

**COMMUNITY RADIO PROJECT, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**DRAFT**

COMMUNITY RADIO PROJECT, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Community Radio Project, Inc.  
Cortez, Colorado

We have audited the accompanying financial statements of Community Radio Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 auditors' 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 Community Radio Project, Inc. as of December 31, 2018, 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.

Fick, Eggemeyer & Williamson, CPAs  
St. Louis, Missouri  
March 26, 2019

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COMMUNITY RADIO PROJECT, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 88,873
Endowment fund investment	8,491
Accounts receivable, net of allowance	20,259
Prepaid expenses	3,090
Total current assets	120,713

NONCURRENT ASSETS

Property and equipment, net of depreciation	1,265,676
Total noncurrent assets	1,265,676

Total assets	\$ 1,386,389
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 8,863
Employee benefits	5,930
Accrued vacation	8,845
Deferred underwriting revenue	11,067
Note payable	2,759
Total current liabilities	37,464

NONCURRENT LIABILITIES

Note payable, less current portion	177,925
Total noncurrent liabilities	177,925

Total liabilities	215,389
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Net assets

Without donor restriction	1,057,678
With donor restriction	113,322
Total net assets	1,171,000

Total liabilities and net assets	\$ 1,386,389
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See accompanying notes and independent auditors' report

COMMUNITY RADIO PROJECT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor restriction	With Donor restriction	Total
<b>SUPPORT AND REVENUE</b>			
Grant revenue	\$ 172,926	\$ 125,167	\$ 298,093
Contributions	132,582	-	132,582
Underwriting revenue	132,076	-	132,076
Special event revenue	55,306	-	55,306
In-kind contributions	17,820	-	17,820
Other income	5,203	-	5,203
<b>Total support and revenue</b>	<b>515,913</b>	<b>125,167</b>	<b>641,080</b>
<b>Net assets released from restrictions</b>			
Satisfaction of restrictions	67,836	(67,836)	-
<b>Total</b>	<b>583,749</b>	<b>57,331</b>	<b>641,080</b>
<b>EXPENSES</b>			
Program services	351,279	-	351,279
<b>Total program services</b>	<b>351,279</b>	<b>-</b>	<b>351,279</b>
Supporting services			
General administration	109,955	-	109,955
Fundraising	226,077	-	226,077
<b>Total support services</b>	<b>336,032</b>	<b>-</b>	<b>336,032</b>
<b>Total expenses</b>	<b>687,311</b>	<b>-</b>	<b>687,311</b>
<b>Change in net assets from operations</b>	<b>(103,562)</b>	<b>57,331</b>	<b>(46,231)</b>
<b>INVESTMENT ACTIVITIES</b>			
Unrealized gain (loss) on endowment	-	(1,135)	(1,135)
Interest and dividend income	-	1,039	1,039
Investment expenses	-	(413)	(413)
<b>Total investment activities</b>	<b>-</b>	<b>(509)</b>	<b>(509)</b>
<b>Change in net assets</b>	<b>(103,562)</b>	<b>56,822</b>	<b>(46,740)</b>
<b>Net assets - beginning of year</b>	<b>1,161,240</b>	<b>56,500</b>	<b>1,217,740</b>
<b>Net assets - end of year</b>	<b>\$ 1,057,678</b>	<b>\$ 113,322</b>	<b>\$ 1,171,000</b>

See accompanying notes and independent auditors' report

COMMUNITY RADIO PROJECT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 135,140	\$ 27,027	\$ 108,112	\$ 270,279
Payroll taxes	11,050	2,208	8,840	22,098
Employee benefits	10,930	2,185	8,744	21,859
Event expense	-	-	42,360	42,360
Advertising	-	-	10,394	10,394
Communications	-	6,935	-	6,935
Depreciation	41,013	8,202	32,810	82,025
Dues and subscriptions	-	3,603	-	3,603
Insurance	5,339	1,068	4,271	10,678
Interest	4,426	885	3,541	8,852
Other expense	-	5,046	-	5,046
Bad debt	-	1,500	-	1,500
Postage and delivery	-	321	-	321
Professional fees	-	43,897	-	43,897
Programming and production	134,625	-	-	134,625
Repairs and maintenance	4,205	841	3,364	8,410
Supplies	-	3,021	-	3,021
Taxes and licenses	-	197	-	197
Training and travel	-	2,110	-	2,110
Utilities	4,551	909	3,641	9,101
Total	<u>\$ 351,279</u>	<u>\$ 109,955</u>	<u>\$ 226,077</u>	<u>\$ 687,311</u>

See accompanying notes and independent auditors' report

COMMUNITY RADIO PROJECT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in net assets	\$ (46,740)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	82,025
Unrealized (gain) loss on endowment	1,135
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(14,724)
(Increase) decrease in prepaid expenses	1,902
Increase (decrease) in accounts payables	(32,310)
Increase (decrease) in employee benefits liability	(6,034)
Increase (decrease) in accrued vacation	(8,992)
Increase (decrease) in deferred underwriting revenue	(22,475)
Increase (decrease) in deferred grant revenue	(60,122)
Net cash provided by (used in) operating activities	<u>(106,335)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net investment activity	6,874
Endowment fund distributions	40,000
Purchase of property and equipment	(2,909)
Net cash provided by (used in) investing activities	<u>43,965</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net change in line of credit	(39,458)
Principal payments on notes payable	(2,651)
Net cash provided by (used in) financing activities	<u>(42,109)</u>
Net increase (decrease) in cash and cash equivalents	<u>(104,479)</u>
Cash and cash equivalents - beginning of year	<u>193,352</u>
Cash and cash equivalents - end of year	<u><u>\$ 88,873</u></u>
Supplemental cash flow information:	
Cash paid during the year for interest	\$ 8,852

See accompanying notes and independent auditors' report



COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Community Radio Project, Inc. (the Organization) is a Colorado nonprofit corporation branded as KSJD and is the licensee of KSJD, KICO, and KZET. The Organization was incorporated in 2004 and functions as a non-commercial public radio broadcast station. The mission of the Organization is to inform, entertain and empower the people of the Four Corners of Colorado, Arizona, New Mexico and Utah, including the Ute Mountain Ute Tribe and portions of the Navajo Nation. The Organization envisions a community strengthened and elevated by locally-driven media and performing arts.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with auditing standards generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The financial statement of the Organization have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contribution Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid investments with an original maturity of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables

Accounts receivable consist primarily of noninterest-bearing amounts due for underwriting services. Management used the allowance method to account for doubtful accounts. At December 31, 2018, the allowance for doubtful accounts was \$3,000.

Contributed Services

A number of volunteers contribute services to the Organization. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair market value at the date of the donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Buildings and building improvements have been depreciated over periods ranging from 15 to 39 years. All other depreciable property has been depreciated over periods ranging from 4 to 15 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

On January 1, 2010, the Organization adopted the provisions of *Accounting for Uncertainty in Income Taxes*. This accounting standard requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of the standard has no impact on the Organization’s statement of financial position or statement of activities. The Organization does not believe its financial statements include (or reflect) any uncertain tax position. The Organization’s tax returns filed prior to fiscal year 2016 are closed.

Advertising Costs

Advertising costs are expensed as incurred. Advertising cost for the year ended December 31, 2018 was \$10,394.

Use of Estimates in Financial Statement

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 results could differ from those estimates.

**NOTE 2 - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between fundraising, administration or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 3 - LINE OF CREDIT**

In October 2018, the Organization entered into a revolving line of credit with First National Bank, Cortez. The purpose of the line of credit was to provide working capital for the Organization. The line of credit accrues interest at a rate of 5.25% and matures October 11, 2019, and the outstanding balance as of December 31, 2018 was \$0.

**NOTE 4 - COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation, depending on job classification, length of service, and other factors. Employees are allowed to accumulate earned vacation and, upon separation, are paid out any unused vacation pay based on current pay rates. Accordingly, accrued vacation as of December 31, 2018 was \$8,845.

**NOTE 5 - PROPERTY AND EQUIPMENT**

A summary of property and equipment as of December 31, 2018 is as follows:

Building	\$ 160,000
Building improvements	1,231,674
Equipment	<u>367,788</u>
Total depreciable property	1,759,462
Accumulated depreciation	<u>(533,786)</u>
Depreciable property, net	1,225,676
Land	40,000
Property and equipment, net	<u><u>\$ 1,265,676</u></u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the year ended December 31, 2018 was \$82,025.

**NOTE 6 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 26, 2019, the date which the financial statements were available for issue, and noted no reportable events.

COMMUNITY RADIO PROJECT, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

**NOTE 7 - NOTE PAYABLE**

In July 2014, the Organization obtained a mortgage with the USDA in order to refinance an existing loan. The Organization could draw funds up to \$193,710 to assist in renovation of the Organization's building. The mortgage is collateralized by a deed of trust on the Organization's building. The mortgage carries an interest rate of 4% and monthly payments of principal and interest of \$828 are payable through July 2052. The outstanding balance on the mortgage as of December 31, 2018 was \$180,684.

Future maturities of note payable:

Year ending December 31, 2019	\$	2,759
2020		2,871
2021		2,988
2022		3,110
Thereafter		168,956
Total	\$	180,684

**NOTE 8 - DONOR RESTRICTED ENDOWMENT**

In December 2015, the Organization received a donation in the amount of \$50,000 to start an endowment fund. In October 2016, the Organization transferred the \$50,000 to Onward! A Legacy Foundation, to be held as a separate fund. The Organization signed an agreement with Onward!, which states that principal and net income from the fund be used for news, arts and entertainment programs of KSJD and the Sunflower Theater. The balance of the fund as of December 31, 2018 was \$8,491.

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, 1/1/18	\$ -	\$ 56,500	\$ 56,500
Distributions	-	(47,500)	(47,500)
Investment income	-	1,039	1,039
Unrealized gain	-	(1,134)	(1,134)
Investment expenses	-	(414)	(414)
Endowment net assets, 12/31/18	\$ -	\$ 8,491	\$ 8,491

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 9 - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are described in the following paragraphs:

*Level 1-* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2-* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

*Level 3-* Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The following is a description of the valuation methodologies used for assets measured at fair value.

Funds held by Onward! may be pooled with other investor accounts and invested jointly. Onward! values the pool based on published closing prices of various securities on active exchanges.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 9 - FAIR VALUE MEASUREMENTS (continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of December 31, 2018.

	Level 1	Level 2	Level 3	Total
Endowment fund - Onward!	\$ -	\$ 8,491	\$ -	\$ 8,491
Totals	\$ -	\$ 8,491	\$ -	\$ 8,491

**NOTE 10 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year-end:

Cash and cash equivalents	\$ 88,873
Endowment fund investment	8,491
Accounts receivable, net of allowance	<u>20,259</u>
Total financial assets at year-end	<u>117,623</u>

Less amounts not available to be used within one year:

Net assets with period restrictions in excess of one year	30,956
Net assets with purpose restrictions	<u>82,366</u>
Total amounts not available to be used within one year	<u>113,322</u>

Financial assets available to meet general expenditures  
over the next twelve months

\$ 4,301

**NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS**

The following table details net assets with donor restrictions as of December 31, 2018.

Restricted for:	<u>Purpose</u>	<u>Periods</u>
Endowment Fund	\$ 8,491	\$ -
CSG Grant	<u>22,465</u>	<u>82,366</u>
Total	<u>\$ 30,956</u>	<u>\$ 82,366</u>