

**CENTER FOR COMMUNICATION  
AND DEVELOPMENT**

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**PREPARED BY:**

**BWK ROGERS PC**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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# 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, 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.

### **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.

## **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, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Center for Communication and Development's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Emphasis of Matter – Changes in Accounting Principle**

As discussed in Note 15 to the financial statements, Center for Communication and Development implemented the provisions of Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*.

A handwritten signature in black ink that reads "B. K. Rogers PC". The signature is written in a cursive, flowing style.

July 1, 2019

**CENTER FOR COMMUNICATION AND DEVELOPMENT**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 147,870	\$ 12,912
Accounts receivable, net of allowance	46,724	61,115
Grants receivable	-	123,134
Prepaid expenses	<u>9,476</u>	<u>8,769</u>
<b>Total Current Assets</b>	<b>204,070</b>	<b>205,930</b>
Damage Deposit	4,995	4,995
Fixed Assets, net of accumulated depreciation of \$500,333 and \$449,391 in 2018 and 2017, respectively	<u>74,639</u>	<u>125,581</u>
<b>Total Assets</b>	<b><u>\$ 283,704</u></b>	<b><u>\$ 336,506</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 16,288	\$ 37,053
Line of credit	-	5,138
Payroll liabilities	8,241	108,478
Deferred revenue	<u>-</u>	<u>65,464</u>
<b>Total Current Liabilities</b>	<b>24,529</b>	<b>216,133</b>
Note payable - related party	<u>71,540</u>	<u>47,572</u>
<b>Total Liabilities</b>	<b>96,069</b>	<b>263,705</b>
<b>Net Assets</b>		
Without donor restrictions	85,537	40,699
With donor restrictions	<u>102,098</u>	<u>32,102</u>
<b>Total Net Assets</b>	<b><u>187,635</u></b>	<b><u>72,801</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 283,704</u></b>	<b><u>\$ 336,506</u></b>

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, 2018**  
**WITH COMPARATIVE TOTALS FOR 2017**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>2018</u>	Total <u>2017</u>
<b>Support and Revenues</b>				
Non-government grants	\$ 39,700	\$ -	\$ 39,700	\$ 89,300
Individual contributions	44,195	-	44,195	6,418
Government grants	159,394	102,098	261,492	157,439
Underwriting income	661,749	-	661,749	694,557
Gross special event income	32,142	-	32,142	20,513
Less cost of direct benefits to donors	<u>(21,580)</u>	<u>-</u>	<u>(21,580)</u>	<u>(6,599)</u>
Net special event income	10,562	-	10,562	13,914
In-kind contributions	59,420	-	59,420	-
Miscellaneous income	1,428	-	1,428	2,000
Net assets released from restrictions	<u>32,102</u>	<u>(32,102)</u>	<u>-</u>	<u>-</u>
 Total support and revenue	 1,008,550	 69,996	 1,078,546	 963,628
<b>Expenses</b>				
Program services	746,389	-	746,389	723,486
Management and general	<u>217,323</u>	<u>-</u>	<u>217,323</u>	<u>199,941</u>
 Total expenses	 <u>963,712</u>	 <u>-</u>	 <u>963,712</u>	 <u>923,427</u>
 Change in net assets	 44,838	 69,996	 114,834	 40,201
Beginning net assets	<u>40,699</u>	<u>32,102</u>	<u>72,801</u>	<u>32,600</u>
Ending net assets	<u>\$ 85,537</u>	<u>\$ 102,098</u>	<u>\$ 187,635</u>	<u>\$ 72,801</u>

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, 2018**  
**WITH COMPARATIVE TOTALS FOR 2017**

	Program	Management & General	2018	2017
Salaries	\$ 256,320	\$ 86,812	\$ 343,132	\$ 280,361
Payroll taxes	35,208	11,925	47,133	27,876
Insurance	15,912	7,183	23,095	18,513
Professional fees	768	4,152	4,920	2,055
Accounting and auditing	-	21,956	21,956	22,797
Bank fees and interest	-	9,623	9,623	7,273
Commission/contract fees	195,123	5,862	200,985	259,660
Equipment rental and servicing	15	28	43	233
Advertising	-	836	836	681
Telephone and internet	20,306	6,878	27,184	27,781
Supplies	2,331	6,433	8,764	7,115
Licenses and copyright fees	4,715	-	4,715	4,861
Dues and subscriptions	17,205	-	17,205	23,120
Meetings and conferences	978	333	1,311	991
Travel	-	203	203	-
Miscellaneous	-	171	171	2,307
Occupancy	159,454	28,139	187,593	174,290
Cost of direct benefits to donors	-	21,580	21,580	6,599
Bad debt	-	13,901	13,901	10,550
Depreciation	38,054	12,888	50,942	52,963
<b>Total Expenses by Function</b>	<b>746,389</b>	<b>238,903</b>	<b>985,292</b>	<b>930,026</b>
<b>Less Expenses Included with Revenues on the Statement of Activities</b>				
Cost of direct benefits to donors	-	(21,580)	(21,580)	(6,599)
<b>Total Expenses Included in the Expense Section on the Statement of Activities</b>	<b><u>\$ 746,389</u></b>	<b><u>\$ 217,323</u></b>	<b><u>\$ 963,712</u></b>	<b><u>\$ 923,427</u></b>

**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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 114,834	\$ 40,201
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	50,942	52,963
Commissions accrued to note payable - related party	23,968	17,101
Changes in current assets and liabilities:		
Decrease (increase) in receivables	137,525	(141,704)
(Increase) decrease in prepaid expenses	(707)	2,763
(Decrease) increase in accounts payable	(20,765)	6,266
(Decrease) increase in accrued expenses	(100,237)	22,681
(Decrease) in deferred revenue	<u>(65,464)</u>	<u>(12,127)</u>
 <b>Net Cash Provided (Used) By Operating Activities</b>	 140,096	 (11,856)
 <b>Cash Flows from Financing Activities</b>		
Funds received from line of credit	14,668	15,138
Repayments of line of credit	<u>(19,806)</u>	<u>(10,000)</u>
 <b>Net Cash (Used) Provided By Financing Activities</b>	 <u>(5,138)</u>	 <u>5,138</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 134,958	 (6,718)
 Cash and Cash Equivalents, Beginning of Year	 <u>12,912</u>	 <u>19,630</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 147,870</u>	 <u>\$ 12,912</u>
 <b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ 1,836</u>	<u>\$ 770</u>
 <b>Supplemental Non-Cash Transaction Information</b>		
Commissions accrued to note payable - related party	<u>\$ 23,968</u>	<u>\$ 17,101</u>

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



**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) 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. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

**CENTER FOR COMMUNICATION AND DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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.

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 \$10,000 as of December 31, 2018 and 2017, 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 contributions without donor restrictions.

Donated stock is sold immediately upon receipt.

Donated Material and Services

Contributed services are recorded as contributions, at fair value, when the service creates or enhances a non-financial asset or donation. Some unpaid volunteers have made contributions of their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it does not meet the requirements for recognition in the financial statements.

**CENTER FOR COMMUNICATION AND DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

Advertising Costs

Advertising costs are expensed as incurred and totaled \$836 and \$681 during the years ended December 31, 2018 and 2017, respectively.

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.

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.

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.

**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 2. LIQUIDITY AND AVAILABILITY**

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Organization’s financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of restrictions. Amounts not available include net assets with donor restrictions of \$102,098 and \$32,102 at December 31, 2018 and 2017, respectively.

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$147,870	\$12,912
Receivables	<u>46,724</u>	<u>184,249</u>
Total Financial Assets	194,594	197,161
Net Assets With Donor Restrictions	<u>(102,098)</u>	<u>(32,102)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$92,496</u>	<u>\$165,059</u>

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2018 and 2017, represent underwriting revenue that was earned in 2018 and 2017, respectively. Management has established an allowance for doubtful accounts of \$10,000 for balances that may not be fully collected.

**NOTE 4. GRANTS RECEIVABLE**

Grants receivable consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Corporation for Public Broadcasting	\$ <u>---</u>	<u>\$123,134</u>

**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Equipment	\$246,174	\$246,174
Computers and software	14,490	14,490
Furniture	5,365	5,365
Leasehold improvements	<u>308,943</u>	<u>308,943</u>
Total Property and Equipment	574,972	574,972
Less: Accumulated depreciation	<u>(500,333)</u>	<u>(449,391)</u>
Property and Equipment, Net	<u>\$ 74,639</u>	<u>\$125,581</u>

Depreciation expense of \$50,942 and \$52,963 was recorded, respectively, for the years ended December 31, 2018 and 2017.

**NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Future Year Operations	<u>\$102,098</u>	<u>\$32,102</u>

**NOTE 7. 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, 2018 and 2017, as follows:

	<u>2018</u>	<u>2017</u>
General Operations	<u>\$32,102</u>	<u>\$ ---</u>

**NOTE 8. LINE OF CREDIT**

The Organization had a \$10,000 line of credit available to them that expired during 2018. The balance on this line of credit accrued interest at a rate of 5.75%. The outstanding balance as of December 31, 2018 and 2017, was \$0 and \$5,138, respectively.

**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9. NOTE PAYABLE – RELATED PARTY**

During 2018, 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, 2018, has been recognized as a note payable. There is no written agreement to define the payment terms. The balance owed was \$71,540 and \$47,572 as of December 31, 2018 and 2017, respectively.

**NOTE 10. SPECIAL EVENT INCOME**

Special event revenue is calculated net of revenue and expenses. Gross revenues and expenses for the Memorial Day Boat Ride are as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Revenue	\$32,142	\$20,513
Expenses	<u>(21,580)</u>	<u>(6,599)</u>
Net Revenue	<u>\$10,562</u>	<u>\$13,914</u>

**NOTE 11. IN-KIND DONATIONS**

In-kind contributions were as follows for the years ending December 31:

	<u>2018</u>	<u>2017</u>
Arden Tower Lease	<u>\$59,420</u>	<u>\$ ---</u>

**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12. 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:

2019	\$117,680
2020	<u>49,020</u>
Total	<u>\$166,700</u>

Rent expense for these leases totaled \$121,326 and \$154,016 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 13. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date the financial statements were issued, July 1, 2019. There are no subsequent events required to be disclosed in accordance with accounting standards.

**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 14. 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 2014 to 2018 are open to examination by federal, state, and local authorities.

**NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE**

On August 18, 2016, FASB issued Accounting Standards Update (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. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no change on net assets previously reported.