

Friends of mvyradio, Inc.

(a nonprofit Massachusetts corporation)

Financial Statements

December 31, 2019 and 2018

Friends of myradio, Inc.

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Independent Auditor's Report

To the Board of Directors
Friends of myradio, Inc.
Vineyard Haven, Massachusetts

We have audited the accompanying financial statements of Friends of myradio, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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.

Auditors' 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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Friends of myradio, Inc. as of December 31, 2019, 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.

Prior Period Financial Statements

The financial statements of Friends of myradio, Inc. as of December 31, 2018, were audited by other auditors whose report dated March 26, 2019, expressed an unmodified opinion on those statements.

Brock and Company, CPAs, P.C.
Certified Public Accountants

Longmont, Colorado
May 15, 2020

Friends of myradio, Inc.

Statements of Financial Position

December 31	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 516,287	\$ 622,865
Accounts receivable	32,641	33,118
Contributions receivable	111,952	119,545
Prepaid expenses	25,092	18,647
Total current assets	<u>685,972</u>	<u>794,175</u>
Property and Equipment, at cost		
Land and building	1,798,959	-
Radio and broadcast equipment	167,536	167,536
Computer equipment	54,219	52,292
Furniture and fixtures	17,050	17,050
Leasehold improvements	16,141	16,141
Construction in progress	63,587	-
	<u>2,117,492</u>	<u>253,019</u>
Less accumulated amortization	<u>(133,985)</u>	<u>(100,178)</u>
Net property and equipment	<u>1,983,507</u>	<u>152,841</u>
Other Assets		
Broadcast license	225,000	225,000
Other intangible assets, net	-	10,000
Total other assets	<u>225,000</u>	<u>235,000</u>
Total assets	<u>\$ 2,894,479</u>	<u>\$ 1,182,016</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 33,132	\$ 16,202
Accrued compensation and benefits	23,922	23,449
Deferred revenue	23,983	10,030
Total current liabilities	<u>81,037</u>	<u>49,681</u>
Long-Term Liabilities		
Line of credit, related party	675,000	-
Total liabilities	<u>756,037</u>	<u>49,681</u>
Net Assets		
Without donor restrictions	1,969,924	956,552
With donor restrictions	168,518	175,783
Total net assets	<u>2,138,442</u>	<u>1,132,335</u>
Total liabilities and net assets	<u>\$ 2,894,479</u>	<u>\$ 1,182,016</u>

The accompanying Notes are an integral part of these financial statements

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Friends of myradio, Inc.

Statement of Activities

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue Support			
Contributions and memberships	\$ 628,895	\$ 83,519	\$ 712,414
Grants	170,327	65,377	235,704
Special event income, net	63,580	-	63,580
Net assets released from restrictions			
Satisfaction of purpose restrictions	36,616	(36,616)	-
Expiration of time restrictions	119,545	(119,545)	-
Total operating support	<u>1,018,963</u>	<u>(7,265)</u>	<u>1,011,698</u>
Revenue			
Underwriting fees	372,054	-	372,054
Other program revenue	2,267	-	2,267
Total operating revenue	<u>374,321</u>	<u>-</u>	<u>374,321</u>
Total operating support and revenue	<u>1,393,284</u>	<u>(7,265)</u>	<u>1,386,019</u>
Operating Expenses			
Program services			
Broadcasting and engineering	176,241	-	176,241
Programming	530,728	-	530,728
Supporting services			
General and administrative	222,494	-	222,494
Fundraising			
Underwriting and grant solicitation	214,838	-	214,838
Membership	81,087	-	81,087
Other fundraising	117,636	-	117,636
Total operating expenses	<u>1,343,024</u>	<u>-</u>	<u>1,343,024</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>50,260</u>	<u>(7,265)</u>	<u>42,995</u>
Other Changes			
Capital campaign contributions	961,783	-	961,783
Interest income	1,329	-	1,329
Total other changes	<u>963,112</u>	<u>-</u>	<u>963,112</u>
Change in Net Assets	<u>1,013,372</u>	<u>(7,265)</u>	<u>1,006,107</u>
Net Assets, Beginning of Year	<u>956,552</u>	<u>175,783</u>	<u>1,132,335</u>
Net Assets, End of Year	<u>\$ 1,969,924</u>	<u>\$ 168,518</u>	<u>\$ 2,138,442</u>

The accompanying Notes are an integral part of these financial statements

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Friends of myradio, Inc.

Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support			
Contributions and memberships	\$ 603,697	\$ 58,433	\$ 662,130
Grants	64,955	154,231	219,186
Special event income, net	21,312	-	21,312
Net assets released from restrictions			
Satisfaction of purpose restrictions	34,260	(34,260)	-
Expiration of time restrictions	209,443	(209,443)	-
Total operating support	<u>933,667</u>	<u>(31,039)</u>	<u>902,628</u>
Revenue			
Underwriting fees	379,306	-	379,306
Other program revenue	<u>1,541</u>	<u>-</u>	<u>1,541</u>
Total operating revenue	<u>380,847</u>	<u>-</u>	<u>380,847</u>
 Total operating support and revenue	<u>1,314,514</u>	<u>(31,039)</u>	<u>1,283,475</u>
Operating Expenses			
Program services			
Broadcasting and engineering	201,426	-	201,426
Programming	453,623	-	453,623
Supporting services			
General and administrative	274,022	-	274,022
Fundraising			
Underwriting and grant solicitation	234,887	-	234,887
Membership	75,512	-	75,512
Other fundraising	<u>106,633</u>	<u>-</u>	<u>106,633</u>
Total operating expenses	<u>1,346,103</u>	<u>-</u>	<u>1,346,103</u>
 Total operating support and revenue in excess (deficit) of operating expenses	<u>(31,589)</u>	<u>(31,039)</u>	<u>(62,628)</u>
Other Changes			
Interest income	965	-	965
Loss on disposal of assets	<u>(2,487)</u>	<u>-</u>	<u>(2,487)</u>
Total other changes	<u>(1,522)</u>	<u>-</u>	<u>(1,522)</u>
Change in Net Assets	(33,111)	(31,039)	(64,150)
Net Assets, Beginning of Year	<u>989,663</u>	<u>206,822</u>	<u>1,196,485</u>
Net Assets, End of Year	<u>\$ 956,552</u>	<u>\$ 175,783</u>	<u>\$ 1,132,335</u>

The accompanying Notes are an integral
part of these financial statements

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Friends of myradio, Inc.

Statement of Functional Expenses

Year ended December 31, 2019

	Program Services			Supporting Services					Total
	Broadcasting and Engineering	Programming	Total	General and Administrative	Fundraising			Total	
					Underwriting and Grant Solicitation	Membership	Other		
Salaries and wages	\$ -	\$ 327,833	\$327,833	\$ 80,200	\$ 151,720	\$ 22,303	\$ 84,918	\$258,941	\$ 666,974
Employee benefits	-	54,666	54,666	13,586	4,535	3,770	14,619	22,924	91,176
Payroll taxes	-	29,087	29,087	7,068	13,226	1,974	7,498	22,698	58,853
Total personnel costs	-	411,586	411,586	100,854	169,481	28,047	107,035	304,563	817,003
Legal and professional	17,774	240	18,014	60,749	11,279	3,375	-	14,654	93,417
Marketing and membership	-	48,654	48,654	475	2,016	21,792	4,831	28,639	77,768
Occupancy	41,112	2,650	43,762	23,326	1,384	-	-	1,384	68,472
Radio equipment rental	43,976	-	43,976	-	-	-	-	-	43,976
Depreciation and amortization	29,904	6,064	35,968	7,450	-	-	389	389	43,807
Telephone and communications	29,062	1,200	30,262	2,026	2,720	1,200	-	3,920	36,208
Travel and entertainment	347	13,877	14,224	1,558	17,181	131	798	18,110	33,892
Dues and subscriptions	1,073	27,089	28,162	-	679	-	1,818	2,497	30,659
Bank and credit card fees	-	-	-	-	1,789	17,961	52	19,802	19,802
Office expenses	4,498	7,960	12,458	1,460	1,909	1,325	2,247	5,481	19,399
Software	709	5,527	6,236	498	3,242	7,256	-	10,498	17,232
Repairs and maintenance	5,837	5,616	11,453	4,992	-	-	366	366	16,811
Insurance	1,879	-	1,879	11,821	-	-	-	-	13,700
Interest expense, related party	-	-	-	7,084	-	-	-	-	7,084
Miscellaneous expenses	70	265	335	201	3,158	-	100	3,258	3,794
Total expenses	\$ 176,241	\$ 530,728	\$706,969	\$ 222,494	\$ 214,838	\$ 81,087	\$117,636	\$413,561	\$1,343,024

The accompanying Notes are an integral part of these financial statements

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Friends of myradio, Inc.

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services			Supporting Services					
	Broadcasting and Engineering	Programming	Total	General and Administrative	Fundraising			Total	Total
					Underwriting and Grant Solicitation	Membership	Other		
Salaries and wages	\$ -	\$ 302,015	\$302,015	\$ 106,214	\$ 166,306	\$ 19,767	\$ 80,267	\$266,340	\$ 674,569
Employee benefits	-	25,629	25,629	16,733	13,514	2,941	10,048	26,503	68,865
Payroll taxes	-	26,332	26,332	7,921	14,733	2,681	7,052	24,466	58,719
Total personnel costs	-	353,976	353,976	130,868	194,553	25,389	97,367	317,309	802,153
Legal and professional	17,487	4,560	22,047	63,634	5,609	2,600	-	8,209	93,890
Occupancy	44,320	-	44,320	27,411	-	-	-	-	71,731
Telephone and communications	55,306	1,295	56,601	2,490	1,295	1,295	390	2,980	62,071
Travel and entertainment	271	24,007	24,278	8,261	24,137	259	4,154	28,550	61,089
Depreciation and amortization	29,815	6,064	35,879	7,714	-	792	404	1,196	44,789
Radio equipment rental	42,603	-	42,603	-	-	-	-	-	42,603
Marketing and membership	-	21,224	21,224	314	-	16,699	500	17,199	38,737
Repairs and maintenance	7,764	7,170	14,934	13,637	1,740	-	-	1,740	30,311
Dues and subscriptions	1,073	26,009	27,082	664	679	-	940	1,619	29,365
Bank and credit card fees	-	-	-	-	1,142	20,957	82	22,181	22,181
Office expenses	808	3,572	4,380	7,198	963	2,270	2,152	5,385	16,963
Software	40	5,452	5,492	1,221	3,148	5,251	-	8,399	15,112
Insurance	1,879	-	1,879	8,921	-	-	-	-	10,800
Miscellaneous expenses	60	294	354	1,689	1,621	-	644	2,265	4,308
Total expenses	<u>\$ 201,426</u>	<u>\$ 453,623</u>	<u>\$655,049</u>	<u>\$ 274,022</u>	<u>\$ 234,887</u>	<u>\$ 75,512</u>	<u>\$106,633</u>	<u>\$417,032</u>	<u>\$1,346,103</u>

The accompanying Notes are an integral part of these financial statements

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Friends of myradio, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 1,006,107	\$ (64,150)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	33,807	34,789
Amortization	10,000	10,000
Loss on disposal of equipment	-	2,487
In-kind facilities lease expenses	42,000	42,000
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	477	34,797
Contributions receivable	(34,407)	4,354
Prepaid expenses	(6,445)	215
Accounts payable	16,930	(3,901)
Accrued compensation and benefits	473	(3,953)
Deferred revenue	13,953	(9,417)
Net cash provided by operating activities	1,082,895	47,221
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,864,473)	(1,167)
Net cash used by investing activities	(1,864,473)	(1,167)
Cash Flows From Financing Activities		
Borrowings on line of credit, related party	675,000	-
Net cash provided by financing activities	675,000	-
Net Increase (Decrease) in Cash and Cash Equivalents	(106,578)	46,054
Cash and Cash Equivalents, Beginning of Year	622,865	576,811
Cash and Cash Equivalents, End of Year	\$ 516,287	\$ 622,865

The accompanying Notes are an integral
part of these financial statements

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Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Friends of mvyradio, Inc. (the Organization) is a Massachusetts non-profit corporation established in August 2013 to operate an internet streaming music service and a FM radio station on the island of Martha's Vineyard, Massachusetts. The Organization aspires to reflect Martha's Vineyard and the region in music, news, culture, and community. It embraces its local, regional and worldwide roots through its independent format, and uses contemporary media and community engagement to enrich the lives of its audience. Funding for the Organization is primarily obtained through charitable contributions, memberships and grants from interested parties, and underwriting fees.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Changes in Accounting Principles. On January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts With Customers*, which provides guidance for revenue recognition that superseded previous guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results from reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Changes in Accounting Principles (continued). On January 1, 2019, the Organization adopted FASB ASU No. 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope of accounting guidance for contributions received and contributions made. The Organization adopted ASU 2018-08 under the modified retrospective approach, applying the amendments to prospective reporting periods. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018.

Cash and Cash Equivalents. Cash consists of a checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Accounts Receivable. Accounts receivable consist of amounts due from sponsors for underwriting programs or events that have occurred and are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the client. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. As of December 31, 2019 and 2018, management believes all accounts receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Contributions Receivable. Unconditional promises to give are recognized as revenue in the period received. Contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible contributions. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. As of December 31, 2019 and 2018, management believes all contributions receivable are fully collectible, and accordingly, no allowance for doubtful contributions has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as contributions without donor restriction unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally forty years for buildings, four to ten years for radio and broadcast equipment, two to seven years for computer equipment, ten years for furniture and fixtures, and the remaining lease term for leasehold improvements. Depreciation expense for the years ended December 31, 2019 and 2018 was \$33,807 and \$34,789, respectively.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Intangible Assets. The Organization classifies intangible assets as definite-lived or indefinite-lived assets.

Definite-lived intangible assets consist of trademarks, domain names, and other similar assets. Definite-lived intangible assets are stated at cost if purchased, or fair value if donated. The intellectual property is amortized using the straight-line method over the estimated useful lives of the assets, which is five years. If the Organization were to determine that a change in the remaining estimated useful life of an intangible asset was

The indefinite-lived intangible asset consists of a broadcast license. The broadcast license is not amortized, but is tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The Organization utilizes an outside valuation firm to assist in determining fair value. The valuation of the broadcast license is an estimate that involves judgements about the validity of comparable sales. It is at least reasonably possible that such valuations will change in the near term and the change could be material. The broadcast license must be renewed periodically at minimal cost. Significant future cash flows associated with the broadcast license are affected by the Organization's ability or intent to renew the license. The costs incurred to renew the broadcast license will be expensed as incurred.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2019 and 2018.

Revenue Recognition. The Organization's revenues from contracts with customers is comprised primarily of underwriting fees and special event sales. Underwriting fees consist of marketing the corporate sponsors on air and on the Organization's website and are generally received in advance of the service. Special event sales consist primarily of event registrations and are also generally received in advance of the event. Any amounts received prior to the service and the start of an event is recorded as a contract liability. Revenue is recognized at the point in time in which the service occurs, which satisfies the Organization's performance obligation. Revenue is reported at the amount of consideration which the Organization expects to be entitled in exchange for providing the goods and services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts and other price concessions, if any.

Contributions, Memberships, and Grants. Contributions, memberships, and grants are recognized when the donation is received. Donor-restricted gifts are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets with donor restrictions even if the restrictions expire in the fiscal year in which the contributions are recognized.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributed Services and Materials. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed materials are reported at fair market value on the date of gift.

Barter Transactions. The Organization barter sponsorship broadcasts for materials and services. Revenue from such transactions is recorded at the estimated fair market value of the material or service received. Revenue is recognized as the sponsorships are broadcasted, and expenses are recognized when incurred. When materials or services are received prior to the sponsorship broadcast, the Organization records deferred revenue. When sponsorships are broadcast in advance of receiving the materials or services, the Organization records a receivable. Barter transactions totaled \$97,821 in 2019 and \$89,921 in 2018.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 15, 2020, the date at which the financial statements were available for release.

Note 2 – Contributions Receivable and Related Party Transactions

Contributions receivable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
One year or less	\$ 111,952	\$ 77,545
One year or less from related party	-	42,000
	<u>\$ 111,952</u>	<u>\$ 119,545</u>

The Organization leases facilities from an entity owned by a member of the board of directors under a noncancelable operating lease (Note 7). The related party promised to forgive the lease payments at the inception of the lease until the lease expired in December 2019.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 3 – Intangible Assets

The Organization's broadcast license has a carrying value of \$225,000 at both December 31, 2019 and 2018, and is subject to renewal in April 2022.

Other intangible assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Trademarks, domain names and similar assets	\$ 50,000	\$ 50,000
Accumulated amortization	<u>(50,000)</u>	<u>(40,000)</u>
	<u>\$ -</u>	<u>\$ 10,000</u>

Amortization expense for each of the years ended December 31, 2019 and 2018 was \$10,000.

Note 4 – Contract Assets and Liabilities

The Organization's contract assets consist of accounts receivable totaling \$32,641 and \$33,118 as of December 31, 2019 and 2018, respectively. Accounts receivable are from underwriting fees that represent billed and unbilled receivables due as of year end.

The Organization's contract liabilities includes underwriting fees and special event registrations and sales that have outstanding contractual obligations. The unsatisfied or partially unsatisfied contracts as of December 31, 2019 and 2018 total \$23,983 and \$10,030, respectively. The contract liabilities outstanding as of December 31, 2018 were recognized as revenue in 2019. The Organization expects to recognize the December 31, 2019 amount as revenue in 2020.

Note 5 - Lines of Credit, Related Party Transactions, and Commitments

The Organization has a \$1,000,000 line of credit agreement with a member of the board of directors. The agreement with the related party has outstanding borrowings of \$675,000 at December 31, 2019. The agreement bears no interest (discounted using an effective interest rate of 3.99% for 2019). The agreement is unsecured and matures in September 2021 when all outstanding borrowings are due. There were no outstanding borrowings at December 31, 2018.

The Organization has entered into a \$750,000 construction line of credit agreement with The Cape Cod Five Cents Savings Bank for the renovation of the building purchased in October 2019. The agreement had no outstanding borrowings at December 31, 2019 and 2018. Interest only payments are due through November 2020 and upon completion of the draw period, monthly principal and interest payments of \$4,075 commence in December 2020. The agreement bears interest at 3.99% for the first 60 months, thereafter, the interest rate will be adjusted every five years to the Boston Federal Home Loan and Bank 5 Year Rate plus 2.25%. The agreement is collateralized by a deed of trust and assignment of rents and matures in November 2039.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 5 - Lines of Credit, Related Party Transactions, and Commitments (continued)

The Organization has entered into a contract for the remodeling of its property in West Tisbury, Massachusetts totaling \$1,440,713. The Organization has capitalized costs in process related to the project totaling \$63,587 at December 31, 2019.

Note 6 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years December 31, 2019 and 2018:

	Purpose Restrictions		Time	Total
	Broadcasting	Other	Restrictions	
Balance, January 1, 2018	\$ 36,674	\$ 4,249	\$ 165,899	\$ 206,822
Additions	32,025	17,550	163,089	212,664
Releases	(27,511)	(6,749)	(209,443)	(243,703)
Balance, December 31, 2018	\$ 41,188	\$ 15,050	\$ 119,545	\$ 175,783
Additions	31,074	5,870	111,952	148,896
Releases	(27,941)	(8,675)	(119,545)	(156,161)
Balance, December 31, 2019	<u><u>\$ 44,321</u></u>	<u><u>\$ 12,245</u></u>	<u><u>\$ 111,952</u></u>	<u><u>\$ 168,518</u></u>

Note 7 - Operating Leases and Related Party Transactions

The Organization leases facilities from an entity owned by a member of the board of directors under a noncancelable operating lease. The lease does not require a monthly rental payment, but does require the Organization to cover the variable shared operating costs. The lease expired in December 2019, and is currently month-to-month. Rent expense, including in-kind expenses and the shared operating costs, under the lease with the related party totaled \$60,785 and \$47,103 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2018, the Organization owed the related party \$1,478.

The Organization leases space on a radio tower under a noncancelable operating lease. The lease expires April 2024 and can be extended for three additional five-year periods each. The Organization also leases equipment under month-to-month arrangements. Rent expense under all the equipment leases totaled \$43,976 and \$42,603 for the years ended December 31, 2019 and 2018, respectively.

Future annual minimum lease payments required under the noncancelable operating leases are as follows at December 31, 2019:

Year	Total
2020	\$ 19,748
2021	20,341
2022	20,951
2023	21,580
2024	5,434
	<u><u>\$ 88,054</u></u>

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 9 - Liquidity and Availability

The Organization had \$660,880 and \$775,528 in financial assets available within one year of December 31, 2018 and 2017, respectively. The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the guiding principles.

Additionally, the Organization has a committed line of credit with a related party with \$325,000 available at December 31, 2019 which it could draw upon if needed.

Note 10 - Revenue from Contracts with Customers

The composition of revenue by segment based on the timing of the transfer of goods or services is as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Recognized at a point in time		
Underwriting fees	\$ 372,054	\$ 379,306
Other program revenue	2,267	1,541
Special event registrations and sales	117,186	54,103
	<u>\$ 491,507</u>	<u>\$ 434,950</u>

Note 11 – Contributed Services and Materials

Contributed services and materials are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Legal services	\$ 7,146	\$ -
Interest, related party	7,084	-
Utilities and other	420	1,655
	<u>\$ 14,650</u>	<u>\$ 1,655</u>

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 12 – Special Events

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2019:

	Concerts & Station Events	Other	Total
Registrations and sales	\$ 73,405	\$ 43,781	\$ 117,186
Contributions	10,000	-	10,000
	<u>83,405</u>	<u>43,781</u>	<u>127,186</u>
Direct costs	(38,817)	(24,789)	(63,606)
Net revenue	<u>\$ 44,588</u>	<u>\$ 18,992</u>	<u>\$ 63,580</u>

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2018:

	Concerts & Station Events	Other	Total
Registrations and sales	\$ 47,103	\$ 7,000	\$ 54,103
Contributions	474	16,034	16,508
	<u>47,577</u>	<u>23,034</u>	<u>70,611</u>
Direct costs	(34,900)	(14,399)	(49,299)
Net revenue	<u>\$ 12,677</u>	<u>\$ 8,635</u>	<u>\$ 21,312</u>

Note 13 – Retirement Plan

The Organization maintains a 403(b) plan covering all employee who normally work at least 20 hours per week, are at least 21 years old, and have completed at least six months of service. The Organization provides a fully vested discretionary contribution to the plan. The Organization contributed \$11,509 and \$9,851 to the plan for the years ended December 31, 2019 and 2018, respectively.

Note 14 - Concentrations

Concentrations of Credit Risk. The Organization's primary customers are companies receiving sponsorship spots. The Organization performs ongoing credit evaluations of its customers and generally does not require collateral. The Organization provides reserves for credit losses, as necessary, based on a thorough review of all outstanding accounts. Such losses and yearly provisions have been within management's expectations.

Bank Deposits. At certain times during the years ended December 31, 2019 and 2018, the Organization maintained cash balances in excess of federally insured limits.

Major Donor. The Organization had a single donor who comprised 36% of total revenues for the year ended December 31, 2019. There were no major donors for the year ended December 31, 2018.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 14 - Concentrations (continued)

Geographical Concentration. The Organization receives a substantial amount of their support from Martha's Vineyard, Massachusetts and the surrounding areas.

Note 15 - Uncertainty and Subsequent Event

During 2020, a health care pandemic has occurred in the United States and internationally. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings until the risk has diminished. Certain activities of the Organization could be subject to closure or substantially modified operations. Additionally, the global economy has been negatively impacted. No reliable estimate of the potential future financial impacts of this uncertainty on the Organization can be made at this time.

During April 2020, the Organization received the proceeds of a Payroll Protection Program loan of \$150,042. The note is unsecured and bears interest at 1%. Payments are scheduled to begin in November 2020. Proceeds of the loan are forgivable if at least 75% of the proceeds are spent on eligible payroll, with the remaining 25% allowed to be spent for other narrowly specified expenses.