

**CENTER FOR COMMUNICATION  
AND DEVELOPMENT**

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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, 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.

### **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, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Center for Communication and Development's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

July 13, 2020

**CENTER FOR COMMUNICATION AND DEVELOPMENT**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 238,430	\$ 147,870
Accounts receivable, net of allowance	27,522	46,724
Prepaid expenses	<u>9,800</u>	<u>9,476</u>
<b>Total Current Assets</b>	<b>275,752</b>	<b>204,070</b>
Damage Deposit	4,995	4,995
Fixed Assets, net of accumulated depreciation of \$549,463 and \$500,333 in 2019 and 2018, respectively	<u>25,510</u>	<u>74,639</u>
<b>Total Assets</b>	<b><u>\$ 306,257</u></b>	<b><u>\$ 283,704</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,249	\$ 16,288
Payroll liabilities	6,413	8,241
Deferred revenue	<u>24,152</u>	<u>-</u>
<b>Total Current Liabilities</b>	<b>41,814</b>	<b>24,529</b>
Note payable - related party	<u>-</u>	<u>71,540</u>
<b>Total Liabilities</b>	<b>41,814</b>	<b>96,069</b>
<b>Net Assets</b>		
Without donor restrictions	161,221	85,537
With donor restrictions	<u>103,222</u>	<u>102,098</u>
<b>Total Net Assets</b>	<b><u>264,443</u></b>	<b><u>187,635</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 306,257</u></b>	<b><u>\$ 283,704</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, 2019**  
**WITH COMPARATIVE TOTALS FOR 2018**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>2019</u>	Total <u>2018</u>
<b>Support and Revenues</b>				
Non-government grants	\$ 87,885	\$ -	\$ 87,885	\$ 99,120
Individual contributions	25,069	-	25,069	44,195
Government grants	113,033	103,222	216,255	261,492
Underwriting income	768,364	-	768,364	661,749
Gross special event income	32,370	-	32,370	32,142
Less cost of direct benefits to donors	<u>(23,778)</u>	<u>-</u>	<u>(23,778)</u>	<u>(21,580)</u>
Net special event income	8,592	-	8,592	10,562
Miscellaneous income	8,439	-	8,439	1,428
Net assets released from restrictions	<u>102,098</u>	<u>(102,098)</u>	<u>-</u>	<u>-</u>
 Total support and revenue	 1,113,480	 1,124	 1,114,604	 1,078,546
<b>Expenses</b>				
Program services	793,515	-	793,515	746,389
Management and general	<u>244,281</u>	<u>-</u>	<u>244,281</u>	<u>217,323</u>
 Total expenses	 <u>1,037,796</u>	 <u>-</u>	 <u>1,037,796</u>	 <u>963,712</u>
 Change in net assets	 75,684	 1,124	 76,808	 114,834
Beginning net assets	<u>85,537</u>	<u>102,098</u>	<u>187,635</u>	<u>72,801</u>
Ending net assets	<u>\$ 161,221</u>	<u>\$ 103,222</u>	<u>\$ 264,443</u>	<u>\$ 187,635</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, 2019**  
**WITH COMPARATIVE TOTALS FOR 2018**

	<u>Program</u>	<u>Management &amp; General</u>	<u>2019</u>	<u>2018</u>
Salaries	\$ 275,995	\$ 93,476	\$ 369,471	\$ 343,132
Payroll taxes	30,998	10,498	41,496	47,133
Insurance	14,983	6,763	21,746	23,095
Professional fees	1,080	4,122	5,202	4,920
Accounting and auditing	-	16,443	16,443	21,956
Bank fees and interest	-	9,542	9,542	9,623
Commission/contract fees	217,275	7,146	224,421	200,985
Equipment rental and servicing	765	1,427	2,192	43
Advertising	-	2,986	2,986	836
Telephone and internet	21,652	7,333	28,985	27,184
Supplies	4,330	11,949	16,279	8,764
Licenses and copyright fees	5,960	-	5,960	4,715
Dues and subscriptions	20,166	-	20,166	17,205
Meetings and conferences	2,213	754	2,967	1,311
Travel	-	818	818	203
Miscellaneous	-	32	32	171
Occupancy	161,399	28,482	189,881	187,593
Cost of direct benefits to donors	-	23,778	23,778	21,580
Bad debt	-	30,080	30,080	13,901
Depreciation	<u>36,699</u>	<u>12,430</u>	<u>49,129</u>	<u>50,942</u>
 Total Expenses by Function	 793,515	 268,059	 1,061,574	 985,292
Less Expenses Included with Revenues on the Statement of Activities				
Cost of direct benefits to donors	<u>-</u>	<u>(23,778)</u>	<u>(23,778)</u>	<u>(21,580)</u>
 Total Expenses Included in the Expense Section on the Statement of Activities	 <u>\$ 793,515</u>	 <u>\$ 244,281</u>	 <u>\$ 1,037,796</u>	 <u>\$ 963,712</u>

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 76,808	\$ 114,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	49,129	50,942
Commissions accrued to note payable - related party	-	23,968
Changes in current assets and liabilities:		
Decrease in receivables	19,202	137,525
(Increase) in prepaid expenses	(324)	(707)
(Decrease) in accounts payable	(5,039)	(20,765)
(Decrease) in accrued expenses	(1,828)	(100,237)
Increase (decrease) in deferred revenue	<u>24,152</u>	<u>(65,464)</u>
<b>Net Cash Provided By Operating Activities</b>	162,100	140,096
<b>Cash Flows from Financing Activities</b>		
Funds received from line of credit	-	14,668
Repayments of line of credit	-	(19,806)
Payment of note payable - related party	<u>(71,540)</u>	<u>-</u>
<b>Net Cash (Used) By Financing Activities</b>	<u>(71,540)</u>	<u>(5,138)</u>
Net Increase in Cash and Cash Equivalents	90,560	134,958
Cash and Cash Equivalents, Beginning of Year	<u>147,870</u>	<u>12,912</u>
Cash and Cash Equivalents, End of Year	<u>\$ 238,430</u>	<u>\$ 147,870</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 1,836</u>
<b>Supplemental Non-Cash Transaction Information</b>		
Commissions accrued to note payable - related party	<u>\$ -</u>	<u>\$ 23,968</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, 2019 AND 2018**

**NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Summary of Significant Accounting Policies**

Basis of Accounting

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

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, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organizations considers all cash and money market accounts to be cash and cash equivalents.

Receivables and Credit Policies

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, 2019 and 2018, 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.

**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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. The Organization 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.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services

Volunteers contribute significant amount of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria described by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair value of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2019 and 2018, respectively.

**CENTER FOR COMMUNICATION AND DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

Advertising Costs

Advertising costs are expensed as incurred and totaled \$2,986 and \$836 during the years ended December 31, 2019 and 2018, 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.

Tax Exempt Status

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. The Organization is not a private foundation. Management has determined that the Organization is not subject to unrelated business income tax. Management is not aware of any transactions that would impact the Organization's tax-exempt status.

The Organization follows the guidance of the Accounting Standard Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more than likely than not for recognition and derecognition of positions taken or expected to be taken in a tax return. For the years ended December 31, 2019 and 2018, management of the Organization is not aware of any material uncertain tax positions.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

**CENTER FOR COMMUNICATION AND DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates, and those differences could be material.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously report net assets.

Subsequent Events

The Organization has evaluated subsequent events through the date the financial statements were issued, July 13, 2020. The COVID-19 outbreak in the United States has caused business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 29, 2020, the Organization obtained a \$80,200 loan under the provisions of the Paycheck Protection Program. The Organization anticipates the majority of this amount to be forgiven under the terms of the agreement. The Organization has not determined the exact amount to be forgiven, but any portion not forgiven will be payable over five years including interest at 1.00%

There are no additional subsequent events required to be disclosed in accordance with accounting standards

**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, 2019 and 2018, 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 \$103,222 and \$102,098 at December 31, 2019 and 2018, respectively.

**CENTER FOR COMMUNICATION AND DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 2. LIQUIDITY AND AVAILABILITY (Continued)**

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$238,430	\$147,870
Receivables	<u>27,522</u>	<u>46,724</u>
Total Financial Assets	265,952	194,594
Net Assets With Donor Restrictions	<u>(103,222)</u>	<u>(102,098)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$162,730</u>	<u>\$ 92,496</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, 2019 and 2018, represent underwriting revenue that was earned in 2019 and 2018, respectively. Management has established an allowance for doubtful accounts of \$10,000 for balances that may not be fully collected.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Equipment	\$246,175	\$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	574,973	574,972
Less: Accumulated depreciation	<u>(549,463)</u>	<u>(500,333)</u>
Property and Equipment, Net	<u>\$ 25,510</u>	<u>\$ 74,639</u>

Depreciation expense of \$49,129 and \$50,942 was recorded, respectively, for the years ended December 31, 2019 and 2018.

**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 5. LINE OF CREDIT**

The Organization had a \$10,000 line of credit available to them that expired during 2018 and was not renewed. The balance on this line of credit accrued interest at a rate of 5.75%. There was no outstanding balance as of December 31, 2019 and 2018.

**NOTE 6. 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, was recognized as a note payable. There was no written agreement to define the payment terms. The total owed was paid in full during 2019. The balance owed was \$0 and \$71,540 as of December 31, 2019 and 2018, respectively.

**NOTE 7. 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. However, due to COVID-19, the signing of this lease renewal has been delayed until July 2020. 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:

2020	<u>\$81,416</u>
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Rent expense for these leases totaled \$124,194 and \$121,326 for the years ended December 31, 2019 and 2018, respectively.

**CENTER FOR COMMUNICATION AND DEVELOPMENT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Future Year Operations	<u>\$103,222</u>	<u>\$102,098</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for programs for the year ended December 31:

	<u>2019</u>	<u>2018</u>
General Operations	<u>\$102,098</u>	<u>\$32,102</u>

**NOTE 9. FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or support function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included salaries, payroll taxes, insurance, telephone and internet, occupancy, and depreciation, which are allocated on the basis of estimates of time and effort.

**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>2019</u>	<u>2018</u>
Revenue	\$32,370	\$32,142
Expenses	<u>(23,778)</u>	<u>(21,580)</u>
Net Revenue	<u>\$ 8,592</u>	<u>\$10,562</u>