

CARBONDALE COMMUNITY ACCESS RADIO

FINANCIAL STATEMENTS

December 31, 2021



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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Carbondale Community Access Radio
Carbondale, Colorado

Opinion

We have audited the accompanying financial statements of Carbondale Community Access Radio (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carbondale Community Access Radio as of December 31, 2021 and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Carbondale Community Access Radio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Carbondale Community Access Radio's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Carbondale Community Access Radio's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Carbondale Community Access Radio's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
July 17, 2023

CARBONDALE COMMUNITY ACCESS RADIO
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash and Cash Equivalents	\$ 365,893
Accounts Receivable (Net)	8,186
Grants Receivable	34,169
Investments	271,851
Investment in Sunlight Peak, LLC	29,290
Land, Buildings and Equipment (Net)	232,017
Intangible Assets (Net)	13,736
Other assets	240
TOTAL ASSETS	<u>\$ 955,382</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 31,801
Mortgage Loan	26,797
TOTAL LIABILITIES	<u>58,598</u>

NET ASSETS

Net Assets Without Donor Restrictions	
Undesignated	643,659
Invested in Land, Buildings, Equipment, and Intangibles, Net of Mortgage Loan	<u>218,956</u>
Total Net Assets Without Donor Restrictions	862,615
Net Assets With Donor Restrictions	<u>34,169</u>
TOTAL NET ASSETS	<u>896,784</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 955,382</u>

See accompanying notes and independent auditor's report.

CARBONDALE COMMUNITY ACCESS RADIO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Corporation for Public Broadcasting Grants	\$ 83,182	\$ 259,181	\$ 342,363
Other Grants and Contributions	34,589	-	34,589
Membership Income (Net)	170,451	-	170,451
Underwriting Income	87,215	-	87,215
Event Income (Net)	24,093	-	24,093
Other Fundraising Income	12,312	-	12,312
Investment Return (Net)	19,218	-	19,218
Bank Interest Income	30	-	30
Other Income	10	-	10
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	258,410	(258,410)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	689,509	771	690,280
EXPENSES			
Program Expenses	447,949	-	447,949
Supporting Service Expenses:			
Management and General	77,915	-	77,915
Fundraising	19,508	-	19,508
Total Supporting Service Expenses	97,423	-	97,423
TOTAL EXPENSES	545,372	-	545,372
CHANGE IN NET ASSETS	144,137	771	144,908
NET ASSETS, Beginning of year (RESTATED)	718,478	33,398	751,876
NET ASSETS, End of year	\$ 862,615	\$ 34,169	\$ 896,784

See accompanying notes and independent auditor's report.

CARBONDALE COMMUNITY ACCESS RADIO
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program	Management and General	Fundraising	Cost of Goods Sold	Total
Salaries and Wages	\$ 227,292	\$ 42,617	\$ 14,206	\$ -	\$ 284,115
Employee Benefits	19,657	3,686	1,229	-	24,571
Payroll Taxes	19,948	3,740	1,247	-	24,935
Professional Services	2,192	14,935	-	-	17,127
Marketing and Advertising	10,596	-	-	-	10,596
Office Expenses	15,947	2,990	997	-	19,934
Technology	41,332	1,912	637	-	43,881
Programming and Production	90,065	-	-	-	90,065
Travel	220	22	-	-	242
Insurance	7,846	1,471	490	-	9,807
Legal	-	4,350	-	-	4,350
Depreciation and Amortization	10,400	1,950	650	-	12,999
Interest	1,617	85	-	-	1,702
Repairs and Maintenance	837	157	52	-	1,047
Cost of Goods Sold	-	-	-	43,342	43,342
Total Expenses by Function	447,949	77,915	19,508	43,342	588,715
Less expenses included with revenues on the statement of activities					
Cost of Goods Sold	-	-	-	(43,342)	(43,342)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 447,949	\$ 77,915	\$ 19,508	\$ -	\$ 545,372

See accompanying notes and independent auditor's report.

**CARBONDALE COMMUNITY ACCESS RADIO
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 144,908
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	12,999
Bad Debt Expense	21,290
Unrealized Gain	(19,218)
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(5,144)
Grants Receivable	(771)
Other Assets	252
Accounts Payable	18,109

NET CASH PROVIDED BY OPERATING ACTIVITIES	172,426
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CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Debt	(12,411)
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NET CASH USED IN FINANCING ACTIVITIES	(12,411)
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NET INCREASE IN CASH AND CASH EQUIVALENTS	160,015
CASH AND CASH EQUIVALENTS, Beginning of year	205,878
CASH AND CASH EQUIVALENTS, End of year	\$ 365,893

SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid for Interest	\$ 1,702
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See accompanying notes and independent auditor's report.

CARBONDALE COMMUNITY ACCESS RADIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

Carbondale Community Access Radio ("CCAR") is a Colorado nonprofit corporation incorporated in 1981 as a community access radio created by and for its listeners to provide diverse and innovative programming that reflects the concerns and interests of the communities it serves. The Organization is supported primarily by funding from the Corporation for Public Broadcasting, underwriting, memberships, and fund-raising.

BASIS OF PRESENTATION

The financial statements of CCAR have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

CLASSIFICATION OF NET ASSETS

CCAR net assets are classified based on the presence or absence of donor-imposed restrictions. Net assets are classified as follows:

Net assets without donor restrictions: Net assets available for use in operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the resources are to be maintained in perpetuity. Net assets with donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash held in deposits and investments with an original maturity of three months or less. On December 31, 2021, there were no cash equivalents. CCAR places its cash with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC (U.S Federal Deposit Insurance Corporation) insured limit of \$250,000. At December 31, 2021, CCAR had \$115,893 of cash not covered under FDIC insurance.

ACCOUNTS RECEIVABLE

Accounts Receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably 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. For the year ended December 31, 2021, the valuation allowance increased \$21,290,

resulting in an accounts receivable balance that is expected to be collected of \$8,186.

GRANTS RECEIVABLE

Unconditional pledges are recognized as revenue in the period the pledge is made. Pledges are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional pledges are recognized when the conditions on which they depend are substantially met. As of December 31, 2021, there was \$34,169 of grants receivable related to a grant from the Corporation for Public Broadcasting. The full amount of the receivable is expected to be received in cash in 2022.

INVESTMENTS

CCAR carries investments in marketable debt and equity securities with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

LAND, BUILDINGS, EQUIPMENT, AND INTANGIBLES

CCAR capitalizes all purchases or donations of land, buildings, equipment, and intangibles over \$2,500. Purchased land, buildings, equipment, and intangibles are carried at cost. Donated land, buildings, equipment, and intangibles are carried at fair value at the date of donation. Such donated property or intangible is reported as undesignated unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, CCAR reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. CCAR reclassifies donor restricted net assets to undesignated net assets at that time. Property and equipment are depreciated over their estimated useful lives of 5 – 40 years using the straight-line method. Intangible assets are amortized over their estimated useful life of 5 years using the straight-line method.

ACCOUNTS PAYABLE

Accounts payable consist of amounts owed to vendors or individuals for expenses incurred during the year ended December 31, 2021.

DEBT

Remaining principal payments on the mortgage are reported as a liability on the balance sheet. As of December 31, 2021, CCAR owed \$26,797 on its mortgage loan.

REVENUE RECOGNITION

CONTRIBUTIONS AND GRANTS

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

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

assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

MEMBERSHIP INCOME

Membership income is related to the sale of memberships or donations from station supporters. CCAR offers members access to members' only events and programs. Members also receive hats, stickers, CDs, or shout-outs on air depending on the level of membership. CCAR recognizes this as revenue when received.

UNDERWRITING INCOME

Underwriting income is related to the sale of on-air announcements acknowledging financial support from the customer. CCAR offers various underwriting rates and packages. Underwriting income is recognized when the performance obligation has been fulfilled and a corresponding receivable is recorded.

DONATED SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CCAR. There was \$23,019 of donated services received during the year ended December 31, 2021.

INCOME TAX STATUS

CCAR is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to CCAR's tax-exempt purpose is subject to taxation as unrelated business income. Contributions to CCAR are tax deductible as permitted under the Code.

FASB Topic 740-10, Accounting for Uncertainty in Income Taxes, prescribes when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, CCAR only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position.

Should any such penalties and interest be incurred, they would be recognized as operating expenses. CCAR had no material unrecognized tax benefits for the year ended December 31, 2021. As a result, no interest or penalties were accrued for unrecognized tax benefits during these years.

FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis (program services, management and general, and fundraising). The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are

allocated include technology, salaries, wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

ADVERTISING

CCAR expenses advertising costs as incurred. Advertising expenses incurred for the year ended December 31, 2021, were \$10,596.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

UPCOMING ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02 to increase transparency and comparability of information regarding an entity's leasing activities by providing additional information to users of financial statements. ASU 2016-02 requires lessees to recognize most leases on their balance sheet by recording a liability for its lease obligation and an asset for its right to use the underlying asset as of the lease commencement date and recognizing expenses on the income statement in a similar manner to the current guidance in ASC Topic 840, Leases ("ASC 840"). The new lease guidance will be effective for CCAR's year ending December 31, 2022. CCAR has determined that the adoption of this ASU will have no significant impact on the financial statements as of December 31, 2022.

DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through July 17, 2023, the date which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet cash needs for general expenditures within one year are as follows as of December 31, 2021:

Cash and Cash Equivalents	\$ 365,893
Accounts Receivable, Net	8,186
Grants Receivable	25,077
Investments	<u>271,851</u>
Total assets available for general expenditures	<u>\$ 671,007</u>

Of the \$34,169 of grants receivable from the Corporation for Public Broadcasting as of December 31, 2021, \$25,077 of the amount is unrestricted when the cash is expected to be received in 2022.

3. GRANTS RECEIVABLE

All \$34,169 of the CPB grant receivable balance as of December 31, 2021, is collectible in 2022. When the cash is received in 2022, \$25,077 is without donor restrictions, and \$9,092 is restricted for programming expenditures.

4. INVESTMENTS

Investments as of December 31, 2021, consist of the following:

Bond Market Index Fund	\$ 121,308
Stock Market Index Fund	150,543
Total Investments	<u>\$ 271,851</u>
Investment in Sunlight Peak, LLC	<u>\$ 29,290</u>

5. FAIR VALUE MEASUREMENT

CCAR is subject to the provisions of *Fair Value Measurements and Disclosures*. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3)

The following table summarizes the valuation of investments in the fair value hierarchy as of December 31, 2021. All investments are considered Level 1 investments with the exception of the investment in Sunlight Peak, LLC, which is classified as level 3.

	2021			
	Fair Value	Level 1	Level 2	Level 3
Bond Market Index Fund	\$ 121,308	\$ 121,308	\$ -	\$ -
Stock Market Index Fund	150,543	150,543	-	-
Investment in Sunlight Peak, LLC	29,290	-	-	29,290
Total	<u>\$ 301,141</u>	<u>\$ 271,851</u>	<u>\$ -</u>	<u>\$ 29,290</u>

CCAR's investment in Sunlight Peak, LLC is a one-third ownership in the net assets of Sunlight Peak, LLC. Sunlight Peak, LLC ("Sunlight"), is a Colorado non-profit limited liability company owned by three non-profit organizations to jointly share in the construction and maintenance costs of the Sunlight Peak transmitter tower. For the year ended December 31, 2021, the investment was adjusted by \$9,517 to record the investment at fair value. As of December 31, 2021, the fair value of the investment was \$29,290.

Sunlight is a nonprofit 501(c)(3) organization with a fiscal year end of June 30. Sunlight filed Form 990-EX for the fiscal year ended June 30, 2021. For the year ended June 30, 2021, the 990-EX showed net assets and assets of \$90,775 reported on the accrual basis of accounting.

6. LAND, BUILDINGS, EQUIPMENT, AND INTANGIBLES

Land, buildings, equipment, and intangibles consist of the following as of December 31, 2021:

Land, Buildings, and Equipment

Land	\$ 41,022
Building	254,193
Office Equipment	30,199
Studio Equipment	<u>108,337</u>
	433,751
Less Accumulated Depreciation	<u>(201,734)</u>
	<u>\$ 232,017</u>

Intangibles

Software	\$ 17,170
Less Accumulated Amortization	<u>(3,434)</u>
	<u>\$ 13,736</u>

Depreciation expense and amortization expense for the year ended December 31, 2021, is \$9,565 and \$3,434, respectively. There were no impairments of property or intangibles during the year.

7. MORTGAGE LOAN

The mortgage loan consists of a 12-year mortgage note on the CCAR studio building with an original balance of \$125,000 dated December 30, 2011. The loan is payable to Alpine Bank in monthly payments of \$1,176 including principal and interest. The interest rate is 8.50% and the future principal maturities are as follows:

Year Ending December 31:

2022	\$ 13,055
2023	<u>13,742</u>
	<u>\$ 26,797</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for a specified purpose or time restriction as of December 31, 2021, consist of \$34,169 of a grant receivable from the Corporation for Public Broadcasting. The cash is collectible in 2022.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors. For the year ended December 31, 2021, net assets of \$203,796 and \$54,614 were released as part of the Corporation for Public Broadcasting's COVID grant and Community Service grant, respectively.

9. CONCENTRATION OF RISKS

ECONOMIC DEPENDENCY

CCAR operates from a single location and relies on its broadcasting assets to serve its coverage areas within the Roaring Fork, Frying Pan, Colorado, and Crystal River Valleys. For the year ended December 31, 2021, CCAR received approximately 48% of its total revenues, gains, and other support from the Corporation for Public Broadcasting (CPB). CPB funds are subject to certain use and reporting requirements. Should CPB determine funds were not spent properly, CCAR may be required to return the funds. CCAR believes all CPB funds have been spent in accordance with CPB's restrictions. 100% of CCAR's grants receivable balance is due from CPB.

For the year ended December 31, 2021, 99% of CCAR's net accounts receivable balance is due from three customers.

10. RESTATEMENT

Net Assets at the beginning of the year is restated by \$113,567, resulting in an increase in Change in Net Assets for the year ended December 31, 2020, of \$113,567. The restatement is due to adjustments recorded in 2021 to recognize the PPP Loan as revenue in 2020, write off prepaid expenses that relate to a prior period, record unrealized gains on losses on investments in 2020, and capitalize 2020 expenses that were related to purchases of PP&E or Intangible assets and record the related depreciation and amortization expenses.