

REDWOOD COMMUNITY RADIO, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

REDWOOD COMMUNITY RADIO, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Redwood Community Radio, Inc.

Opinion

We have audited the accompanying financial statements of Redwood Community Radio, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Redwood Community Radio, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Redwood Community Radio, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Redwood Community Radio, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Redwood Community Radio, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Fick, Eggemeyer & Williamson, CPAs

Fick, Eggemeyer & Williamson, CPAs
Saint Louis, Missouri
April 6, 2023

REDWOOD COMMUNITY RADIO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 262,030
Accounts receivable, net of allowance	7,660
Grant receivable	28,767
Inventory	2,953
Other assets	18,823
Right of use assets	<u>21,628</u>

Total current assets	<u>341,861</u>
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NONCURRENT ASSETS

Property and equipment, net of depreciation	228,741
Right of use assets, net of current	<u>649,362</u>

Total noncurrent assets	<u>878,103</u>
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Total assets	<u><u>\$ 1,219,964</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,403
Accrued vacations	4,259
Other accrued liabilities	7,559
Future minimum lease obligations	<u>21,628</u>

Total current liabilities	<u>40,849</u>
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NONCURRENT LIABILITIES

Future minimum lease obligations, net of current	<u>649,362</u>
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Total noncurrent liabilities	<u>649,362</u>
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Total liabilities	<u>690,211</u>
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NET ASSETS

Without donor restriction	500,486
With donor restriction	<u>29,267</u>

Total net assets	<u>529,753</u>
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Total liabilities and net assets	<u><u>\$ 1,219,964</u></u>
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See accompanying notes and independent auditors' report

REDWOOD COMMUNITY RADIO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor restriction	With Donor restriction	Total
SUPPORT AND REVENUE			
Subscription	\$ 165,054	\$ -	\$ 165,054
Grants	95,977	25,115	121,092
Donations	29,819	500	30,319
Underwriting	99,720	-	99,720
In-kind goods and services	13,516	-	13,516
Sales	4,068	-	4,068
Fundraising	26,874	-	26,874
Other	3,993	-	3,993
Total support and revenue	439,021	25,615	464,636
Net assets released from restrictions			
Satisfaction of restrictions	117,272	(117,272)	-
Total	556,293	(91,657)	464,636
EXPENSES			
Programs			
News	100,966	-	100,966
Programming	246,033	-	246,033
Total program services	346,999	-	346,999
Supporting services			
General and administration	122,382	-	122,382
Fundraising	65,219	-	65,219
Total support services	187,601	-	187,601
Total expenses	534,600	-	534,600
Changes in net assets from operations	21,693	(91,657)	(69,964)
INVESTMENT ACTIVITIES			
Interest Income	800	-	800
Total investment activities	800	-	800
Changes in net assets	22,493	(91,657)	(69,164)
Net assets - beginning of year	477,993	120,924	598,917
Net assets - end of year	\$ 500,486	\$ 29,267	\$ 529,753

See accompanying notes and independent auditors' report

REDWOOD COMMUNITY RADIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Programs		General and		
	News	Programming	Administration	Fundraising	Total
Fundraising	\$ -	\$ 4,230	\$ 2,489	\$ 13,442	\$ 20,161
Salaries and wages	80,359	62,419	54,390	45,201	242,369
Staff development	-	3,875	2,242	-	6,117
Professional fees	17,547	34,689	17,717	1,500	71,453
Programming	798	6,061	-	-	6,859
Facility	-	95,207	2,482	-	97,689
Depreciation	-	16,947	11,449	-	28,396
Utilities	-	8,156	16,482	-	24,638
Supplies	2,262	1,789	10,618	1,113	15,782
Insurance	-	12,660	1,160	-	13,820
Bad debt	-	-	-	3,150	3,150
Bank fees	-	-	3,000	813	3,813
Other	-	-	353	-	353
Total	<u>\$ 100,966</u>	<u>\$ 246,033</u>	<u>\$ 122,382</u>	<u>\$ 65,219</u>	<u>\$ 534,600</u>

See accompanying notes and independent auditors' report

REDWOOD COMMUNITY RADIO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (69,164)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	28,396
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable, net of allowance	18
(Increase) decrease in grant receivable	89,394
(Increase) decrease in inventory	223
(Increase) decrease in other assets	(8,539)
(Increase) decrease in right of use assets	(194,418)
Increase (decrease) in accounts payable	(2,490)
Increase (decrease) in accrued vacations	(2,640)
Increase (decrease) in other accrued liabilities	2,008
Increase (decrease) in deferred underwriting revenue	(794)
Increase (decrease) in future minimum lease obligations	<u>194,418</u>
Net cash provided by (used in) operating activities	<u>36,412</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(11,231)</u>
Net cash provided by (used in) investing activities	<u>(11,231)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

None	<u>-</u>
Net cash provided by (used in) financing activities	<u>-</u>

Net increase (decrease) in cash and cash equivalents	25,181
Cash and cash equivalents - beginning of year	<u>236,849</u>
Cash and cash equivalents - end of year	<u><u>\$ 262,030</u></u>

See accompanying notes and independent auditors' report

REDWOOD COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Redwood Community Radio, Inc. (the “Organization”) is a California nonprofit corporation branded as KMUD. The Organization was incorporated in 1984 and functions as a non-commercial public radio broadcast station. The mission of the Organization is to encourage a communication center of open airways for all voices to inform, educate, entertain, and inspire the listening community through quality programming.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with auditing standards generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions - Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

REDWOOD COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. As of December 31, 2022, the Organization carried \$2,953 in inventory.

Contribution Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction, depending on the nature of the restriction, is accomplished), 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.

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

The organization adopted the provisions of *Accounting for Uncertainty in Income Taxes* on January 1, 2011. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of December 31, 2022, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed for 2019 and prior are closed.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair market value at the date of the donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Buildings and building improvements have been depreciated over periods ranging from 15 to 39 years. All other depreciable property has been depreciated over periods ranging from 4 to 15 years. Expenditures for repairs and maintenance are charged to operating expenses as incurred. Depreciation expense for the year ended December 31, 2022, was \$28,396.

Contributed Services

A number of volunteers contributed services to the Organization. Only the contributed services that meet the reporting criteria for recognition have been reported at the fair market value for the services provided. Contributed services that do not meet the reporting criteria have not been included in the financial statements.

Accounts and Grants Receivable

Accounts and grant receivables are recorded at cost. The Organization provides an allowance based on historical collection coupled with a review of existing receivables. For accounts receivable, the allowance for doubtful accounts as of December 31, 2022 was \$2,520. The Organization considers all grants receivables to be fully collectible. As a result, the allowance for doubtful accounts for grants receivable as of December 31, 2022 was \$0.

REDWOOD COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Employees of the Organization are entitled to paid vacation, depending on job classification, length of service, and other factors. Employees accumulate earned vacation and, upon separation, are paid out any unused vacation pay based on current pay rates. Accordingly, compensated absences as of December 31, 2022, were \$4,259.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's program services and support services. Nonoperating activities are limited to resources that generate a return on investment and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

During 2022, the Organization adopted ASU 2016-02 *Leases (Topic 842)*, which superseded existing guidance for accounting for leases under *Topic 840, Leases*. The adoption of the guidance requires the recognition of the remaining value of operating leases as assets and liabilities on the statement of financial position as right of use assets and future minimum lease obligations, respectively.

Revenue from Contracts with Customers

The Organization recognizes revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTE 2 - NON-CASH CONTRIBUTIONS

The Organization receives donations of services and products from various sources. When such services represent specialized skills that would be otherwise purchased and the value of the services can be readily ascertained, those values are recorded as contributed services and charged to the appropriate expense category in the financial statements. When contributed services do not meet the criteria for recognition, they are not recognized in the financial statements. The amount of these donations recorded at fair market value for the year ended December 31, 2022 comprised of the following:

Event tickets	\$ 1,230
Professional services	8,986
Goods and services	655
Fundraising materials	<u>2,645</u>
Total	<u><u>\$ 13,516</u></u>

NOTE 3 - LEASES

The Organization has entered into long-term leases for properties on which to locate radio transmitters, antennae, and related equipment as follows:

REDWOOD COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - LEASES (continued)

Kneeland lease matured on January 31, 2022. The lease called for base payments of \$850 at inception in 2012 with annual increases. Since 2017, the annual increases were 5%. Monthly payments for 2022 were \$1,239.

KEET TV lease was entered into by the Organization on May 1, 2022. The initial lease term is five years, with the option to extend for an additional five years. The lease calls for a base payment of \$1,791 with a 3% annual increase beginning on April 1, 2023. Monthly rent payments for 2022 were \$1,791.

Cahto Peak lease was a long-term lease entered into by the Organization on January 1, 1997. This lease has since become a month-to-month lease. The lease calls for a base payment of \$182 increasing once a year on January 1. Monthly rent payments for 2022 were \$469.

Pratt Mountain lease was entered into by the Organization on May 1, 2016. The initial lease term was five years, with the option to extend for five additional five-year terms. The lease calls for base payments of \$1,400, increasing by the Consumer Price Index (CPI). Monthly payments for 2022 ranged from \$1,553 to \$1,675.

Future minimum lease payments are as follows:

December 31,		
2023	\$	47,924
2024		48,920
2025		50,442
2026		52,167
2027		53,961
2028 and thereafter		720,291
Total	\$	<u>973,705</u>

Total related lease payments during 2022 totaled \$44,431.

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between fundraising, administration, or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

NOTE 5 - CONCENTRATION OF CREDIT RISK

The Organization held cash balances with Vocality Credit Union of \$266,014 as of December 31, 2022. Of the balance, \$16,014 was in excess of the federally insured limit of \$250,000 per depositor.

REDWOOD COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2022 follows:

Building	\$ 252,894
Building improvements	70,664
Equipment	<u>687,722</u>
Total depreciable property	1,011,280
Accumulated depreciation	<u>(837,605)</u>
Depreciable property, net	173,675
Land	49,037
Construction in progress	<u>6,029</u>
Property and equipment, net	<u><u>\$ 228,741</u></u>

NOTE 7 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as of December 31, 2022:

Financial assets at year-end	
Cash and cash equivalents	\$ 267,361
Accounts receivable, net of allowance	7,660
Grant receivable	<u>28,767</u>
Total financial assets at year-end	<u>303,788</u>
Less amounts not available for general expenditures within one year	
Net assets with period restrictions in excess of one year	3,652
Net assets with purpose restrictions	<u>25,615</u>
Total amounts not available for general expenditures within one year	<u>29,267</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 274,521</u></u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022, are restricted as follows:

	Purpose	Period
CPB CSG	\$ 25,115	\$ 3,652
Pierson's Building Supply	500	-
Total	<u><u>\$ 25,615</u></u>	<u><u>\$ 3,652</u></u>

REDWOOD COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 - REVENUE RECOGNITION UNDER ASU 2014-09

Contracts with Customers

The Organization recognized \$99,720 of revenue from contracts with customers during 2022. Bad debt of \$3,150 was recognized on receivables during 2022.

Disaggregated Revenue

Underwriting revenue is recognized when the Organization provides air time to the customer. Hence, economic factors can materially affect the nature, timing, and uncertainty of revenues and cash flows from underwriting revenue.

Contract Balances

A summary of beginning and ending contract-type balances follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable, net of allowance	\$ 7,660	\$ 7,678
Deferred underwriting revenue	-	794

Performance Obligations

Contract performance for underwriting obligations is satisfied at the time when services are provided. The Organization does not charge interest on accounts receivable and has no formal obligation for refunds.

Significant Judgments

There were no significant judgments used for the recognition of revenue for 2022. Also, during 2022, there were no changes in the judgments utilized for determining the timing of the satisfaction of performance obligations or transaction prices allocated to performance obligations.

The Organization bills for services using an agreed-upon rate. Adjusting consideration for the effects of the time value of money is not necessary for the Organization's contract receivables. The financial statements include no estimates of variable consideration or noncash consideration.

Practical Expedients Used for Financing Components

There is no financing component to the Organization's recognition of revenue.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 6, 2023, the date which the financial statements were available for issue, and no reportable events were noted.