

LOWER CAPE COMMUNICATIONS, INC.

Financial Statements

September 30, 2023 and 2022

LOWER CAPE COMMUNICATIONS, INC.

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September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

February 1, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022

(See Independent Auditor's Report)

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 249,915	\$ 220,199
Account receivable-rent	3,000	3,000
Prepaid expenses	<u>6,539</u>	<u>600</u>
Total Current Assets	<u>259,454</u>	<u>223,799</u>
Fixed Assets		
Building and improvements	1,085,350	1,080,868
Furniture and equipment	686,996	658,869
Accumulated depreciation	<u>(811,409)</u>	<u>(764,666)</u>
Net Fixed Assets	<u>960,937</u>	<u>975,071</u>
Other Assets:		
Right of use asset – Lease	282,687	315,609
Finance costs, net of amortization	<u>2,808</u>	<u>3,040</u>
Total Other Assets	<u>285,495</u>	<u>318,649</u>
Total Assets	<u>\$ 1,505,886</u>	<u>\$ 1,517,519</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 5,328	\$ 15,431
Deferred revenue	20,423	19,143
Current portion of mortgage payable	-	12,912
Current portion of lease liability	34,995	32,923
Security deposits	<u>4,069</u>	<u>4,069</u>
Total Current Liabilities	<u>64,815</u>	<u>84,478</u>
Non-current Liabilities		
Lease liability	<u>247,692</u>	<u>282,686</u>
Total Non-current Liabilities	<u>247,692</u>	<u>282,686</u>
Total Liabilities	<u>312,507</u>	<u>367,164</u>
Net Assets		
Net assets without restrictions	<u>1,193,379</u>	<u>1,150,355</u>
Total Liabilities and Net Assets	<u>\$ 1,505,886</u>	<u>\$ 1,517,519</u>

See Accompanying Notes to Financial Statements

LOWER CAPE COMMUNICATION, INC.

Statement of Activities

For the Years Ended September 30, 2023 and 2022

(See Independent Auditor's Report)

	<u>2023</u>	<u>2022</u>
Support and Revenue:		
Contributions, gifts, and private grants	\$ 43,926	\$ 30,850
Contributed services	72,930	55,193
Government grants	111,865	111,715
Program service revenue	61,738	47,766
Memberships	342,892	358,728
Interest on savings	3,407	304
Events revenue	34,394	34,580
Rental income	<u>59,527</u>	<u>55,360</u>
Total Support and Revenue	<u>730,679</u>	<u>694,496</u>
Expenses:		
Program expenses		
Broadcasting	332,318	307,826
General and administrative	194,922	187,234
Fundraising	<u>160,415</u>	<u>150,491</u>
Total Expenses	<u>687,655</u>	<u>645,551</u>
Change in Net Assets	43,024	48,945
Net Assets Without Restrictions at Beginning of the Year	<u>1,150,355</u>	<u>1,101,410</u>
Net Assets Without Restrictions at End of the Year	<u>\$ 1,193,379</u>	<u>\$ 1,150,355</u>

LOWER CAPE COMMUNICATIONS, INC.

Statement of Cash Flows

For the Years Ended September 30, 2023 and 2022

(See Independent Auditor's Report)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 43,024	\$ 48,945
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	46,743	44,755
Amortization	232	232
(Increase) Decrease in operating assets		
Accounts receivable	-	(1,000)
Prepaid expense	(5,939)	-
Increase (Decrease) in operating liabilities		
Accounts payable	(10,103)	11,039
Security deposit	-	2
Deferred revenue	<u>1,280</u>	<u>1,474</u>
Cash Provided by Operating Activities	<u>75,237</u>	<u>105,447</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(32,609)	(29,787)
Net Cash (Used) by Investing Activities	(32,609)	(29,787)
Cash Flows from Financing Activities:		
Payments of long term debt	(12,912)	(192,052)
Net Cash (Used) by Financing Activities	(12,912)	(192,052)
Net Increase (Decrease) in Cash and Cash Equivalents	29,716	(116,392)
Beginning Cash and Cash Equivalents	<u>220,199</u>	<u>336,591</u>
Ending Cash and Cash Equivalents	<u>\$ 249,915</u>	<u>\$ 220,199</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 118</u>	<u>\$ 4,947</u>

See Accompanying Notes to Financial Statements

LOWER CAPE COMMUNICATIONS, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2023

(See Independent Auditor's Report)

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages and benefits	\$ 69,031	\$ 93,188	\$ 86,904	\$ 249,123
Payroll taxes	4,249	5,860	4,542	14,651
Insurance	19,430	12,579	293	32,302
Occupancy	56,964	10,422	-	67,386
Telephone	457	630	488	1,575
Repairs and maintenance	10,416	2,658	-	13,074
Office supplies and services	6,883	10,999	17,864	35,746
Postage and delivery	-	9,402	3,153	12,555
Advertising and public relations	61,829	-	4,460	66,289
Professional fees	16,491	17,675	2,890	37,056
Conferences, travel and hospitality	100	4,585	5,004	9,689
Programming purchases	7,506	-	-	7,506
Production costs	16,607	-	-	16,607
Antenna rent	41,146	-	-	41,146
Depreciation	21,034	25,709	-	46,743
Amortization	116	116	-	232
Interest	59	59	-	118
Bank charges	-	-	12,330	12,330
Filing fees	-	1,040	-	1,040
Events	-	-	22,487	22,487
Total Expenses	<u>\$ 332,318</u>	<u>\$ 194,922</u>	<u>\$ 160,415</u>	<u>\$ 687,655</u>

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>

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

(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, 2023 and 2022

(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 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 \$46,743 and \$44,755 for the years ended September 30, 2023 and 2022, respectively.

Advertising Costs

The Organization expenses the cost of advertising as incurred. Advertising expense was \$66,289 and \$48,579 for the years ended September 30, 2023 and 2022, respectively.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

(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 1, 2023 which is the day the financial statements were available to be issued. Management found no subsequent events that should be disclosed.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs effective October 1, 2021 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Organization to restate amounts as of October 1, 2021, resulting in an increase in operating lease ROU assets of \$315,609, and an increase in operating lease liabilities of \$315,609.

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

(See Independent Auditor's Report)

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.

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.

This note was paid off in full in October of 2022.

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 \$111,865 and \$111,715 for the years ended September 30, 2023 and 2022 respectively

LOWER CAPE COMMUNICATIONS, INC.

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

(See Independent Auditor's Report)

Note 6 – Antenna rent:

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 \$41,146 for 2023 and \$39,948 for 2022.

At September 30, 2023, future minimum rental payments due under the lease are due as follows:

2024	\$ 42,275
2025	43,544
2026	44,849
2027	46,195
2028	47,581
Thereafter	<u>85,766</u>
Total minimum lease payments	<u>310,210</u>
Less: amount representing interest	(<u>27,523</u>)
Present value of net minimum lease payments	<u>\$ 282,687</u>

The Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments as no implicit rate is stated in the lease agreement. The discount rate used in determining present value of this operating lease was 3.20%, which was the risk free rate at the commencement date

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, 2023 and 2022

(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 2023 the Station recognized \$72,930 as In-kind revenue and expense. For 2022 the station recognized \$55,193 as In-kind revenue and expense.

	<u>2023</u>	<u>2022</u>
In-kind revenue is included in the following revenue accounts:		
Contributions, gifts and private grants	<u>\$ 72,930</u>	<u>\$ 55,193</u>

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

Program advertising and public relations	\$ 61,386	\$ 48,284
Program events	2,080	2,080
Fundraising advertising and public relations	4,460	300
Fundraising conferences, travel and hospitality	<u>5,004</u>	<u>4,529</u>
Total In-kind expenses	<u>\$ 72,930</u>	<u>\$ 55,193</u>

Note 9 – 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>2023</u>	<u>2022</u>
Cash and equivalents	\$ 249,915	\$ 220,199
Accounts receivable	<u>3,000</u>	<u>3,000</u>
Total	<u>\$ 252,915</u>	<u>\$ 223,199</u>