

COOK COUNTY COMMUNITY RADIO

D/B/A WTIP – FM

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Independent Auditor's Report

May 7, 2012

To the Board of Directors
Cook County Community Radio
D/B/A WTIP-FM
Grand Marais, Minnesota

We have audited the accompanying statements of financial position of Cook County Community Radio D/B/A WTIP-FM (a tax exempt organization) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cook County Community Radio D/B/A WTIP-FM as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 103,416	\$ 152,872
Grant receivable	5,070	-
Total Current Assets	<u>108,486</u>	<u>152,872</u>
 <u>Property And Equipment:</u>		
Building	536,170	536,170
Transmitter tower/equipment	323,483	288,485
	<u>859,653</u>	<u>824,655</u>
Less: accumulated depreciation	(143,634)	(108,937)
Property And Equipment, Net	<u>716,019</u>	<u>715,718</u>
Total Assets	<u>\$ 824,505</u>	<u>\$ 868,590</u>
 <u>Liabilities And Net Assets</u>		
<u>Current Liabilities:</u>		
Current portion of long-term debt	\$ 30,000	\$ 30,000
Accounts payable/accruals	9,744	6,733
Total Current Liabilities	<u>39,744</u>	<u>36,733</u>
Long-term debt, net of current maturities	<u>115,000</u>	<u>140,000</u>
 <u>Net Assets:</u>		
Unrestricted	669,761	691,857
Temporarily restricted	-	-
Total Net Assets	<u>669,761</u>	<u>691,857</u>
Total Liabilities And Net Assets	<u>\$ 824,505</u>	<u>\$ 868,590</u>

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011		
	Unrestricted	Temporarily Restricted	2011 Total
<u>Public Support And Revenues:</u>			
<u>Public Support:</u>			
Grant-Corporation for Public Broadcasting	\$ 131,929	\$ -	131,929
Grant-Ampers	32,364	-	32,364
Grants-Other	150,014	-	150,014
Donations-capital campaign	-	44,700	44,700
Net assets released from restrictions	44,700	(44,700)	-
Total Public Support	359,007	-	359,007
<u>Revenues:</u>			
Memberships	102,064	-	102,064
Business underwriting	106,791	-	106,791
In-kind contributions	22,650	-	22,650
Interest income	591	-	591
Miscellaneous activities	4,271	-	4,271
Total Revenues	236,367	-	236,367
Total Public Support/Revenue	595,374	-	595,374
<u>Operating Expenses:</u>			
Program services	442,002	-	442,002
Fundraising	104,740	-	104,740
Management and general	70,728	-	70,728
Total Operating Expense	617,470	-	617,470
INCREASE (DECREASE) IN NET ASSETS	\$ (22,096)	\$ -	\$ (22,096)
<u>Net Assets:</u>			
Beginning of year	691,857	-	691,857
End of year	\$ 669,761	\$ -	\$ 669,761

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2010		
	Unrestricted	Temporarily Restricted	2010 Total
<u>Public Support And Revenues:</u>			
<u>Public Support:</u>			
Grant-Corporation for Public Broadcasting	\$ 130,752	\$ -	130,752
Grant-Ampers	32,900	-	32,900
Grants-Other	133,941	-	133,941
Donations-capital campaign	-	38,400	38,400
Net assets released from restrictions	38,400	(38,400)	-
Total Public Support	<u>335,993</u>	<u>-</u>	<u>335,993</u>
<u>Revenues:</u>			
Memberships	92,615	-	92,615
Business underwriting	102,723	-	102,723
In-kind contributions	21,150	-	21,150
Interest income	1,139	-	1,139
Miscellaneous activities	4,815	-	4,815
Total Revenues	<u>222,442</u>	<u>-</u>	<u>222,442</u>
Total Public Support/Revenue	<u>558,435</u>	<u>-</u>	<u>558,435</u>
<u>Operating Expenses:</u>			
Program services	407,132	-	407,132
Fundraising	97,563	-	97,563
Management and general	71,751	-	71,751
Total Operating Expense	<u>576,446</u>	<u>-</u>	<u>576,446</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (18,011)	\$ -	\$ (18,011)
<u>Net Assets:</u>			
Beginning of year	<u>709,868</u>	<u>-</u>	<u>709,868</u>
End of year	<u>\$ 691,857</u>	<u>\$ -</u>	<u>\$ 691,857</u>

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			Total
	Program Services	Fundraising	Management And General	
Salaries	\$ 180,633	\$ 63,078	\$ 43,008	\$ 286,719
Payroll taxes	16,339	5,706	3,890	25,935
Employee benefits	16,986	5,931	4,044	26,961
Total Compensation	<u>213,958</u>	<u>74,715</u>	<u>50,942</u>	<u>339,615</u>
Administrative expense	-	-	13,737	13,737
Advertising/marketing	16,015	-	-	16,015
Advertising/marketing-in kind	-	22,650	-	22,650
Building expenses	16,587	-	5,529	22,116
Depreciation	34,697	-	-	34,697
Dues/conferences	24,086	-	-	24,086
Equipment	6,072	-	-	6,072
Fundraising	-	7,375	-	7,375
Interest	-	-	-	-
Professional fees	-	-	520	520
Radio programming	68,622	-	-	68,622
Technical services	10,503	-	-	10,503
Telephone	5,647	-	-	5,647
Translator/transmitter	13,716	-	-	13,716
Transmitter expense	31,733	-	-	31,733
Volunteer	366	-	-	366
	<u>\$ 442,002</u>	<u>\$ 104,740</u>	<u>\$ 70,728</u>	<u>\$ 617,470</u>

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2010			Total
	Program Services	Fundraising	Management And General	
Salaries	\$ 165,831	\$ 59,436	\$ 40,537	\$ 265,804
Payroll taxes	13,704	4,919	3,339	21,962
Employee benefits	13,953	5,009	3,399	22,361
Total Compensation	<u>193,488</u>	<u>69,364</u>	<u>47,275</u>	<u>310,127</u>
Administrative expense	-	-	12,746	12,746
Advertising/marketing	15,774	-	-	15,774
Advertising/marketing-in kind	-	21,150	-	21,150
Building expenses	14,868	-	4,956	19,824
Depreciation	34,352	-	-	34,352
Dues/conferences	25,740	-	-	25,740
Equipment	9,864	-	-	9,864
Fundraising	-	7,049	-	7,049
Interest	-	-	5,963	5,963
Professional fees	-	-	811	811
Radio programming	55,794	-	-	55,794
Technical services	8,718	-	-	8,718
Telephone	5,485	-	-	5,485
Translator/transmitter	4,650	-	-	4,650
Transmitter expense	36,851	-	-	36,851
Volunteer	1,548	-	-	1,548
	<u>\$ 407,132</u>	<u>\$ 97,563</u>	<u>\$ 71,751</u>	<u>\$ 576,446</u>

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows From Operating Activities:</u>		
Increase (decrease) in net assets	\$ (22,096)	\$ (18,011)
<u>Adjustments to reconcile to net cash flows</u> <u>from operating activities:</u>		
Depreciation	34,697	34,352
<u>(Increase) decrease in:</u>		
Grant receivable	(5,070)	-
<u>Increase (decrease) in:</u>		
Payables and accruals	<u>3,011</u>	<u>(778)</u>
Net Cash Flows From Operating Activities	<u>10,542</u>	<u>15,563</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of building and equipment	<u>(34,998)</u>	<u>(6,959)</u>
Net Cash Flows From Investing Activities	<u>(34,998)</u>	<u>(6,959)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on debt	<u>(25,000)</u>	<u>(30,000)</u>
Net Cash Flows From Financing Activities	<u>(25,000)</u>	<u>(30,000)</u>
NET INCREASE (DECREASE) IN CASH	(49,456)	(21,396)
<u>Cash And Cash Equivalents:</u>		
Beginning of year	<u>152,872</u>	<u>174,268</u>
End of year	<u>\$ 103,416</u>	<u>\$ 152,872</u>

See accompanying notes.

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COOK COUNTY COMMUNITY RADIO

D/B/A WTIP-FM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Organization

Cook County Community Radio D/B/A WTIP-FM is a tax-exempt Minnesota corporation operating a public broadcasting radio station in Grand Marais, Minnesota. The Organization is a charitable organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Revenues are derived from public support and membership support.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Property And Equipment

Property and equipment is stated at cost. Depreciation is determined on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Transmitter tower and equipment are recorded at cost, if purchased, and at fair market value at date of gift, if donated to WTIP.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the organization, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2006.

COOK COUNTY COMMUNITY RADIO

D/B/A WTIP-FM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the organization 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. Actual amounts could differ from those estimates.

In-Kind Contributions and Donated Personal Services of Volunteers

In-kind contributions are recorded as revenues in the Statements of Activities. In-kind contributions consist of support for marketing.

The value of personal services of volunteer has not been reflected in the financial statements as no objective basis is available for valuation.

Accrued Vacation

Accrued compensated absences have not been reflected in the financial statements since they are not material.

Cash Flows

Cash and cash equivalents are defined as checking and short-term investments with maturities of less than one year for purposes of the Statement of Cash Flows.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents at financial institutions.

Advertising Costs

Advertising costs are expensed as incurred.

COOK COUNTY COMMUNITY RADIO

D/B/A WTIP-FM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalent investments consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Petty cash	\$ 20	\$ 20
Checking accounts	4,387	10,722
Savings accounts	99,009	142,130
	<u>\$ 103,416</u>	<u>\$ 152,872</u>

NOTE C – ENDOWMENT FUND

WTIP has endowment funds as part of the Duluth Superior Area Community Foundation. Income generated from investments is available for general operations. The money is maintained under a custodial agreement with the Duluth-Superior Community Foundation and all investing and accounting is performed by them. The asset value is not reflected in these financial statements. Total Fund value is \$35,757 at December 31, 2011 of which \$29,312 represents permanent contributions.

NOTE D – CAPITAL CAMPAIGN

During 2007, the Organization started a capital campaign for the purchase of a new building for the operation of the radio station and offices. The building was purchased for \$330,000 in 2007. The capital campaign raised \$44,700 in 2011 and \$38,400 in 2010 for use in the purchase of the building and equipment.

NOTE E—FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments, including cash and accounts payable approximate their fair market value due to the short term maturities of these instruments. The carrying value of notes payable approximates the fair value based on current market rates and conditions.

COOK COUNTY COMMUNITY RADIO

D/B/A WTIP-FM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE F – LONG-TERM DEBT

Notes payable consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Note payable, dated 11/15/07 at 0% interest requiring payments of \$10,000 in 2012 \$110,000 in 2013	\$ 120,000	\$ 125,000
Note payable, dated 1/15/08 at 0% interest required payments of \$5,000 per quarter until 7/15/12	25,000	45,000
	<u>\$ 145,000</u>	<u>\$ 170,000</u>
Less current maturities	30,000	30,000
	<u>\$ 115,000</u>	<u>\$ 140,000</u>

Maturities of long-term debt over the next five years are as follows:

2012	30,000
2013	115,000
2014	-
2015	-
2016	-
	<u>\$ 145,000</u>

The note payable in the amount of \$120,000 listed above is payable to a member of the Board of the Organization.

The Organization has a line of credit available in the amount \$49,000 which expires on September 12, 2012 at a rate of 5.75%. There was no balance outstanding at December 31, 2011 and 2010.

NOTE G – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 7, 2012, the date on which the financial statements were available to be issued.