

REDWOOD COMMUNITY RADIO, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2016 and 2015

Draft

TABLE OF CONTENTS

December 31, 2016

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS

 Statement of Financial Position 4

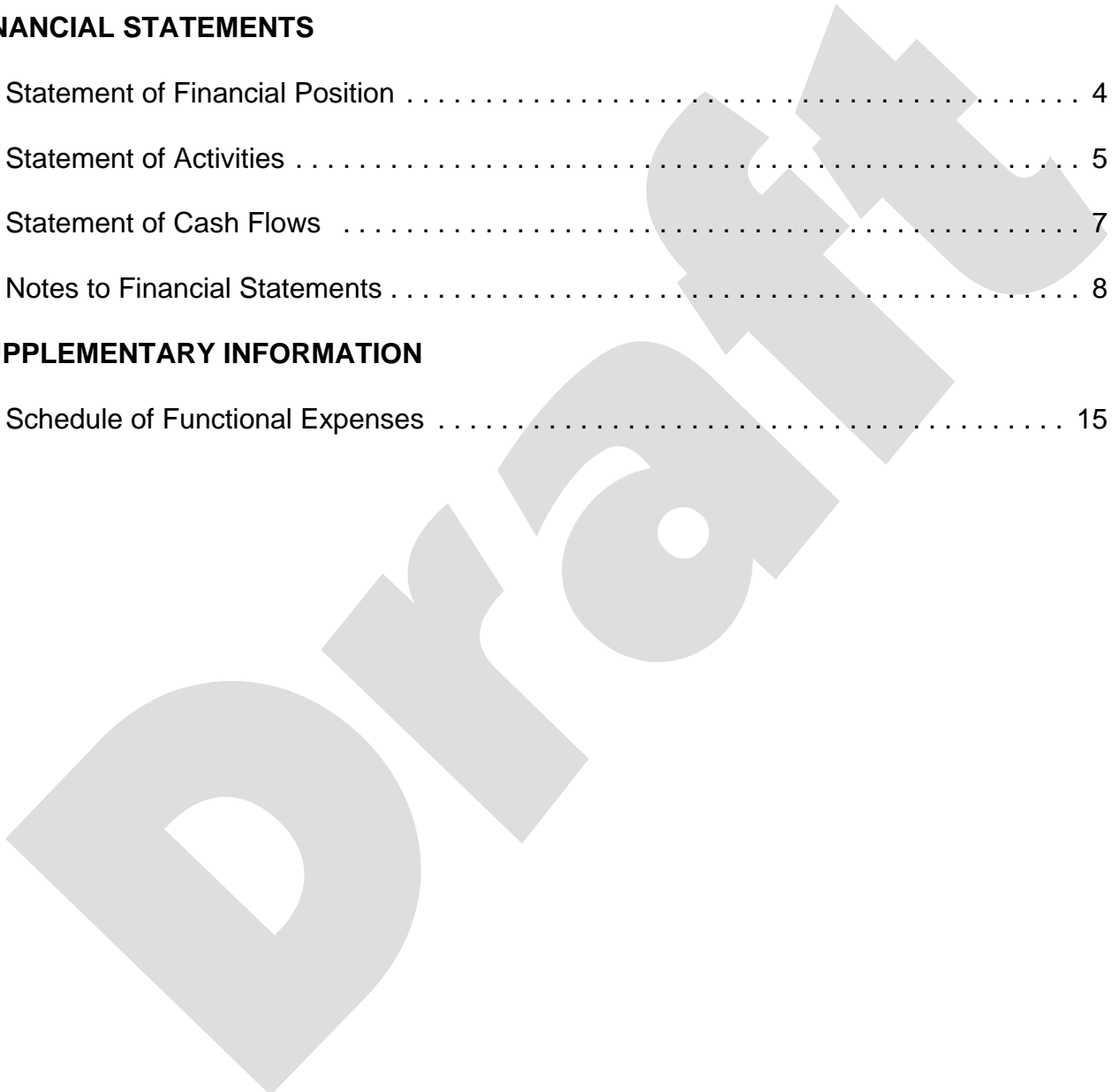
 Statement of Activities 5

 Statement of Cash Flows 7

 Notes to Financial Statements 8

SUPPLEMENTARY INFORMATION

 Schedule of Functional Expenses 15





To the Board of Directors
Redwood Community Radio, Inc.

We have audited the accompanying financial statements of Redwood Community Radio, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 of 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 Redwood Community Radio, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Redwood Community Radio, Inc.

Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Aycock and Edgmon
June 23, 2017

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FINANCIAL STATEMENTS

Draft

STATEMENT OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 43,152	\$ 152,947
Accounts receivable - Net	54,296	49,348
Prepaid expenses	8,471	9,185
Inventory	<u>4,615</u>	<u>4,670</u>
Total Current Assets	110,534	216,150
Property and Equipment		
Land and land improvements	55,537	55,537
Buildings	279,691	279,691
Equipment	646,634	639,185
Accumulated depreciation	<u>(567,989)</u>	<u>(521,218)</u>
Total Property and Equipment	<u>413,873</u>	<u>453,195</u>
TOTAL ASSETS	<u>\$ 524,407</u>	<u>\$ 669,345</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 23,507	\$ 12,176
Sales tax payable	676	1,470
Deferred revenue	8,463	106,288
Accrued liabilities:		
Payroll taxes and related benefits payable	<u>8,637</u>	<u>1,511</u>
Total Current Liabilities	<u>41,283</u>	<u>121,445</u>
TOTAL LIABILITIES	<u>41,283</u>	<u>121,445</u>
Net Assets		
Unrestricted net assets	457,444	486,045
Temporarily restricted net assets	<u>25,680</u>	<u>61,855</u>
Total Net Assets	<u>483,124</u>	<u>547,900</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 524,407</u>	<u>\$ 669,345</u>

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, AND GAINS				
Support				
Contributions	\$ 172,978	\$ -	\$ -	\$ 172,978
Membership contributions	214,486	-	-	214,486
Underwriting	171,810	-	-	171,810
In-kind and trade-out support	<u>28,885</u>	<u>-</u>	<u>-</u>	<u>28,885</u>
Total Support	<u>588,159</u>	<u>-</u>	<u>-</u>	<u>588,159</u>
Revenue and Gains				
Fund-raising	124,241	-	-	124,241
Direct event costs	(93,570)	-	-	(93,570)
Other income	479	-	-	479
Novelty sales	9,941	-	-	9,941
Interest income	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Total Revenue and Gains	<u>41,111</u>	<u>-</u>	<u>-</u>	<u>41,111</u>
Net Assets Released from Restriction	-	-	-	-
TOTAL SUPPORT, REVENUE, AND GAINS	<u>629,270</u>	<u>-</u>	<u>-</u>	<u>629,270</u>
EXPENSES				
Program Services				
Program expenses	<u>344,622</u>	<u>-</u>	<u>-</u>	<u>344,622</u>
Total Program Services	<u>344,622</u>	<u>-</u>	<u>-</u>	<u>344,622</u>
Support Services				
Fund-raising and membership	161,044	-	-	161,044
General and administrative	<u>188,380</u>	<u>-</u>	<u>-</u>	<u>188,380</u>
Total Support Services	<u>349,424</u>	<u>-</u>	<u>-</u>	<u>349,424</u>
TOTAL EXPENSES	<u>694,046</u>	<u>-</u>	<u>-</u>	<u>694,046</u>
CHANGE IN NET ASSETS	(64,776)	-	-	(64,776)
DEPRECIATION ON GRANT FUNDED EQUIPMENT	36,175	(36,175)	-	-
NET ASSETS, JANUARY 1	<u>486,045</u>	<u>61,855</u>	<u>-</u>	<u>547,900</u>
NET ASSETS, DECEMBER 31	<u>\$ 457,444</u>	<u>\$ 25,680</u>	<u>\$ -</u>	<u>\$ 483,124</u>

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, AND GAINS				
Support				
Contributions	\$ 185,534	\$ -	\$ -	\$ 185,534
Membership contributions	199,941	-	-	199,941
Underwriting	172,829	-	-	172,829
In-kind and trade-out support	<u>34,989</u>	<u>-</u>	<u>-</u>	<u>34,989</u>
Total Support	<u>593,293</u>	<u>-</u>	<u>-</u>	<u>593,293</u>
Revenue and Gains				
Fund-raising	142,274	-	-	142,274
Direct event costs	(90,940)	-	-	(90,940)
Other income	8,890	-	-	8,890
Novelty sales	11,302	-	-	11,302
Interest income	<u>133</u>	<u>-</u>	<u>-</u>	<u>133</u>
Total Revenue and Gains	<u>71,659</u>	<u>-</u>	<u>-</u>	<u>71,659</u>
Net Assets Released from Restriction	-	-	-	-
TOTAL SUPPORT, REVENUE, AND GAINS	<u>664,952</u>	<u>-</u>	<u>-</u>	<u>664,952</u>
EXPENSES				
Program Services				
Program expenses	348,458	-	-	348,458
Total Program Services	<u>348,458</u>	<u>-</u>	<u>-</u>	<u>348,458</u>
Support Services				
Fund-raising and membership	151,209	-	-	151,209
General and administrative	<u>199,596</u>	<u>-</u>	<u>-</u>	<u>199,596</u>
Total Support Services	<u>350,805</u>	<u>-</u>	<u>-</u>	<u>350,805</u>
TOTAL EXPENSES	<u>699,263</u>	<u>-</u>	<u>-</u>	<u>699,263</u>
CHANGE IN NET ASSETS	(34,311)	-	-	(34,311)
DEPRECIATION ON GRANT FUNDED EQUIPMENT	36,175	(36,175)	-	-
NET ASSETS, JANUARY 1	<u>484,181</u>	<u>98,030</u>	<u>-</u>	<u>582,211</u>
NET ASSETS, DECEMBER 31	<u>\$ 486,045</u>	<u>\$ 61,855</u>	<u>\$ -</u>	<u>\$ 547,900</u>

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (64,776)	\$ (34,311)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,771	48,206
(Increases) decreases in operating assets:		
Accounts receivable	(4,948)	3,736
Grant receivable	-	-
Prepaid expenses	714	(9)
Inventory	55	(927)
Increases (decreases) in operating liabilities:		
Accounts payable	11,331	(1,316)
Sales tax payable	(794)	679
Accrued liabilities	7,126	(46)
Deferred revenue	(97,825)	(7,960)
Total Adjustments	<u>(37,570)</u>	<u>42,363</u>
Net Cash Provided by Operating Activities	(102,346)	8,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and improvements	<u>(7,449)</u>	<u>(26,243)</u>
Net Cash Used by Investing Activities	(7,449)	(26,243)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(109,795)	(18,191)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>152,947</u>	<u>171,138</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 43,152</u>	<u>\$ 152,947</u>

The accompanying notes to financial statements are an integral part of this statement.

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIESNature of Activities

Redwood Community Radio, Inc. (RCR) is a nonprofit public benefit corporation chartered on April 21, 1983. It is governed by a board of directors that represents the community it serves. The primary purpose of RCR is to own and operate a community-supported broadcast system that provides news, educational programs, public information, music, and entertainment.

RCR operates three transmitters serving Humboldt, northern Mendocino, and Trinity counties in northern California. RCR is membership-based and receives a significant portion of its financial support through pledges from members of the community. The daily operations of RCR is performed by volunteer programmers and paid full-time staff.

Basis of Accounting

The financial statements of RCR have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Promises to Give

Contributions are recognized when the donor makes a promise to give to RCR that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

RCR uses the allowance method to determine uncollectible unconditional promises received. The allowance is based on the prior years' uncollected spring and fall balances.

Financial Statement Presentation

RCR presents information about its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. During the fiscal years ended December 31, 2016 and 2015, RCR had no permanently restricted net assets.

Unrestricted net assets are those whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects, such as by contract, loan agreement, or board designation.

Temporarily restricted net assets are those whose use is subject to a donor-imposed restriction of time or purpose. When a purpose or time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Property and Equipment

Property and equipment are valued at historical cost for purchased items and at estimated fair value for donated items. Depreciation is computed on all depreciable property using the straight line method based on estimated useful lives. The estimated lives of such assets range between five and forty years. RCR has not established an explicit capitalization policy.

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUEDRestricted and Unrestricted Support

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributed Services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by RCR.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, RCR considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Income Taxes

RCR is exempt from federal and state income taxes under Internal Revenue Code Section (IRC) 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Additionally, the Internal Revenue Service has determined that RCR is not a private foundation within the meaning of IRC Section 509(a).

Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Functional Expenses

RCR allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases.

Advertising

RCR uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. The advertising costs totaled \$6,962 and \$11,196 for the years ended December 31, 2016 and 2015, respectively.

Use of 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B - CASH AND CASH EQUIVALENTS

At December 31, 2016 and 2015, cash and cash equivalents were composed of the following:

	<u>2016</u>	<u>2015</u>
Petty cash	\$ 150	\$ 150
Checking and savings	43,002	152,797
	<u>\$ 43,152</u>	<u>\$ 152,947</u>

NOTE C - RECEIVABLES

Receivables were composed of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Underwriting receivables	\$ 28,690	\$ 20,870
Allowance for doubtful accounts	(10,426)	(1,050)
	18,264	19,820
Spring and Fall Pledge receivables	33,697	29,528
Trade receivable	2,335	-
Other receivable	-	-
	<u>\$ 54,296</u>	<u>\$ 49,348</u>

NOTE D - PROPERTY AND EQUIPMENT

The following is a summary of the changes in property and equipment:

	<u>Balance Jan 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec 31, 2015</u>
Land and land improvements	\$ 49,037	\$ 6,500	\$ -	\$ 55,537
Building and improvements	268,199	11,492	-	279,691
Studio equipment	107,990	8,251	-	116,241
Broadcast equipment	481,310	-	-	481,310
Office equipment	41,634	-	-	41,634
	948,170	26,243	-	974,413
Accumulated depreciation	(473,012)	(48,206)	-	(521,218)
	<u>\$ 475,158</u>	<u>\$ (21,963)</u>	<u>\$ -</u>	<u>\$ 453,195</u>
	<u>Balance Jan 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec 31, 2016</u>
Land and land improvements	\$ 55,537	\$ -	\$ -	\$ 49,037
Building and improvements	279,691	-	-	268,199
Studio equipment	116,241	-	-	116,241
Broadcast equipment	481,310	7,449	-	488,759
Office equipment	41,634	-	-	41,634
	974,413	7,449	-	981,862
Accumulated depreciation	(521,218)	(46,771)	-	(567,989)
	<u>\$ 453,195</u>	<u>\$ (39,322)</u>	<u>\$ -</u>	<u>\$ 413,873</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$46,771 and \$48,206, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E - DEFERRED REVENUE

Deferred revenue consists of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Prepayments made by underwriters and are short-term in nature 2015 and 2016 Radio Community Services Agreement Grants	\$ 8,463	\$ 11,225
	-	95,063
	<u>\$ 8,463</u>	<u>\$ 106,288</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that are available for the following purposes or periods:

ASSETS REVERTING TO OTHERS

Beginning Balance, January 1, 2016

Equipment purchased under three Digital Radio Conversion Grants funded by the Corporation for Public Broadcasting. These grants include a ten-year covenant provision. These grant funds are considered restricted over the life of the assets:

Cost of grant funded equipment of less accumulated depreciation	\$ 170,380 <u>(108,525)</u>	\$ 61,855
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Net assets released by incurring expenses satisfying the time restriction during 2015		<u>(36,175)</u>
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Ending Balance, December 31, 2015		<u>\$ 25,680</u>
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The total cost of the equipment, including professional services to place the equipment in service, and including matching funds is as follows:

<u>Cost of Equipment</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
\$ 361,750	\$ 166,184	\$ 195,566

NOTE G - SIGNIFICANT CONCENTRATION RISK

RCR maintains cash balances with local financial institutions that are insured by either the Federal Deposit Insurance Corporation or the National Credit Union Administration for up to \$250,000. Redwood Community Radio, Inc. had no uninsured cash balances at December 31, 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE H - OPERATING LEASES

RCR leases space to house a transmitter, antenna and related equipment at three locations as follows:

Lease with Estrella TV

RCR leases space for the transmitter located on Cahto Peak in Mendocino County. The lease is month to month and may be cancelled by either party with thirty days written notice. The monthly rent is \$404 per month.

Lease with N. Johannesen

RCR entered into a lease with N. Johannesen on August 11, 1999 for space on a tower for broadcasting equipment on Pratt Mountain. The current rent is \$1,400 per month.

Lease with Pollack/Peltz Broadcasting, LLC

This lease is for space on a broadcast tower located in Eureka, California. The lease is renewed each year with a 3% increase from the previous year. The current rent is \$925 per month.

NOTE I - COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

The grant funds received under CSG are allocated between unrestricted and restricted amounts by a percentage determined by CPB. The percentages were 79.11% unrestricted and 20.89% restricted for 2016 and 78.25% unrestricted and 21.75% restricted for the 2015 grant year. The restricted funds are to be used exclusively for the acquisition, production, promotion and distribution of national programming of high quality, diversity, creativity, excellence, and innovation.

A summary of grants received are as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 99,172	\$ 105,755
Restricted	26,182	29,391
Total	<u>\$ 125,354</u>	<u>\$ 135,146</u>

NOTE J - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE K - CONTINGENT LIABILITIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to audit. Such audits could result in claims against RCR for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits because the amounts, if any, cannot be determined at this date.

NOTE L - SUBSEQUENT EVENTS

RCR's management has evaluated its subsequent events through June 26, 2017, the date the financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	<u>Program</u>	<u>Fund-raising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 174,003	\$ 62,118	\$ 95,991	\$ 332,112
Payroll taxes	15,752	5,566	8,374	29,692
Workers' compensation insurance	-	-	734	734
	<u>189,755</u>	<u>67,684</u>	<u>105,099</u>	<u>362,538</u>
Advertising	125	6,397	440	6,962
Bad debt expense	-	40,262	(19,130)	21,132
Bank charges	-	3,183	517	3,700
Broadcasting	61,127	-	-	61,127
Fund-raising and novelty costs	-	35,075	-	35,075
Insurance	-	-	9,503	9,503
Interest expense	-	-	121	121
Occupancy costs	1,985	-	22,930	24,915
Professional	25,214	2,440	25,404	53,058
Programming	6,840	-	-	6,840
Promotion	9,040	-	-	9,040
Repair and maintenance - Building	215	-	2,730	2,945
Staff development and organization development	809	822	4,602	6,233
Supplies	6,103	4,284	18,515	28,902
Travel and training	4,190	897	9,298	14,385
Miscellaneous	-	-	799	799
TOTAL EXPENSES BEFORE DEPRECIATION AND LOSSES	<u>305,403</u>	<u>161,044</u>	<u>180,828</u>	<u>647,275</u>
Depreciation	<u>39,219</u>	<u>-</u>	<u>7,552</u>	<u>46,771</u>
TOTAL EXPENSES AND LOSSES	<u>\$ 344,622</u>	<u>\$ 161,044</u>	<u>\$ 188,380</u>	<u>\$ 694,046</u>

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	<u>Program</u>	<u>Fund-raising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 147,148	\$ 63,341	\$ 83,926	\$ 294,415
Payroll taxes	13,318	6,148	7,385	26,851
Workers' compensation insurance	2,069	869	1,200	4,138
	<u>162,535</u>	<u>70,358</u>	<u>92,511</u>	<u>325,404</u>
Advertising	1,115	9,421	660	11,196
Bad debt expense	-	29,600	-	29,600
Bank charges	-	2,565	669	3,234
Broadcasting	52,572	-	-	52,572
Fund-raising and novelty costs	-	27,798	-	27,798
Insurance	-	-	11,946	11,946
Interest expense	26	3	200	229
Occupancy costs	2,450	45	22,888	25,383
Professional	55,584	6,757	30,855	93,196
Programming	9,630	-	-	9,630
Promotion	6,760	-	-	6,760
Repair and maintenance - Building	1,697	-	8,045	9,742
Staff development and organization development	4,075	348	289	4,712
Supplies	8,150	3,616	19,054	30,820
Travel and training	3,210	610	4,319	8,139
Miscellaneous	-	88	608	696
TOTAL EXPENSES BEFORE DEPRECIATION AND LOSSES	<u>307,804</u>	<u>151,209</u>	<u>192,044</u>	<u>651,057</u>
Depreciation	<u>40,654</u>	<u>-</u>	<u>7,552</u>	<u>48,206</u>
TOTAL EXPENSES AND LOSSES	<u>\$ 348,458</u>	<u>\$ 151,209</u>	<u>\$ 199,596</u>	<u>\$ 699,263</u>

The accompanying notes to financial statements are an integral part of this statement.