

COOK COUNTY COMMUNITY RADIO

D/B/A WTIP – FM

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Independent Auditor's Report

May 10, 2013

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

We have audited the accompanying financial statements of Cook County Community Radio D/B/A WTIP-FM (a tax-exempt organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years 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 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 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 Cook County Community Radio D/B/A WTIP-FM as of December 31, 2012 and 2011, 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.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 127,847	\$ 103,416
Grant receivable	-	5,070
Total Current Assets	127,847	108,486
 <u>Property And Equipment:</u>		
Building	536,170	536,170
Transmitter tower/equipment	332,944	323,483
	869,114	859,653
Less: accumulated depreciation	(180,951)	(143,634)
Property And Equipment, Net	688,163	716,019
Total Assets	\$ 816,010	\$ 824,505

Liabilities And Net Assets

<u>Current Liabilities:</u>		
Current portion of long-term debt	\$ 110,000	\$ 30,000
Accounts payable/accruals	5,265	9,744
Total Current Liabilities	115,265	39,744
Long-term debt, net of current maturities	-	115,000
<u>Net Assets:</u>		
Unrestricted	700,745	669,761
Temporarily restricted	-	-
Total Net Assets	700,745	669,761
Total Liabilities And Net Assets	\$ 816,010	\$ 824,505

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012		
	Unrestricted	Temporarily Restricted	2012 Total
<u>Public Support And Revenues:</u>			
<u>Public Support:</u>			
Grant-Corporation for Public Broadcasting	\$ 167,072	\$ -	\$ 167,072
Grant-Ampers	20,308	-	20,308
Grants and donations-other	153,576	-	153,576
In-kind contributions	23,815	-	23,815
Donations-capital campaign	-	61,907	61,907
Net assets released from restrictions	61,907	(61,907)	-
Total Public Support	<u>426,678</u>	<u>-</u>	<u>426,678</u>
<u>Revenues:</u>			
Memberships	110,068	-	110,068
Business underwriting	97,867	-	97,867
Interest income	2,806	-	2,806
Miscellaneous activities	7,061	-	7,061
Total Revenues	<u>217,802</u>	<u>-</u>	<u>217,802</u>
Total Public Support/Revenue	<u>644,480</u>	<u>-</u>	<u>644,480</u>
<u>Operating Expenses:</u>			
Program services	434,339	-	434,339
Fundraising	106,573	-	106,573
Management and general	72,584	-	72,584
Total Operating Expenses	<u>613,496</u>	<u>-</u>	<u>613,496</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 30,984	\$ -	\$ 30,984
<u>Net Assets:</u>			
Beginning of year	<u>669,761</u>	<u>-</u>	<u>669,761</u>
End of year	<u>\$ 700,745</u>	<u>\$ -</u>	<u>\$ 700,745</u>

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2011		2011 Total
	Unrestricted	Temporarily Restricted	
<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 and donations-other	150,014	-	150,014
In-kind contributions	22,650	-	22,650
Donations-capital campaign	-	44,700	44,700
Net assets released from restrictions	44,700	(44,700)	-
Total Public Support	<u>381,657</u>	<u>-</u>	<u>381,657</u>
<u>Revenues:</u>			
Memberships	102,064	-	102,064
Business underwriting	106,791	-	106,791
Interest income	591	-	591
Miscellaneous activities	4,271	-	4,271
Total Revenues	<u>213,717</u>	<u>-</u>	<u>213,717</u>
Total Public Support/Revenue	<u>595,374</u>	<u>-</u>	<u>595,374</u>
<u>Operating Expenses:</u>			
Program services	442,002	-	442,002
Fundraising	104,740	-	104,740
Management and general	70,728	-	70,728
Total Operating Expenses	<u>617,470</u>	<u>-</u>	<u>617,470</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (22,096)	\$ -	\$ (22,096)
<u>Net Assets:</u>			
Beginning of year	<u>691,857</u>	<u>-</u>	<u>691,857</u>
End of year	<u>\$ 669,761</u>	<u>\$ -</u>	<u>\$ 669,761</u>

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			Total
	Program Services	Fundraising	Management And General	
Salaries	\$ 178,662	\$ 62,390	\$ 42,539	\$ 283,591
Payroll taxes	14,656	5,118	3,489	23,263
Employee benefits	19,477	6,801	4,637	30,915
Total Compensation	<u>212,795</u>	<u>74,309</u>	<u>50,665</u>	<u>337,769</u>
Administrative expense	-	-	13,962	13,962
Advertising/marketing	22,986	-	-	22,986
Advertising/marketing-in kind	-	23,815	-	23,815
Building expenses	13,893	-	4,631	18,524
Depreciation	37,317	-	-	37,317
Dues/conferences	23,021	-	-	23,021
Equipment	7,478	-	-	7,478
Fundraising	-	8,449	-	8,449
Professional fees	-	-	3,326	3,326
Radio programming	65,487	-	-	65,487
Technical services	10,624	-	-	10,624
Telephone	6,608	-	-	6,608
Translator/transmitter	5,117	-	-	5,117
Transmitter expense	28,505	-	-	28,505
Volunteer	508	-	-	508
	<u>\$ 434,339</u>	<u>\$ 106,573</u>	<u>\$ 72,584</u>	<u>\$ 613,496</u>

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	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
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 CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities:</u>		
Increase (decrease) in net assets	\$ 30,984	\$ (22,096)
<u>Adjustments to reconcile to net cash flows</u> <u>from operating activities:</u>		
Depreciation	37,317	34,697
<u>(Increase) decrease in:</u>		
Grant receivable	5,070	(5,070)
<u>Increase (decrease) in:</u>		
Payables and accruals	<u>(4,479)</u>	<u>3,011</u>
Net Cash Flows From Operating Activities	<u>68,892</u>	<u>10,542</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of building and equipment	<u>(9,461)</u>	<u>(34,998)</u>
Net Cash Flows From Investing Activities	<u>(9,461)</u>	<u>(34,998)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on debt	<u>(35,000)</u>	<u>(25,000)</u>
Net Cash Flows From Financing Activities	<u>(35,000)</u>	<u>(25,000)</u>
NET INCREASE (DECREASE) IN CASH	24,431	(49,456)
<u>Cash And Cash Equivalents:</u>		
Beginning of year	<u>103,416</u>	<u>152,872</u>
End of year	<u>\$ 127,847</u>	<u>\$ 103,416</u>

See accompanying notes.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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 less accumulated depreciation. 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, 2012, 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 2008.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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.

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 and grants receivable.

Advertising Costs

Advertising costs are expensed as incurred.

Subsequent Events

Management has evaluated subsequent events through May 10, 2013, the date on which the financial statements were available to be issued.

COOK COUNTY COMMUNITY RADIO
D/B/A WTIP-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalent investments consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Petty cash	\$ 20	\$ 20
Checking accounts	6,647	4,387
Savings accounts	121,180	99,009
	<u>\$ 127,847</u>	<u>\$ 103,416</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 \$39,824 at December 31, 2012 of which \$29,562 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 \$61,907 in 2012 and \$44,700 in 2011 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, grants receivable 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, 2012 AND 2011

NOTE F – LONG-TERM DEBT

Notes payable consist of the following at December 31, 2012 and 2011:

	2012	2011
Note payable, dated 11/15/07 at 0% interest requiring payments of \$10,000 in 2012 \$110,000 in 2013	\$ 105,000	\$ 120,000
 Note payable, dated 1/15/08 at 0% interest required payments of \$5,000 per quarter until 1/15/13	 5,000	 25,000
	\$ 110,000	\$ 145,000
Less current maturities	110,000	30,000
	\$ -	\$ 115,000

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

2013	110,000
2014	-
2015	-
2016	-
2017	-
	\$ 110,000

The note payable in the amount of \$105,000 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, 2013 at a rate of 5.75%. There was no balance outstanding at December 31, 2012 and 2011.