

BRAZOS EDUCATIONAL RADIO

Financial Statements

with

Independent Auditors' Report

December 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brazos Educational Radio

We have audited the accompanying financial statements of Brazos Educational Radio (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statement of activities and cash flows 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 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 Brazos Educational Radio as December 31, 2016, 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.

College Station, Texas
July 7, 2017

Seidel Schroeder

BRAZOS EDUCATIONAL RADIO
Statement of Financial Position
December 31, 2016

ASSETS

Current assets:	
Cash and equivalents, unrestricted	\$ 69,380
Cash and equivalents, restricted	3,966
Accounts receivable	3,974
Pledge receivable, current	380
Inventory	306
Prepaid expenses	3,432
Total current assets	<u>81,438</u>
Property and equipment, net	<u>76,364</u>
 Total Assets	 <u><u>\$ 157,802</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued liabilities	\$ 2,095
Deferred revenue	480
Current maturities of long-term debt	4,427
Total current liabilities	<u>7,002</u>
Long-term debt, less current maturities	<u>38,712</u>
Total liabilities	<u>45,714</u>
Net Assets	
Unrestricted	108,122
Temporarily restricted assets	3,966
Total net assets	<u>112,088</u>
 Total Liabilities and Net Assets	 <u><u>\$ 157,802</u></u>

See accompanying notes to financial statements.

BRAZOS EDUCATIONAL RADIO
Statement of Activities
For the Year Ended December 31, 2016

UNRESTRICTED NET ASSETS

Public support and revenues

Donations	\$	36,342
Donated services		110,690
Special events		5,028
Underwriting		17,100
Other		377
Nets assets released from restrictions		9,932
Total public support and revenues		179,469

Expenses

Program services:		
Programming and broadcasting		149,404
Support services:		
Administrative expenses		16,811
Fundraising		2,665
Total expenses		168,880

Increase in unrestricted net assets		10,589
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TEMPORARILY RESTRICTED NET ASSETS

Grants		11,750
Nets assets released from restrictions		(9,932)

Increase in temporarily restricted net assets		1,818
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Increase in net assets		12,407
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Net assets - beginning of year		99,681
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Net assets - end of year	\$	112,088
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See accompanying notes to financial statements.

BRAZOS EDUCATIONAL RADIO
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ 12,407
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	5,334
Increase (decrease) in cash from changes in operating assets and liabilities:	
Accounts receivable	(3,974)
Pledge receivable	(380)
Inventory	(121)
Prepaid expenses	2,245
Accrued liabilities	79
Deferred revenue	480
	3,663
Net cash provided by operating activities	16,070
Cash flows from investing activities:	
Purchases of property and equipment	(7,592)
Net cash used in investing activities	(7,592)
Cash flows from financing activities:	
Repayment of long-term debt	(4,961)
Net cash used in financing activities	(4,961)
Net increase in cash and equivalents	3,517
Cash and equivalents, beginning of year	69,829
Cash and equivalents, end of year	\$ 73,346
Reconciliation to statements of financial position:	
Unrestricted	\$ 69,380
Temporarily restricted	3,966
Total cash and cash equivalents	\$ 73,346

See accompanying notes to the financial statements.

Brazos Educational Radio
Notes to Financial Statements
December 31, 2016

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, 2016.

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, 2016

1. Summary of Significant Accounting Policies - (continued)

Accounts Receivables

Brazos Educational Radio allows for businesses and organizations to become underwriters. 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. No allowance for doubtful accounts was recorded as of December 31, 2016 as management determined that collection of all accounts was reasonable assured.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. No allowance for doubtful accounts was recorded as of December 31, 2016 as management determined that collection of all pledge receivables was reasonably assured.

Inventory

Inventory is stated at the lower of cost (determined on the first-in, first-out method) or market.

Property and Equipment

Property and equipment are stated at cost if purchased or at fair market value if donated, less accumulated depreciation. Expenditures for additions, major renewal, and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over estimated useful lives.

Brazos Educational Radio
Notes to Financial Statements
December 31, 2016

1. Summary of Significant Accounting Policies - (continued)

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, 2013 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 or less to be cash equivalents.

Date of management's review

Management has evaluated subsequent events through July 7, 2017, the date the financial statements were available to be issued.

2. Property and Equipment

Property and equipment at December 31, 2016 is summarized below:

Building and improvements	\$ 96,100
Broadcast equipment	44,662
Furniture and fixtures	11,022
	<u>151,784</u>
Less: accumulated depreciation	<u>(75,420)</u>
	<u><u>\$ 76,364</u></u>

Depreciation expense for the year ended December 31, 2016 totaled \$5,334.

Brazos Educational Radio
Notes to Financial Statements
December 31, 2016

3. Notes Payable

Notes payable at December 31, 2016 is summarized below.

Note payable to a corporation; due in monthly installments of \$700 including interest at 7.5%, secured by real estate, maturing September 2023	\$ 43,139
Less: current maturities	4,427
	\$ 38,712

The aggregate maturities of long-term debt for the fiscal years subsequent to 2016 are as follows:

2017	\$ 4,427
2018	5,690
2019	6,131
2020	6,607
2021 and over	20,284
Total	\$ 43,139

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	\$ 70,200
Social media technician	7,740
Bookkeeping services	1,050
Advertising	30,556
Miscellaneous	1,144
Total	\$110,690

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 \$5,000 from the Plass Arts Foundation was received during 2016 and is used for World Café programming charges. In addition, restricted grants of \$6,750 were received from the Arts Council of the Brazos Valley to be used for the Lone Star Music Series event and marketing expenses related to the event. As of December 31, 2016, \$3,966 is reported as restricted cash and temporarily restricted net assets.

Brazos Educational Radio
Notes to Financial Statements
December 31, 2016

6. Designations of net assets

The KEOS Management Team and the Board of Directors have designated \$7,909 and \$39,979 of unrestricted net assets as of December 31, 2016 for audit fees and a tower relocation and signal boost project, respectively.

7. Leases

Brazos Educational Radio leases space on a communication company's radio tower facility for its antenna. 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, 2016 was \$8,392.