

**REDWOOD COMMUNITY RADIO, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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, 2023, 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, 2023, 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.

*F.E.W. CPAs*

F.E.W. CPAs  
Saint Louis, Missouri  
May 28, 2024

REDWOOD COMMUNITY RADIO, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 169,541
Accounts receivable, net of allowance	9,915
Grant receivable	32,335
Inventory	4,069
Other assets	<u>11,394</u>

Total current assets	<u>227,254</u>
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NONCURRENT ASSETS

Certificate of deposit	83,007
Property and equipment, net of accumulated depreciation	240,770
Right of use assets	<u>638,048</u>

Total noncurrent assets	<u>961,825</u>
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Total assets	<u><u>\$ 1,189,079</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 6,040
Other accrued liabilities	6,939
Compensated absences	7,865
Future minimum lease obligations	<u>16,221</u>

Total current liabilities	<u>37,065</u>
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NONCURRENT LIABILITIES

Future minimum lease obligations, net of current	<u>648,393</u>
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Total noncurrent liabilities	<u>648,393</u>
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Total liabilities	<u>685,458</u>
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NET ASSETS

Without donor restriction	446,216
With donor restriction	<u>57,405</u>

Total net assets	<u>503,621</u>
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Total liabilities and net assets	<u><u>\$ 1,189,079</u></u>
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REDWOOD COMMUNITY RADIO, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor restriction	With Donor restriction	Total
<b>SUPPORT AND REVENUE</b>			
Subscription	\$ 154,667	\$ -	\$ 154,667
Grants	109,061	81,114	190,175
Donations	50,772	-	50,772
Underwriting	100,281	-	100,281
In-kind goods and services	25,571	-	25,571
Sales	4,734	-	4,734
Fundraising	37,448	-	37,448
Other	1,458	-	1,458
	<hr/>	<hr/>	<hr/>
Total support and revenue	483,992	81,114	565,106
Net assets released from restrictions			
Satisfaction of restrictions	52,976	(52,976)	-
	<hr/>	<hr/>	<hr/>
Total	536,968	28,138	565,106
	<hr/>	<hr/>	<hr/>
<b>EXPENSES</b>			
Programs			
News	90,268	-	90,268
Programming	251,938	-	251,938
	<hr/>	<hr/>	<hr/>
Total program services	342,207	-	342,207
	<hr/>	<hr/>	<hr/>
Supporting services			
General and administration	158,327	-	158,327
Fundraising	93,923	-	93,923
	<hr/>	<hr/>	<hr/>
Total support services	252,250	-	252,250
	<hr/>	<hr/>	<hr/>
Total expenses	594,457	-	594,457
	<hr/>	<hr/>	<hr/>
Changes in net assets from operations	(57,489)	28,138	(29,351)
	<hr/>	<hr/>	<hr/>
<b>INVESTMENT ACTIVITIES</b>			
Interest Income	3,219	-	3,219
	<hr/>	<hr/>	<hr/>
Total investment activities	3,219	-	3,219
	<hr/>	<hr/>	<hr/>
Changes in net assets	(54,270)	28,138	(26,132)
Net assets - beginning of year	500,486	29,267	529,753
	<hr/>	<hr/>	<hr/>
Net assets - end of year	\$ 446,216	\$ 57,405	\$ 503,621
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See accompanying notes and independent auditors' report

REDWOOD COMMUNITY RADIO, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Programs		General and		
	News	Programming	Administration	Fundraising	Total
Salaries and wages	\$ 71,810	\$ 90,263	\$ 41,649	\$ 61,088	\$ 264,810
Staff development	-	49	5,416	-	5,465
Professional fees	16,975	-	41,381	-	58,356
Programming	469	9,210	694	67	10,440
Facility	260	92,606	3,960	-	96,826
Fundraising	-	-	1,147	27,863	29,010
Lease	71	25,408	1,086	-	26,566
Depreciation	-	2,256	11,120	-	13,376
Utilities	-	8,743	18,396	171	27,310
Supplies	87	3,681	20,463	269	24,500
Insurance	596	18,815	8,507	487	28,405
Bad debt	-	-	-	720	720
Bank fees	-	-	3,258	732	3,990
Cost of goods sold	-	-	-	2,526	2,526
Other	-	907	1,250	-	2,157
Total	<u>\$ 90,268</u>	<u>\$ 251,938</u>	<u>\$ 158,327</u>	<u>\$ 93,923</u>	<u>\$ 594,457</u>

See accompanying notes and independent auditors' report

REDWOOD COMMUNITY RADIO, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (26,132)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	13,376
Lease payments	32,942
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable, net of allowance	(2,255)
(Increase) decrease in grant receivable	(3,568)
(Increase) decrease in inventory	(1,116)
(Increase) decrease in other assets	7,429
Increase (decrease) in accounts payable	(1,363)
Increase (decrease) in other accrued liabilities	(620)
Increase (decrease) in compensated absences	<u>3,606</u>
Net cash provided by (used in) operating activities	<u>22,299</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificate of deposit	(83,007)
Purchases of property and equipment	<u>(25,405)</u>
Net cash provided by (used in) investing activities	<u>(108,412)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Lease payments on future minimum lease obligation	<u>(6,376)</u>
Net cash provided by (used in) financing activities	<u>(6,376)</u>

Net increase (decrease) in cash and cash equivalents	(92,489)
Cash and cash equivalents - beginning of year	<u>262,030</u>
Cash and cash equivalents - end of year	<u><u>\$ 169,541</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during the year for leases	\$ 42,109
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REDWOOD COMMUNITY RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**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 community 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, 2023

**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, 2023, the Organization carried \$4,069 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, 2023, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed for 2020 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 and fixed assets under \$8,000 are charged to operating expenses as incurred. Depreciation expense for the year ended December 31, 2023, was \$13,376.

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, 2023 was \$1,440. 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, 2023 was \$0.

REDWOOD COMMUNITY RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**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, 2023, were \$7,866.

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.

Leases Accounting Treatment

The Organization accounts for leases in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases. Leases are recognized as either operating leases or finance leases based on the criteria specified in ASC 842. Leases recognized in the financial statements are described in the operating lease note.

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.

Certificates of Deposit

Certificates of deposit held at banks with original maturities in excess of three months are reported at cost, with approximate fair market value, and are not considered cash equivalents.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Organization maintains various deposit accounts with Vocality Credit Union of \$239,664 as of December 31, 2023. Each depositor is insured by the National Credit Union Administration (NCUA) for up to \$250,000. As of December 31, 2023, the Organization's bank balances did not exceed the insured limit.

**NOTE 3 - 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.

REDWOOD COMMUNITY RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 4 - 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, 2023 comprised of the following:

Compact Discs	\$ 906
Underwriting	3,560
Goods and services	14,501
Fundraising materials	6,604
Total	<u>\$ 25,571</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

A summary of property and equipment as of December 31, 2023 follows:

Building	\$ 252,894
Building improvements	64,163
Equipment	687,722
Ground improvements	6,500
Total depreciable property	<u>1,011,279</u>
Accumulated depreciation	<u>(850,980)</u>
Depreciable property, net	160,299
Land	49,037
Construction in progress	31,434
Property and equipment, net	<u>\$ 240,770</u>

**NOTE 6 - OPERATING LEASES**

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

The KEET TV lease was entered into by the Organization on June 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 \$1,300 with a 12% annual increase beginning on June 1, 2023 and a 3% increase annual increases beginning June 1, 2028. The Organization intends to exercise their option to extend for an additional five years.

REDWOOD COMMUNITY RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 6 - OPERATING LEASES (continued)**

The 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 with optional adjustments annually on January 1st according to the Consumer Price Index (CPI). Monthly rent payments for 2023 were \$469. The Organization intends to keep this lease indefinitely. We will calculate 25 years at a time.

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 CPI. Monthly payments for 2023 ranged from \$1,381 to \$2,483. The Organization intends to exercise the option to extend for the remaining three five year terms.

As of December 31, 2023, the right-of-use (ROU) asset had a balance of \$638,048 as shown in noncurrent assets on the statement of financial position; the lease liability is included in other current liabilities (\$16,221) and other long term liabilities (\$648,393). The lease asset and liability were calculated utilizing the risk-free discount rate (4.5%), according to the Organization's elected policy.

Future minimum lease payments are as follows:

December 31,		
2024	\$	45,948
2025		49,207
2026		52,764
2027		56,668
2028		59,705
2029 and thereafter		715,350
Total		979,642
Interest		(315,028)
Present value of lease liabilities	\$	664,614

Total related lease payments during 2023 totaled \$42,109.

**NOTE 7 - REVENUE RECOGNITION UNDER ASU 2014-09**

**Contracts with Customers**

The Organization recognized \$103,841 of revenue from contracts with customers during 2023. Bad debt of \$720 was recognized against receivables during 2023.

**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.

REDWOOD COMMUNITY RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 7 - REVENUE RECOGNITION UNDER ASU 2014-09 (continued)**

**Contract Balances**

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

**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 2023. Also, during 2023, 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 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31, 2023, are restricted as follows:

	Purpose	Period
CPB CSG	\$ 28,267	\$ 4,068
Mendo News	4,170	-
Humboldt Area Foundation	1,000	-
Berg Foundation	19,400	-
Pierson's Building Supply	500	-
Total	<u>\$ 53,337</u>	<u>\$ 4,068</u>

REDWOOD COMMUNITY RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 9 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets as of December 31, 2023:

Financial assets at year-end	
Cash and cash equivalents	\$ 252,548
Accounts receivable, net of allowance	9,915
Grant receivable	32,335
Total financial assets at year-end	<u>294,798</u>
Less amounts not available for general expenditures within one year	
Net assets with period restrictions in excess of one year	4,068
Net assets with purpose restrictions	53,337
Total amounts not available for general expenditures within one year	<u>57,405</u>
Financial assets available to meet general expenditures within one year	<u>\$ 237,393</u>

**NOTE 10 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 28, 2024, the date which the financial statements were available for issue, and no reportable events were noted.