CENTER FOR COMMUNICATION AND DEVELOPMENT

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

PREPARED BY:

BWK ROGERS PC

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

BWK Rogers PC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
Minneapolis, Minnesota

O. Barry Rogers, CPA
Wylie R. Klawitter, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Center for Communication and Development/KMOJ Radio

We have audited the accompanying financial statements of Center for Communication and Development (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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.

Auditor's 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.

431 SOUTH 7TH STREET • SUITE 2424 • MINNEAPOLIS, MN 55415 • 612-332-5446 • FAX 612-332-7060

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Communication and Development as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Center for Communication and Development's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BWK Rogers PC

August 22, 2018

CENTER FOR COMMUNICATION AND DEVELOPMENT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 12,912	$ 19,630
Accounts receivable, net of allowance	61,115	41,995
Grants receivable	123,134	-
Employee advances	-	550
Prepaid expenses	8,769	11,532
Total Current Assets	205,930	73,707
Damage Deposit	4,995	4,995
Fixed Assets, net of accumulated depreciation of $449,391 and $396,428 in 2017 and 2016, respectively	125,581	178,544
Total Assets	$ 336,506	$ 257,246
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 37,053	$ 30,787
Line of credit	5,138	-
Payroll liabilities	108,478	85,797
Deferred revenue	65,464	77,591
Total Current Liabilities	216,133	194,175
Note payable - related party	47,572	30,471
Total Liabilities	263,705	224,646
Net Assets		
Unrestricted	40,699	32,600
Temporarily restricted	32,102	-
Total Net Assets	72,801	32,600
Total Liabilities and Net Assets	$ 336,506	$ 257,246

The accompanying notes are an integral part of these financial statements.

CENTER FOR COMMUNICATION AND DEVELOPMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Support and Revenues				
Non-government grants	$ 89,300	$ -	$ 89,300	$ 19,600
Individual contributions	6,418	-	6,418	643
Government grants	125,337	32,102	157,439	63,159
Underwriting income	694,557	-	694,557	716,541
Special events income, net	(2,512)	-	(2,512)	4,307
Miscellaneous income	2,000	-	2,000	3,852
Total support and revenues	915,100	32,102	947,202	808,102
Expenses				
Program services	723,486	-	723,486	801,457
Management and general	183,515	-	183,515	249,992
Total expenses	907,001	-	907,001	1,051,449
Change in net assets	8,099	32,102	40,201	(243,347)
Beginning net assets	32,600	-	32,600	311,610
Ending net assets, as previously stated	40,699	32,102	72,801	68,263
Prior period adjustments	-	-	-	(35,663)
Ending net assets, as restated	$ 40,699	$ 32,102	$ 72,801	$ 32,600

The accompanying notes are an integral part of these financial statements.

CENTER FOR COMMUNICATION AND DEVELOPMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

	Program	Management & General	2017	2016
Salaries	$ 209,430	$ 70,931	$ 280,361	$ 261,825
Payroll taxes	20,823	7,053	27,876	23,686
Insurance	12,755	5,758	18,513	18,326
Professional fees	641	1,414	2,055	12,892
Accounting and auditing	-	22,797	22,797	9,674
Bank fees and interest	-	7,273	7,273	5,979
Commission/contract fees	240,678	5,756	246,434	342,182
Equipment rental and servicing	83	150	233	960
Advertising	-	681	681	6,358
Telephone and internet	20,752	7,029	27,781	27,407
Supplies	1,895	2,020	3,915	2,039
Licenses and copyright fees	4,861	-	4,861	3,101
Dues and subscriptions	23,120	-	23,120	16,664
Meetings and conferences	739	252	991	682
Travel	-	-	-	527
Miscellaneous	-	2,307	2,307	4,994
Occupancy	148,146	26,144	174,290	179,986
Bad debt	-	10,550	10,550	78,421
Depreciation	39,563	13,400	52,963	55,746
Total Expenses	$ 723,486	$ 183,515	$ 907,001	$1,051,449

The accompanying notes are an integral part of these financial statements.

CENTER FOR COMMUNICATION AND DEVELOPMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 40,201	$(243,347)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	52,963	55,746
Commissions accrued to note payable - related party	17,101	-
Changes in current assets and liabilities:		
(Increase) decrease in receivables	(141,704)	91,789
Decrease in prepaid expenses	2,763	2,532
Increase in accounts payable	6,266	3,855
Increase in accrued expenses	22,681	97,533
(Decrease) increase in deferred revenue	(12,127)	7,200
Net Cash (Used) Provided By Operating Activities	(11,856)	15,308
Cash Flows from Financing Activities		
Funds received from line of credit	15,138	-
Repayments of line of credit	(10,000)	-
Net Cash Provided By Financing Activities	5,138	-
Net (Decrease) Increase in Cash and Cash Equivalents	(6,718)	15,308
Cash and Cash Equivalents, Beginning of Year	19,630	4,322
Cash and Cash Equivalents, End of Year	$ 12,912	$ 19,630
Supplemental Cash Flow Information		
Cash paid for interest	$ 770	$ -
Supplemental Non-Cash Transaction Information		
Commissions accrued to note payable - related party	$ 17,101	$ -

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Center for Communication and Development (KMOJ Radio) is a nonprofit organization that was formed in 1976 to provide broadcast communications training and serve as an information and communications vehicle for the Twin Cities African American community. The organization works to improve the quality of life and provide positive experiences for community residents, through entertainment, public service announcements, and forums for discussing issues that affect their lives.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Furniture and equipment are reported as unrestricted net assets.

Temporarily Restricted – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that are satisfied by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Permanently Restricted – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions pursuant to those stipulations. The Center had no permanently restricted net assets at December 31, 2017 and 2016.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Center for Communication and Development considers all cash and money market accounts to be cash and cash equivalents.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

The receivables balance represents the amount considered collectible at year-end. Management estimates an allowance for doubtful accounts based on historical experience applied to an aging of accounts. Account receivable balances are written off against the allowance for doubtful accounts when deemed uncollectible. The allowance for doubtful accounts was $10,000 and $0 as of December 31, 2017 and 2016, respectively.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. All major expenditures for furniture and equipment are capitalized at cost. Contributed furniture and equipment is recorded at fair market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Contributions

Center for Communication and Development reports gifts of cash and other assets as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Donated stock is sold immediately upon receipt.

Functional Allocation of Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses other than salaries and related expenses, which are not directly identifiable by program or support service, are allocated based on the best estimates of management.

Fundraising Expenses

The primary fundraising expenses are considered immaterial to the financial statements and are included in management and general expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

Center for Communication and Development has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code, and charitable contributions by donors are tax-deductible.

Estimates

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

Comparative Information

The audited financial statements include certain prior year summarized information in total but not by function or restriction. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016, represent underwriting revenue that was earned in 2017 and 2016, respectively. In 2017, management established an allowance for doubtful accounts of $10,000 for balances that may not be fully collected.

NOTE 3. GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	2017	2016
Corporation for Public Broadcasting	$123,134	$ ---

CENTER FOR COMMUNICATION AND DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2017	2016
Equipment	$246,174	$246,174
Computers and software	14,490	14,490
Furniture	5,365	5,365
Leasehold improvements	308,943	308,943
Total Property and Equipment	574,972	574,972
Less: Accumulated depreciation	(449,391)	(396,428)
Property and Equipment, Net	$125,581	$178,544

Depreciation expense of $52,963 and $55,746 was recorded, respectively, for the years ended December 31, 2017 and 2016.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 and 2016, consist of the following:

	2017	2016
Future Year Operations	$32,102	$ ---

NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors for programs for the years ended December 31, 2017 and 2016, as follows:

	2017	2016
General Operations	$ ---	$12,575

NOTE 7. LINE OF CREDIT

The Organization has a $10,000 line of credit available to them. The balance on this line of credit accrues interest at a rate of 5.75%. The outstanding balance as of December 31, 2017 and 2016, was $5,138 and $0, respectively.

NOTE 8. NOTE PAYABLE – RELATED PARTY

During 2017 and 2016, the Organization's General Manager was earning commissions but was not collecting the money as it was earned. As such, the total owed to him as of December 31, 2017, has been recognized as a note payable. There is no written agreement to define the payment terms. The balance owed was $47,572 and $30,471 as of December 31, 2017 and 2016, respectively.

NOTE 9. OPERATING LEASES

The Organization leases a storage unit on a monthly basis. The lease is classified as an operating lease and is charged to operations as incurred. There are no future minimum lease payments associated with this agreement.

In April 2010, the Organization entered into a five-year lease for office space, which expired on April 30, 2015. At that time, the Organization renewed this lease for another five years. There is also a second five-year renewal option for this lease. The lease is classified as an operating lease and is charged to operations as incurred.

In May 2010, the Organization entered into a five-year lease for their antenna site, which started on July 1, 2010 and expired on June 30, 2015. At that time, the Organization renewed this lease for another five years. There are two additional five-year renewal options for this lease. The lease is classified as an operating lease and is charged to operations as incurred.

Future minimum lease payments are as follows:

2018	$115,960
2019	117,680
2020	49,020
Total	$282,660

Rent expense for these leases totaled $154,016 and $164,064 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were issued, August 22, 2018. There are no subsequent events required to be disclosed in accordance with accounting standards.

NOTE 11. INCOME TAX UNCERTAINTIES

The Organization follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for the uncertainty in income taxes recognized in the entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Organization's financial statements.

The Organization's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2013 to 2017 are open to examination by federal, state, and local authorities.

NOTE 12. PRIOR PERIOD ADJUSTMENTS

During 2017, it was determined that there were $30,471 of additional commissions owed to the General Manager for work performed during the year ended December 31, 2016. The result was an increase in liabilities and decrease in net assets reported as of December 31, 2016.

During 2017, the Organization was notified that they were errantly reimbursed for a total of $70,391 of grant funds during the period from July 1, 2011 through June 30, 2016. The result was an increase in liabilities and decrease in net assets reported as of December 31, 2016.

Based on the notifications received from the State of Minnesota and the Department of the Treasury, it was determined that the Organization overestimated the amount of payroll taxes owed as of December 31, 2016, by $65,199. The result was a decrease in liabilities and increase in net assets reported as of December 31, 2016.

Decrease for commissions	($30,471)
Decrease for grant funds	(70,391)
Increase for payroll liabilities	65,199
Total Prior Period Adjustments	($35,663)