

LOWER CAPE COMMUNICATIONS, INC.

Financial Statements

September 30, 2022 and 2021

LOWER CAPE COMMUNICATIONS, INC.

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September 30, 2022

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

February 10, 2023

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

Opinion

We have audited the accompanying financial statements of Lower Cape Communications, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities 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 Lower Cape Communications, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Lower Cape Communications, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Lower Cape Communications, Inc.'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 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 Lower Cape Communications, Inc. 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 Lower Cape Communications, Inc.'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.

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

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

LOWER CAPE COMMUNICATIONS, INC.

Statements of Financial Position

September 30, 2022 and 2021

(See Independent Auditor's Report)

Assets

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 220,199	\$ 336,591
Account receivable-rent	3,000	2,000
Prepaid expenses	<u>600</u>	<u>600</u>
Total Current Assets	<u>223,799</u>	<u>339,191</u>
Fixed Assets		
Building and improvements	1,080,868	1,080,868
Furniture and equipment	658,869	629,082
Accumulated depreciation	<u>(764,666)</u>	<u>(719,911)</u>
Net Fixed Assets	<u>975,071</u>	<u>990,039</u>
Other Assets:		
Finance costs, net of amortization	<u>3,040</u>	<u>3,272</u>
Total Assets	<u>\$ 1,201,910</u>	<u>\$ 1,332,502</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 15,431	\$ 4,392
Deferred revenue	19,143	17,669
Current portion of mortgage payable	12,912	11,383
Security deposits	<u>4,069</u>	<u>4,067</u>
Total Current Liabilities	51,555	37,511
Mortgage payable	<u>-</u>	<u>193,581</u>
Total Liabilities	<u>51,555</u>	<u>231,092</u>
Net Assets		
Net assets without restrictions	<u>1,150,355</u>	<u>1,101,410</u>
Total Liabilities and Net Assets	<u>\$ 1,201,910</u>	<u>\$ 1,332,502</u>

See Accompanying Notes to Financial Statements

LOWER CAPE COMMUNICATION, INC.

Statement of Activities

For the Years Ended September 30, 2022 and 2021

(See Independent Auditor's Report)

	<u>2022</u>	<u>2021</u>
Support and Revenue:		
Contributions, gifts, and private grants	\$ 30,850	\$ 37,099
Contributed services	55,193	46,608
Government grants	111,715	254,348
Program service revenue	47,766	63,134
Memberships	358,728	304,223
Interest on savings	304	721
Events revenue	34,580	33,656
Rental income	<u>55,360</u>	<u>48,432</u>
Total Support and Revenue	<u>694,496</u>	<u>788,221</u>
Expenses:		
Program expenses		
Broadcasting	307,826	299,139
General and administrative	187,234	179,619
Fundraising	<u>150,491</u>	<u>135,417</u>
Total Expenses	<u>645,551</u>	<u>614,175</u>
Change in Net Assets	48,945	174,046
Net Assets Without Restrictions at Beginning of the Year	<u>1,101,410</u>	<u>927,364</u>
Net Assets Without Restrictions at End of the Year	<u>\$ 1,150,355</u>	<u>\$ 1,101,410</u>

LOWER CAPE COMMUNICATIONS, INC.

Statement of Cash Flows

For the Years Ended September 30, 2022 and 2021

(See Independent Auditor's Report)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 48,945	\$ 174,046
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	44,755	43,490
Amortization	232	232
(Increase) Decrease in operating assets		
Accounts receivable	(1,000)	2,750
Prepaid expense	-	6,000
Increase (Decrease) in operating liabilities		
Accounts payable	11,039	3,829
Deferred revenue	1,474	(2,559)
Security deposits	<u>2</u>	<u>(1)</u>
Net Cash Provided by Operating Activities	<u>105,447</u>	<u>227,787</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(29,787)	-
Net Cash (Used) by Investing Activities	<u>(29,787)</u>	<u>-</u>
Cash Flows from Financing Activities:		
Payments of long term debt	(192,052)	(115,483)
Net Cash (Used) by Financing Activities	<u>(192,052)</u>	<u>(115,483)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(116,392)	112,304
Beginning Cash and Cash Equivalents	<u>336,591</u>	<u>224,287</u>
Ending Cash and Cash Equivalents	<u>\$ 220,199</u>	<u>\$ 336,591</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 4,947</u>	<u>\$ 11,325</u>

See Accompanying Notes to Financial Statements

LOWER CAPE COMMUNICATIONS, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2022

(See Independent Auditor's Report)

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages and benefits	\$ 60,809	\$ 83,318	\$ 73,512	\$ 217,639
Payroll taxes	3,728	5,142	3,985	12,855
Insurance	15,667	13,052	319	29,038
Occupancy	61,363	10,052	-	71,415
Telephone	597	824	639	2,060
Repairs and maintenance	12,528	220	-	12,748
Office supplies and services	6,045	9,947	15,526	31,518
Postage and delivery	-	9,238	2,842	12,080
Advertising and public relations	48,579	-	-	48,579
Professional fees	7,864	21,220	2,049	31,133
Conferences, travel and hospitality	2,200	75	-	2,275
Programming purchases	6,821	-	-	6,821
Production costs	18,947	-	-	18,947
Antenna rent	39,948	-	-	39,948
Depreciation	20,140	24,615	-	44,755
Amortization	116	116	-	232
Interest	2,474	2,473	-	4,947
Contracted services	-	6,005	-	6,005
Bank charges	-	-	11,675	11,675
Filing fees	-	937	-	937
Events	-	-	39,944	39,944
Total Expenses	<u>\$ 307,826</u>	<u>\$ 187,234</u>	<u>\$ 150,491</u>	<u>\$ 645,551</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>

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2022 and 2021

(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, 2022 and 2021

(See Independent Auditor's Report)

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

For the purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments, including certificates of deposits 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 of 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 \$44,755 and \$43,490 for the years ended September 30, 2022 and 2021, respectively.

Advertising Costs

The Organization expenses the cost of advertising as incurred. Advertising expense was \$48,579 and \$38,004 for the years ended September 30, 2022 and 2021, respectively.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2022 and 2021

(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 February 10, 2023 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, 2022 and 2021

(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, 2023	\$ 12,912
Total mortgage payable	<u>\$ 12,912</u>

This note was paid off in full in October of 2022, subsequent to these financial statements,

Note 4 – Deferred Revenue:

Deferred revenue represents sponsor support of future programming.

Note 5 – Concentration of Revenue:

The Station received support from the Corporation for Public Broadcasting in the amounts of \$111,715 and \$254,348 for the years ended September 30, 2022 and 2021 respectively

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2022 and 2021

(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 2021.

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 \$39,948 for 2022 and \$46,784 for 2021.

Future minimum rents are as follows:

Year ended September 30,	2023	\$ 41,046
	2024	42,278
	2025	44,393
	2026	45,725
	2027	<u>47,097</u>
	Total	<u>\$ 220,539</u>

Note 7 – Revenue Recognition:

The Station considers performance obligations on advertising revenue equally over the contract period. Payment is due prior to the beginning of the contract period and there are no obligations for refunds. Memberships are recognized when received.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2022 and 2021

(See Independent Auditor's Report)

Note 8 – In-kind Donations:

The Station receives donations of in-kind services from local businesses and other non-profit organizations. For 2022 the Station recognized \$55,193 as In-kind revenue and expense. For 2021 the station recognized \$46,608 as In-kind revenue and expense.

	<u>2022</u>	<u>2021</u>
In-kind revenue is included in the following revenue accounts:		
Contributions, gifts and private grants	<u>\$ 55,193</u>	<u>\$ 46,608</u>

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

Program advertising and public relations	\$ 48,284	\$ 38,004
Program events	2,080	-
General and administrative - occupancy	-	3,000
General and administrative office supplies	-	1,860
Fundraising advertising and public relations	300	-
Fundraising conferences, travel and hospitality	<u>4,529</u>	<u>3,744</u>
Total In-kind expenses	<u>\$ 55,193</u>	<u>\$ 46,608</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>2022</u>	<u>2021</u>
Cash and equivalents	<u>\$ 220,199</u>	<u>\$ 336,491</u>