.

Advertising Costs

The Organization expenses the cost of advertising as incurred. Advertising expense was \$38,004 and \$35,852 for the years ended September 30, 2021 and 2020, respectively.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2021 and 2020

(See Independent Auditor's Report)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued):Income Taxes

The Organization is exempt from income taxes as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Contributed Services

A substantial number of unpaid volunteers including board members have made significant contributions of their time to develop the Organization's programs and policies. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Functional Expenses

The expenses incurred to provide the various programs and activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Subsequent Events:

Lower Cape Communications, Inc. evaluated subsequent events for potential required disclosures through January 25, 2022 which is the day the financial statements were available to be issued. Management found no subsequent events that should be disclosed.

Note 2 – Contingencies:

Lower Cape Communications, Inc. receives a significant portion of its support from various funding sources. Expenditure of these funds requires compliance with terms and conditions specified in the related contracts and agreements. These expenditures are subject to audit by the contracting agencies. Any disallowed expenditures would become a liability of the agency requiring repayment to the funding sources. Liabilities resulting from these audits, if any, will be recorded in the period in which the liability is ascertained.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2021 and 2020

(See Independent Auditor's Report)

Note 3 – Mortgage Payable:

Mortgage dated November 3, 2010 in the amount of \$485,000 with Seamen's Bank, is due in monthly installments of \$1,593.71 including interest, fixed at 3.875% until March 3, 2023 then adjusting to 1% above the Wall Street Journal Prime Rate. The loan maturity date is November 3, 2035. The mortgage is secured by the real estate of the Organization.

Future maturities under the mortgage agreement are as follows:

<u>Year ending</u>	
September 30, 2022	\$ 11,383
September 30, 2023	11,831
September 30, 2023	12,299
September 30, 2024	12,784
September 30, 2025	13,288
Thereafter	<u>143,379</u>
Total mortgage payable	<u>\$ 204,964</u>

Note 4 – Deferred Revenue:

Deferred revenue represents sponsor support of future programming.

Note 5 – Concentration of Revenue:

In 2021 the Station received support from the Corporation for Public Broadcasting in the amount of \$254,348.

In 2020 the Station received support from the Corporation for Public Broadcasting in the amount of \$147,313.

In 2020 the Station also received federal covid 19 stimulus funding of \$35,600 and Massachusetts Cultural Facilities funding of \$95,000 for renovating the studio.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2021 and 2020

(See Independent Auditor's Report)

Note 6 – Antenna rent:

In March 2010 the Station signed a lease for use of an antenna located in Brewster for the purpose of extending the broadcast area for the station. The initial term of the lease is 5 years with four additional five year extension periods available. Rent for the first year is \$3,000 per month with a 3% increase annually on the anniversary date plus reimbursement of site expenses. Rent paid under this lease was \$28,590 for 2020.

In February 2020 the Station signed a new lease for use of an antenna located in Orleans for the purpose of extending the broadcast area for the station. The new lease has an initial term of 10 years beginning June 1, 2020. The renewal terms of the agreement are five (5) additional periods of five (5) years each. Rent for the first year is \$3,200 per month with a 3% increase annually on the anniversary date plus reimbursement of site expenses. Rent paid under this lease was \$18,800 for 2020 and \$46,784 for 2021

Future minimum rents are as follows:

Year ended September 30,	2022	\$ 39,849
	2023	41,046
	2024	42,279
	2025	44,393
	2026	<u>45,725</u>
	Total	<u>\$ 213,292</u>

Note 7 – Revenue Recognition:

The Station considers performance obligations on program services satisfied when the services are performed. Memberships are recognized when received.

Note 8 - Concentration of Cash Balances:

The Station has concentrated its credit risk for cash by maintaining all deposits in a single bank, these deposits exceed the FDIC insurance limits by \$79,642 as of September 30, 2021. The amount in excess of the FDIC limit is insured by the bank's private deposit insurance.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2021 and 2020

(See Independent Auditor's Report)

Note 9 – In-kind Donations:

The Station receives donations of in-kind services from local businesses and other non-profit organizations. For 2021 the Station recognized \$46,608 as In-kind revenue and expense. For 2020 the station recognized \$47,597 as In-kind revenue and expense.

	<u>2021</u>	<u>2020</u>
In-kind revenue is included in the following revenue accounts:		
Contributions, gifts and private grants	<u>\$ 46,608</u>	<u>\$ 47,597</u>

In-kind expense is included in the following expense accounts:

Program advertising and public relations	\$ 38,004	\$ 27,836
Program events	-	8,325
General and administrative - occupancy	3,000	-
General and administrative office supplies	1,080	1,860
Fundraising advertising and public relations	780	8,016
Fundraising conferences, travel and hospitality	<u>3,744</u>	<u>1,560</u>
Total In-kind expenses	<u>\$ 46,608</u>	<u>\$ 47,597</u>

Note 10 – Liquidity and Availability:

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

	<u>2021</u>	<u>2020</u>
Cash and equivalents	<u>\$ 336,491</u>	<u>\$ 224,287</u>