

**COMMUNITY RADIO PROJECT, INC.**

**AUDITED FINANCIAL STATEMENTS**

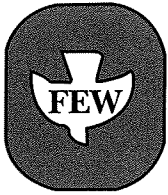
**DECEMBER 31, 2016**

COMMUNITY RADIO PROJECT, INC.

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# **Fick, Eggemeyer & Williamson**

**Certified Public Accountants, PC**



MEMBERS OF THE  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Community Radio Project, Inc.  
Cortez, Colorado

We have audited the accompanying financial statements of Community Radio Project, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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.

### ***Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Community Radio Project, Inc. as of December 31, 2016, 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.

***Other-Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 9 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 as a whole.

*Fick, Eggemeyer & Williamson*  
Fick, Eggemeyer & Williamson, CPA's  
St. Louis, Missouri  
April 20, 2017

COMMUNITY RADIO PROJECT, INC.  
STATEMENT OF FINANCIAL POSITION

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December 31, 2016

Assets

Current assets	
Cash and cash equivalents	\$ 115,347
Endowment fund investment - note 8	50,711
Accounts receivable - net	15,039
Prepaid expenses	37,479
Total current assets	218,576
Property and equipment	
Land - note 5	40,000
Depreciable assets - note 5	1,721,998
Less: accumulated depreciation - note 5	(371,895)
Total property and equipment	1,390,103
Total assets	\$ 1,608,679

Liabilities and net assets

Current liabilities	
Accounts payable	\$ 21,679
Sales tax payable	127
Employee benefits liability	12,814
Deferred underwriting revenue	16,512
Deferred grant revenue	67,014
Note payable, current - note 7	2,547
Total current liabilities	120,693
Noncurrent liabilities	
Line of credit - note 4	20,196
Note payable - note 7	183,335
Total noncurrent liabilities	203,531
Net assets	
Unrestricted	1,233,744
Temporarily restricted	50,711
Permanently restricted	-
Total net assets	1,284,455
Total liabilities and net assets	\$ 1,608,679

See accompanying notes and independent auditors' report

COMMUNITY RADIO PROJECT, INC.  
STATEMENT OF ACTIVITIES

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For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Grant revenue	\$ 180,385	\$ 20,100	\$ -	\$ 200,485
Pledges & contributions	164,458	-	-	164,458
Underwriting revenue	130,822	-	-	130,822
Fundraising revenue	64,823	-	-	64,823
In-kind contributions	18,684	-	-	18,684
Other income	1,764	-	-	1,764
<b>Total support and revenue</b>	<b>560,936</b>	<b>20,100</b>	<b>-</b>	<b>581,036</b>
Net assets released from restrictions	32,892	(32,892)	-	-
	593,828	(12,792)	-	581,036
<b>EXPENSES</b>				
Program services	254,657	-	-	254,657
<b>Total program services</b>	<b>254,657</b>	<b>-</b>	<b>-</b>	<b>254,657</b>
Supporting services				
General administration	216,170	-	-	216,170
Fundraising	175,518	-	-	175,518
<b>Total expenses</b>	<b>646,345</b>	<b>-</b>	<b>-</b>	<b>646,345</b>
Excess (deficit) of support and revenue over expenses	(52,517)	(12,792)	-	(65,309)
Net assets, beginning of year - restated	1,286,261	63,503	-	1,349,764
Net assets, end of year	\$ 1,233,744	\$ 50,711	\$ -	\$ 1,284,455

See accompanying notes and independent auditors' report

COMMUNITY RADIO PROJECT, INC.  
STATEMENT OF CASH FLOWS

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For the year ended December 31, 2016

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess of support and revenue over expenses	\$ (65,309)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	81,371
Unrealized (gain) loss on investments	(711)
Changes in assets and liabilities:	
(Increase) decrease in receivables	17,720
(Increase) decrease in prepaid expenses	(32,738)
(Increase) decrease in loan costs	1,795
Increase (decrease) in payables	(20,909)
Increase (decrease) in sales tax payable	127
Increase (decrease) in employee benefits liability	12,814
Increase (decrease) in deferred revenue	<u>16,660</u>
Net cash provided by (used in) operating activities	<u>10,820</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of equipment	<u>(5,924)</u>
Net cash provided by (used in) investing activities	<u>(5,924)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net change in line of credit	20,196
Principal payments on notes payable	<u>(2,448)</u>
Net cash provided by (used in) financing activities	<u>17,748</u>
Net increase (decrease) in cash and cash equivalents	<u>22,644</u>
Cash and cash equivalents - beginning of year - restated	<u>92,703</u>
Cash and cash equivalents - end of year	<u><u>\$ 115,347</u></u>
Supplemental cash flow information:	
Cash paid during the year for interest	\$ 7,921

See accompanying notes and independent auditors' report

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Community Radio Project, Inc. (The Organization) is a Colorado nonprofit corporation branded as KSJD and is the licensee of KSJD, KICO, and KZET. The organization was incorporated in 2004 and functions as a non-commercial public radio broadcast station. The mission of the organization is to inform, entertain and empower the people of the Four Corners of Colorado, Arizona, New Mexico and Utah, including the Ute Mountain Ute Tribe and portions of the Navajo Nation. The Organization envisions a community strengthened and elevated by locally-driven media and performing arts.

Financial Statement Presentation

Community Radio Project, Inc.'s financial statement presentation complies with the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Organization in accordance with the Articles of Incorporation and By-Laws.

Temporarily Restricted Net Assets - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Organization or by the passage of time.

Permanently Restricted Net Assets - are subject to donor-imposed stipulations that the net assets be retained and invested permanently. The Organization presently has no permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Cash and Cash Equivalents

Community Radio Project, Inc. considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables

Accounts, pledges and grants receivable represent amounts due to the Organization that have not been collected. The Organization believes all outstanding receivables will be fully collected, and thus, the allowance for doubtful accounts is currently \$0.

Contributed Services

A number of volunteers contribute services to the Organization. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied.



COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

The financial statements of Community Radio Project, Inc. have been prepared on the accrual basis 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.

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. Community Radio Project, Inc. is not considered a private foundation.

The Organization adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2016. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of December 31, 2016, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed prior to fiscal 2014 are closed.

Promises to Give

Contributions and grants are recognized when the donor makes a promise to give to the organization 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 fiscal year in which the contributions or grants are recognized. All other donor-restricted contributions and grants 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.

Fixed Assets and Depreciation

Fixed assets 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 fixed assets 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 expense as incurred.

Use of Estimates in Financial Statement

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.

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

**Note 2 - PRIOR PERIOD ADJUSTMENTS**

One prior period adjustment was made to record additional deferred revenue and reclassify deferred revenue that was errantly recorded as temporarily restricted net assets. Another prior period adjustment was made to reclassify temporarily restricted net assets that were errantly recorded as permanently restricted net assets. The adjustments resulted in an increase of unrestricted net assets of \$1,500, a decrease of temporarily restricted net assets of \$758, and a decrease of permanently restricted net assets of \$51,500.

**Note 3 - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fundraising, administration or the appropriate program based on evaluations of the related benefits. Administrative expenses include those expenses which were not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

**Note 4 - LINE OF CREDIT**

In October 2016, the Organization entered into a revolving line of credit with First National Bank, Cortez. The purpose of the loan was to provide working capital for the Organization. The line of credit accrues interest at 5% and the outstanding balance as of December 31, 2016 was \$20,196.

**Note 5 - FIXED ASSETS AND DEPRECIATION**

A summary of fixed assets follows:

	2016
Building	\$ 160,000
Building improvements	1,199,929
Equipment	362,069
	<u>1,721,998</u>
Less: accumulated depreciation	(371,895)
	<u>1,350,103</u>
Land	40,000
	<u>\$ 1,390,103</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the year ended December 31, 2016 was \$81,371.

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

**Note 6 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 20, 2017, the date which the financial statements were available for issue, and noted no reportable events.

**Note 7 - NOTE PAYABLE**

In July 2014, the Organization obtained a mortgage with USDA in order to refinance an existing mortgage. The Organization may draw funds up to \$193,710 and the purpose of the mortgage was to assist in renovation of the Organization's building. The mortgage carries an interest rate of 4% and monthly payments of principal and interest of \$828 are payable through July 2052. The outstanding balance on the mortgage as of December 31, 2016 was \$185,882.

Future maturities of long term debt:

Year ending December 31, 2017	\$ 2,547
2018	2,651
2019	2,759
2020	2,871
2021	2,988
Thereafter	172,066
	<u>\$ 185,882</u>

**Note 8 - ENDOWMENT FUND AND TEMPORARILY RESTRICTED NET ASSETS**

In December 2015, the Organization received a donation in the amount of \$50,000 to start an endowment fund. In October 2016, the Organization transferred the \$50,000 to Onward! A Legacy Foundation, to be held as a separate fund. The Organization signed an agreement with Onward!, which states that principal and net income from the fund be used for news, arts and entertainment programs of KSJD and the Sunflower Theater. The balance of the fund as of December 31, 2016 was \$50,711, which represents all temporarily restricted net assets held by the Organization at year end.

**Note 9 - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

COMMUNITY RADIO PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

**Note 9 - FAIR VALUE MEASUREMENTS (Continued)**

The three levels of the fair value hierarchy are described in the following paragraphs:

*Level 1-* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2-* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

*Level 3-* Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

Funds held by Onward! may be pooled with other investor accounts and invested jointly. Onward! values the pool based on published closing prices of various securities on active exchanges.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of December 31, 2016.

	Level 1	Level 2	Level 3	Total
Endowment fund	\$ -	\$ -	\$ 50,711	\$ 50,711
Totals	\$ -	\$ -	\$ 50,711	\$ 50,711

The table below sets forth a summary of changes in fair value of the Organization's level 3 assets for the year ended December 31, 2016.

	Endowment fund
Balance, beginning of year	\$ -
Transferred assets	50,000
Net income earned	438
Change in fair value	384
Management fee	(111)
Balance, end of year	\$ 50,711

COMMUNITY RADIO PROJECT, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES

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For the year ended December 31, 2016

	<u>Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & wages	\$ 120,406	\$ 24,632	\$ 97,235	\$ 242,273
Payroll taxes	8,039	7,628	3,254	18,921
Employee benefits	2,403	8,957	300	11,660
Advertising	-	-	14,108	14,108
Communications	-	6,169	-	6,169
Depreciation	-	81,371	-	81,371
Dues & subscriptions	-	5,086	-	5,086
Events	-	-	60,621	60,621
Equipment	-	1,427	-	1,427
Grants expense	17,259	-	-	17,259
Insurance	-	6,904	-	6,904
Interest	-	7,921	-	7,921
Other expense	-	7,251	-	7,251
Postage & delivery	-	544	-	544
Professional fees	-	38,603	-	38,603
Programming & production	106,550	-	-	106,550
Repairs & maintenance	-	9,214	-	9,214
Supplies	-	1,425	-	1,425
Taxes & licenses	-	269	-	269
Training & travel	-	1,299	-	1,299
Utilities	-	7,470	-	7,470
	<u>\$ 254,657</u>	<u>\$ 216,170</u>	<u>\$ 175,518</u>	<u>\$ 646,345</u>

See accompanying notes and independent auditors' report