

BRAZOS EDUCATIONAL RADIO

Financial Statements

with

Independent Accountants' Review Report

December 31, 2013



SEIDEL, SCHROEDER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Brazos Educational Radio

We have reviewed the accompanying statement of financial position of Brazos Educational Radio (a nonprofit organization) as of December 31, 2013, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

September 2, 2014

Seidel, Schroeder & Company

BRAZOS EDUCATIONAL RADIO
Statement of Financial Position
December 31, 2013

ASSETS

Current assets:	
Cash, unrestricted	\$ 47,310
Cash, restricted	3,759
Prepaid expenses	1,026
Total current assets	<u>52,095</u>
Property and equipment, net	74,084
Total Assets	<u><u>\$ 126,179</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued liabilities	\$ 2,123
Current maturities of long-term debt	4,245
Total current liabilities	<u>6,368</u>
Long-term debt, less current maturities	<u>53,071</u>
Total liabilities	<u><u>59,439</u></u>
Net Assets	
Unrestricted	62,981
Temporarily restricted assets	3,759
Total net assets	<u><u>66,740</u></u>
Total Liabilities and Net Assets	<u><u>\$ 126,179</u></u>

See accompanying notes to financial statements.

BRAZOS EDUCATIONAL RADIO
Statement of Activities
For the Year Ended December 31, 2013

UNRESTRICTED NET ASSETS

Public support and revenues

Donations	\$ 45,295
Donated services	66,615
Special events	5,113
Underwriting	8,245
Other	36
Nets assets released from restrictions	3,189
Total public support and revenues	<u>128,493</u>

Expenses

Program services:	
Programming and Broadcasting	90,064
Support services:	
Administrative expenses	16,773
Fundraising	400
Total expenses	<u>107,237</u>

Increase in unrestricted net assets	21,256
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TEMPORARILY RESTRICTED NET ASSETS

Grants	4,800
Nets assets released from restrictions	<u>(3,189)</u>

Increase in temporarily restricted net assets	<u>1,611</u>
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Increase in net assets	22,867
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Net assets - beginning of year	<u>43,873</u>
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Net assets - end of year	<u><u>\$ 66,740</u></u>
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See accompanying notes to financial statements.

BRAZOS EDUCATIONAL RADIO
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash flows from operating activities:	
Change in net assets	\$ 22,867
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	5,680
Increase (decrease) in cash from changes in operating assets and liabilities:	
Prepaid assets	(56)
Accrued liabilities	927
	6,551
Net cash provided by operating activities	29,418
Cash flows from investing activities:	
Purchases of property and equipment	(6,442)
	(6,442)
Cash flows from financing activities:	
Repayment of long-term debt	(3,939)
	(3,939)
Net increase in cash and equivalents	
	19,037
Cash and equivalents, beginning of year	
	32,031
Cash and equivalents, end of year	
	\$ 51,068
Reconciliation to statements of financial position:	
Unrestricted	\$ 47,310
Temporarily restricted	3,759
Total cash and cash equivalents	\$ 51,069

See accompanying notes to the financial statements.

Brazos Educational Radio
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies

Nature of activities

Brazos Educational Radio is a not-for-profit radio station that broadcasts from Bryan, Texas, under the call letters KEOS. Brazos Educational Radio began operations in 1991 and offers a wide variety of music and community-oriented broadcasts. The station depends primarily upon contributions from the general public, underwritings, and grants for funding. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

Basis of accounting

The accompanying financial statements include all the accounts of Brazos Educational Radio and are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of presentation

Brazos Educational Radio reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets as of December 31, 2013.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Future events could cause actual results to differ from those estimates.

Revenue recognition

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

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released from restrictions.

Brazos Educational Radio
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies - (continued)

Receivables

Brazos Educational Radio allows for businesses and organizations to become underwriters for \$100 per month and billed by calendar quarter. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509. The tax years ending December 31, 2010 and later remain subject to examination.

Cash and Equivalents

For purposes of reporting cash flows, Brazos Educational Radio considers all cash and other highly liquid investments available for current use with an original maturity of three months less to be cash equivalents.

Subsequent events

Management has evaluated subsequent events through September 2, 2014, the date the financial statements were available to be issued.

2. Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method. Expenditures for additions, major renewals, and betterments are capitalized. Maintenance and repairs are expensed as incurred. The estimated useful lives are as follows:

Buildings and improvements	10 to 31.5 years
Broadcast equipment	7 years
Furniture and fixtures	7 years

Depreciation expense for the year ended December 31, 2013 totaled \$5,680.

Brazos Educational Radio
Notes to Financial Statements
December 31, 2013

2. Property and Equipment – (continued)

Property and equipment at December 31, 2013 is summarized below:

Building and improvements	\$	89,300
Broadcast equipment		35,130
Furniture and fixtures		9,296
		133,726
Less: accumulated depreciation		(59,642)
		\$ 74,084

3. Notes Payable

Notes payable at December 31, 2013 is summarized below.

Notes payable to a corporation; due in monthly installments of \$700 including interest at 7.5%, secured by real estate, maturing September 2023	\$	57,316
Less: current maturities		4,245
		\$ 53,071

The aggregate maturities of long-term debt for the fiscal years subsequent to 2013 are as follows:

2014	\$	4,245
2015		4,575
2016		4,930
2017		5,313
2018 and over		38,253
Total		\$ 57,316

Brazos Educational Radio
Notes to Financial Statements
December 31, 2013

4. Donated Services

Brazos Educational Radio received donated services throughout the year from numerous volunteers performing various functions that meet the criteria for recognition under FASB ASC 958 – 605 *Not-for-Profit Entities Revenue Recognition*. These services include the following items:

Engineering services	\$23,400
Bookkeeping services	1,050
Copier lease	1,140
Advertising	40,658
Miscellaneous	<u>367</u>
Total	<u>\$66,615</u>

5. Temporarily restricted net assets

Temporarily restricted net assets represent the unspent balance of donor restricted contributions to be used for certain purposes. A restricted grant of \$4,800 from the Plass Arts Foundation was received during 2013 and is used for World Café and NPR programming charges. As of December 31, 2013, \$3,759 is reported as restricted cash and temporarily restricted net assets.

6. Designations of net assets

The KEOS Management Team has designated \$20,923 of unrestricted net assets as of December 31, 2013 for a tower relocation and signal boost project.

7. Leases

Brazos Educational Radio leases an antenna at a communication company's radio tower facility. The lease is renewed every May by verbal agreement, and the monthly rent payments increase every May by 3 percent. Rent expense for the year ended December 31, 2013 was \$7,680.