

REDWOOD COMMUNITY RADIO, INC.

**FINANCIAL STATEMENTS**

For the Year Ended December 31, 2018 and 2017

**TABLE OF CONTENTS**

---

December 31, 2018

---

**INDEPENDENT AUDITORS' REPORT** ..... 1

**FINANCIAL STATEMENTS**

    Statement of Financial Position..... 3

    Statement of Activities..... 4

    Statement of Functional Expenses..... 6

    Statement of Cash Flows..... 8

    Notes to Financial Statements..... 9



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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, 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.

*Aycock & Edgmon*

Aycock and Edgmon  
August 13, 2019

## **FINANCIAL STATEMENTS**

**STATEMENT 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	\$ 85,800	\$ 82,435
Accounts receivable - Net	21,383	41,164
Prepaid expenses	9,057	3,684
Inventory	3,049	3,465
<b>Total Current Assets</b>	<u>119,289</u>	<u>130,748</u>
<b>Property and Equipment</b>		
Land and land improvements	55,537	55,537
Buildings	279,691	279,691
Equipment	661,916	646,634
Accumulated depreciation	(665,658)	(614,352)
<b>Total Property and Equipment</b>	<u>331,486</u>	<u>367,510</u>
<b>TOTAL ASSETS</b>	<u>\$ 450,775</u>	<u>\$ 498,258</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,979	\$ 11,284
Current portion on long-term debt	5,360	-
Sales tax payable	298	1,056
Deferred revenue	-	95,215
Accrued liabilities:		
Payroll taxes and related benefits payable	3,390	1,605
Compensated absences	3,587	-
<b>Total Current Liabilities</b>	<u>19,614</u>	<u>109,160</u>
<b>Long-Term Liabilities</b>		
Capital leases payable	<u>5,165</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>24,779</u>	<u>109,160</u>
<b>Net Assets</b>		
Without donor restrictions	344,951	389,098
With donor restrictions	81,045	-
<b>Total Net Assets</b>	<u>425,996</u>	<u>389,098</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 450,775</u>	<u>\$ 498,258</u>

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

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUE, AND GAINS</b>			
<b>Support</b>			
Contributions	\$ 162,263	\$ 81,045	\$ 243,308
Membership contributions	156,302	-	156,302
Underwriting	115,965	-	115,965
In-kind and trade-out support	24,033	-	24,033
<b>Total Support</b>	<u>458,563</u>	<u>81,045</u>	<u>539,608</u>
<b>Revenue and Gains</b>			
Fund-raising	49,553	-	49,553
Direct event costs	(19,718)	-	(19,718)
Other income	330	-	330
Novelty sales	4,686	-	4,686
Interest income	28	-	28
<b>Total Revenue and Gains</b>	<u>34,879</u>	<u>-</u>	<u>34,879</u>
<b>Net Assets Released from Restriction</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<u>493,442</u>	<u>81,045</u>	<u>574,487</u>
<b>EXPENSES</b>			
<b>Program Services</b>			
Program expenses	296,661	-	296,661
<b>Support Services</b>			
Fund-raising and membership	103,133	-	103,133
General and administrative	137,795	-	137,795
<b>Total Support Services</b>	<u>240,928</u>	<u>-</u>	<u>240,928</u>
<b>TOTAL EXPENSES</b>	<u>537,589</u>	<u>-</u>	<u>537,589</u>
<b>CHANGE IN NET ASSETS</b>	(44,147)	81,045	36,898
<b>DEPRECIATION ON GRANT FUNDED EQUIPMENT</b>	-	-	-
<b>NET ASSETS, JANUARY 1</b>	<u>389,098</u>	<u>-</u>	<u>389,098</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 344,951</u>	<u>\$ 81,045</u>	<u>\$ 425,996</u>

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

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUE, AND GAINS</b>			
<b>Support</b>			
Contributions	\$ 173,412	\$ -	\$ 173,412
Membership contributions	170,251	-	170,251
Underwriting	166,128	-	166,128
In-kind and trade-out support	23,043	-	23,043
<b>Total Support</b>	<u>532,834</u>	<u>-</u>	<u>532,834</u>
<b>Revenue and Gains</b>			
Fund-raising	86,798	-	86,798
Direct event costs	(63,032)	-	(63,032)
Other income	816	-	816
Novelty sales	7,050	-	7,050
Interest income	34	-	34
<b>Total Revenue and Gains</b>	<u>31,666</u>	<u>-</u>	<u>31,666</u>
<b>Net Assets Released from Restriction</b>	-	-	-
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<u>564,500</u>	<u>-</u>	<u>564,500</u>
<b>EXPENSES</b>			
<b>Program Services</b>			
Program expenses	329,538	-	329,538
<b>Total Program Services</b>	<u>329,538</u>	<u>-</u>	<u>329,538</u>
<b>Support Services</b>			
Fund-raising and membership	156,923	-	156,923
General and administrative	172,065	-	172,065
<b>Total Support Services</b>	<u>328,988</u>	<u>-</u>	<u>328,988</u>
<b>TOTAL EXPENSES</b>	<u>658,526</u>	<u>-</u>	<u>658,526</u>
<b>CHANGE IN NET ASSETS</b>	(94,026)	-	(94,026)
<b>DEPRECIATION ON GRANT FUNDED EQUIPMENT</b>	25,680	(25,680)	-
<b>NET ASSETS, JANUARY 1</b>	<u>457,444</u>	<u>25,680</u>	<u>483,124</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 389,098</u>	<u>\$ -</u>	<u>\$ 389,098</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2018

	<u>Program</u>	<u>Fund-raising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 132,230	\$ 46,902	\$ 49,933	\$ 229,065
Payroll taxes	12,544	4,456	3,979	20,979
Workers' compensation insurance	1,673	593	632	2,898
	<u>146,447</u>	<u>51,951</u>	<u>54,544</u>	<u>252,942</u>
Advertising	-	1,421	2,130	3,551
Bad debt expense	-	26,298	-	26,298
Bank charges	-	2,733	169	2,902
Broadcasting	64,712	-	-	64,712
Fund-raising and novelty costs	-	18,938	-	18,938
Insurance	5,850	-	8,635	14,485
Interest expense	-	-	1,821	1,821
Occupancy costs	2,309	-	25,268	27,577
Professional	22,905	36	25,894	48,835
Programming	6,716	-	-	6,716
Repair and maintenance - Building	-	-	78	78
Staff development and organization development	3,875	494	1,011	5,380
Supplies	2,830	1,210	6,730	10,770
Travel and training	319	-	689	1,008
Miscellaneous	-	52	218	270
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND LOSSES</b>	<u>255,963</u>	<u>103,133</u>	<u>127,187</u>	<u>486,283</u>
Depreciation	<u>40,698</u>	<u>-</u>	<u>10,608</u>	<u>51,306</u>
<b>TOTAL EXPENSES AND LOSSES</b>	<u>\$ 296,661</u>	<u>\$ 103,133</u>	<u>\$ 137,795</u>	<u>\$ 537,589</u>

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



**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2017

	<u>Program</u>	<u>Fund-raising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 168,146	\$ 65,627	\$ 63,885	\$ 297,658
Payroll taxes	15,664	7,164	3,923	26,751
Workers' compensation insurance	-	-	4,154	4,154
	<u>183,810</u>	<u>72,791</u>	<u>71,962</u>	<u>328,563</u>
Advertising	100	5,070	-	5,170
Bad debt expense	-	38,190	-	38,190
Bank charges	-	2,930	553	3,483
Broadcasting	60,143	-	-	60,143
Fund-raising and novelty costs	496	35,001	-	35,497
Insurance	-	202	8,392	8,594
Interest expense	1	-	2,593	2,594
Occupancy costs	4,249	-	26,289	30,538
Professional	25,312	646	28,008	53,966
Programming	7,270	-	-	7,270
Repair and maintenance - Building	56	3	8,285	8,344
Staff development and organization development	3,750	60	523	4,333
Supplies	2,467	1,748	16,339	20,554
Travel and training	3,073	282	1,020	4,375
Miscellaneous	-	-	549	549
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND LOSSES</b>	<u>290,727</u>	<u>156,923</u>	<u>164,513</u>	<u>612,163</u>
Depreciation	<u>38,811</u>	<u>-</u>	<u>7,552</u>	<u>46,363</u>
<b>TOTAL EXPENSES AND LOSSES</b>	<u>\$ 329,538</u>	<u>\$ 156,923</u>	<u>\$ 172,065</u>	<u>\$ 658,526</u>

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

**STATEMENT 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	\$ 36,898	\$ (94,026)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	51,306	46,363
Realized loss on sale of asset	-	-
(Increases) decreases in operating assets:		
Accounts receivable	19,781	13,132
Prepaid expenses	(5,373)	4,787
Inventory	415	1,150
Increases (decreases) in operating liabilities:		
Accounts payable	(4,305)	(12,222)
Sales tax payable	(758)	379
Accrued liabilities	5,372	(7,032)
Deferred revenue	(95,215)	86,752
Total Adjustments	<u>(28,777)</u>	<u>133,309</u>
<b>Net Cash Provided by Operating Activities</b>	8,121	39,283
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Debt reduction	<u>(4,756)</u>	<u>-</u>
<b>Net Cash Used in Investing Activities</b>	(4,756)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,365	39,283
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>82,435</u>	<u>43,152</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 85,800</u>	<u>\$ 82,435</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest Paid	<u>\$ 1,821</u>	<u>\$ 2,594</u>

**NONCASH TRANSACTIONS**

Office equipment was acquired in exchange for capital leases.

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

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**Nature 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 accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net Assets, revenues, gains, and losses are reported based on the existence or absence of donor-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 restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

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

Unconditional 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 net assets without donor restrictions if the restrictions expire 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 without donor restrictions are reported in the Statement of Activities as net assets released from restrictions.

RCR uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on the prior years' experience and management's analysis of specific promises made..

Inventory

Inventory consists of novelty items and are carried at cost.

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**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.

Public Support and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash 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.

Contributions of noncash (in-kind) assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the years ended December 31, 2018 and 2017, the total fair value for services, materials, and facilities contributed to RCR were \$24,033 and 23,043, respectively.

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 \$3,551 and \$5,170 for the years ended December 31, 2018 and 2017, respectively.

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). Accordingly, no income taxes are reflected in the accompanying financial statements. RCR has evaluated its tax positions and determined that it has no uncertain tax positions at December 31, 2018 and 2017. RCR's 2014-2017 tax years are open for examination by the IRS.

Compensated Absences

Employees accrue vacation leave benefits based on duration of employment. Unpaid vacation leave is recognized as a current liability. The vacation leave liability was \$3,587 and \$0 as of December 31, 2018 and 2017, respectively.

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. The costs of program and supporting activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function.

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, 20178

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**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. RCR implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

**NOTE B - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 85,800	\$ 82,435
Accounts receivable	21,383	41,164
Inventory	<u>3,049</u>	<u>3,465</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 110,232</u>	<u>\$ 127,064</u>

Included in the above amounts are \$80,000 in a donor restricted net assets that is available to be used in the next year and 95,215 in a refundable advance that was available to be used in the next year for the years ended December 31, 2018 and 2017, respectively.

**NOTE C - CASH AND CASH EQUIVALENTS**

At December 31, 2018 and 2017, cash and cash equivalents were composed of the following:

	<u>2018</u>	<u>2017</u>
Petty cash	\$ 150	\$ 150
Checking and savings	85,650	82,285
	<u>\$ 85,800</u>	<u>\$ 82,435</u>

**NOTE D - RECEIVABLES**

Receivables were composed of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Underwriting receivables	\$ 10,191	\$ 11,071
Allowance for doubtful accounts	(1,805)	-
	<u>8,386</u>	<u>18,264</u>
Spring and Fall Pledge receivables - Net	7,322	29,279
Trade receivable	5,675	814
Other receivable	-	-
	<u>\$ 21,383</u>	<u>\$ 41,164</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

**NOTE E - PROPERTY AND EQUIPMENT**

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

	Balance Jan 1, 2018	Additions	Disposals	Balance Dec 31, 2018
Land and land improvements	\$ 55,537	\$ -	\$ -	\$ 55,537
Building and improvements	279,691	-	-	279,691
Studio equipment	116,241	-	-	116,241
Broadcast equipment	488,759	-	-	488,759
Office equipment	41,634	15,282	-	56,916
	981,862	-	-	997,144
Accumulated depreciation	(614,352)	(51,306)	-	(665,658)
	<u>\$ 367,510</u>	<u>\$ (36,024)</u>	<u>\$ -</u>	<u>\$ 331,486</u>
	Balance Jan 1, 2017	Additions	Disposals	Balance Dec 31, 2017
Land and land improvements	\$ 55,537	\$ -	\$ -	\$ 55,537
Building and improvements	279,691	-	-	279,691
Studio equipment	116,241	-	-	116,241
Broadcast equipment	488,759	-	-	488,759
Office equipment	41,634	-	-	41,634
	981,862	-	-	981,862
Accumulated depreciation	(567,989)	(46,363)	-	(614,352)
	<u>\$ 413,873</u>	<u>\$ (46,363)</u>	<u>\$ -</u>	<u>\$ 367,510</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$51,306 and \$46,363, respectively.

**NOTE F - DEFERRED REVENUE**

Deferred revenue consists of the following as of December 31, 2018 and 2017:

	2017	2016
2015 and 2016 Radio Community Services Agreement Grants	\$ -	\$ 95,215
	<u>\$ -</u>	<u>\$ 95,215</u>

**NOTE G - LONG-TERM DEBT**

RCR entered into a capital lease with Coastal Business Systems to purchase office equipment. The agreement calls for sixty (60) monthly payments of \$173 with interest at a rate of 6.95%.

RCR entered into another capital lease to purchase office equipment with Great America Financial Services. The agreement calls for thirty-six (36) monthly payments of \$339 with interest at a rate of 14.48%.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

**NOTE G - LONG-TERM DEBT - CONTINUED**

The debt service requirements for these leases to maturity are as follows:

Year	Principal	Interest	Total
2019	\$ 5,360	\$ 771	\$ 6,131
2020	2,841	456	3,297
2021	1,980	99	2,079
2022	344	3	347
Totals	\$ 10,525	\$ 1,329	\$ 11,854

The following is a summary of changes in principal balances outstanding for the capital leases for the year ending December 31, 2018:

	Beginning Balance	New Borrowing	Debt Reduction	Ending Balance
Costal Business Systems	\$ -	\$ 7,503	\$ 1,608	\$ 5,895
Great America Financial Services	-	7,779	3,149	4,630
	\$ -	\$ 15,282	\$ 4,757	\$ 10,525
Current Portion				5,360
Long-Term Portion				\$ 5,165

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

Net Assets with donor restrictions consist of donor-imposed contributions in cash and consist of the following at December 31, 2018:

Time Restriction			
2019 Radio Community Services Agreement	\$	80,000	
Purpose Restriction			
Emergency Prep 2018 Contributions		1,045	\$ 81,045

Net Assets with donor restrictions as of December 31, 2017 consisted of equipment purchased under three Digital Radio Conversion Grants that were funded by the Corporation for Public Broadcasting. These grants included a ten-year covenant provision. These grant funds were considered restricted over the life of the assets.

Beginning Balance, January 1, 2017			
Cost of grant funded equipment of		\$ 170,380	
less accumulated depreciation		(144,700)	\$ 25,680
Net assets released by incurring expenses satisfying the			
time restriction during 2017			(25,680)
Ending Balance, December 31, 2017			\$ -

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

**NOTE I - 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, 2018 and 2017.

**NOTE J - 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 \$429 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 \$1,438 per month.

Lease with Redwood Empire Public Broadcasting, Inc.

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 \$1,019 per month.

**NOTE K - 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 78.67% unrestricted and 21.33% restricted for 2018 and 78.75% unrestricted and 21.25% restricted for the 2017 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 recognized in the accompanying financial statements are as follows:

	2018	2017
Unrestricted	\$ 110,657	\$ 101,161
Restricted	26,846	27,303
Total	<u>\$ 137,503</u>	<u>\$ 128,464</u>



**NOTES TO FINANCIAL STATEMENTS**

---

December 31, 2018

---

**NOTE L - 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 M - SUBSEQUENT EVENTS**

RCR's management has evaluated its subsequent events through August 13, 2018, the date the financial statements were available to be issued.