

**AFRO-AMERICAN
COMMUNITY BROADCASTING, INC.
KBBG-FM**

FINANCIAL REPORT

December 31, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors
Afro-American Community Broadcasting, Inc.
dba KBBG-FM 88.1
Waterloo, Iowa

Report on the Financial Statements

I have audited the accompanying financial statements of Afro-American Community Broadcasting Inc. as of and for the years ended December 31, 2017 and 2016, and the related Notes to Financial Statements, which collectively comprise the Organization's financial statements listed in the table of contents.

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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 Organization'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 Organization's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

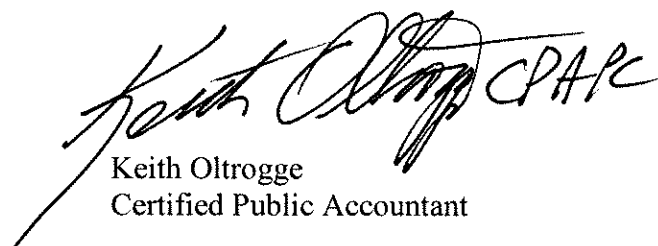
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Afro-American Community Broadcasting Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

My audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedule 1 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 audits 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 procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

Denver, Iowa
February 9, 2018

AFRO-AMERICAN COMMUNITY BROADCASTING, INC.
KBBG-FM
Waterloo, Iowa

STATEMENTS OF FINANCIAL POSITION
At December 31, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	\$ 379	\$ 70,477
Receivables:		
Trade, less allowance for un-collectible accounts of \$0 and \$0 at December 31, 2017 and 2016, respectively	1,032	1,023
CPB Community Service Grant	-	32,540
Prepaid expenses	1,130	1,736
Total Current Assets	\$ 2,541	\$ 105,776
NON-CURRENT ASSETS:		
PROPERTY AND EQUIPMENT:		
Land and improvements	\$ 41,411	\$ 41,411
Buildings	691,302	691,302
Equipment	485,607	485,607
	\$ 1,218,320	\$ 1,218,320
Less accumulated depreciation	-811,834	-792,492
Net Property and Equipment	\$ 406,486	\$ 425,828
TOTAL ASSETS	\$ 409,027	\$ 531,604

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 15,430	\$ 9,066
LONG-TERM LIABILITIES		
Notes Payable – Banks	\$ 20,872	\$ 25,283
Notes Payable – Board of Directors	4,575	2,075
Total Long-term Liabilities	\$ 25,447	\$ 27,358
Total Liabilities	\$ 40,877	\$ 36,424
NET ASSETS:		
Unrestricted, undesignated	\$ 308,964	\$ 447,570
Unrestricted, designated	59,186	47,610
Total Net Assets	\$ 368,150	\$ 495,180
TOTAL LIABILITIES AND NET ASSETS	\$ 409,027	\$ 531,604

See the accompanying notes to the financial statements, which are an integral part of this exhibit.

AFRO-AMERICAN COMMUNITY BROADCASTING, INC.
KBBG-FM
Waterloo, Iowa

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	2017	2016
CHANGES IN NET ASSETS:		
Support and Revenue:		
In-kind contributions	\$ 14,125	\$ 9,920
CPB community service grants	-	108,469
Underwriting	18,890	22,127
Fundraising events	23,894	24,943
Grants	30,000	-
Donations	10,869	2,040
Miscellaneous	216	9,336
Interest	4	3
Total Support and Revenue	\$ 97,998	\$ 176,838
EXPENSES:		
Costs of Programming Services:		
Programming and production	\$ 12,902	\$ 31,420
Broadcasting	30,871	25,945
Program information	11,165	4,678
Total Programming Services	\$ 54,938	\$ 62,043
Cost of Support Services:		
Management and general	\$ 123,197	\$ 88,971
Fundraising	39,330	24,033
Underwriting and grant solicitation	7,563	433
Total Support Services	\$ 170,090	\$ 113,437
Total Expenses	\$ 225,028	\$ 175,480
Increase (Decrease) in Net Assets	\$ -127,030	\$ 1,358

See the accompanying notes to the financial statements, which are an integral part of this exhibit.

AFRO-AMERICAN COMMUNITY BROADCASTING, INC.
KBBG-FM
Waterloo, Iowa

STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2017 and 2016

	2017	2016
NET ASSETS:		
Balance, beginning of year	\$ 495,180	\$ 493,822
Increase (decrease) in net assets	-127,030	1,358
	\$ 368,150	\$ 495,180

See the accompanying notes to the financial statements, which are an integral part of this exhibit.

AFRO-AMERICAN COMMUNITY BROADCASTING, INC.
KBBG-FM
Waterloo, Iowa

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ -127,030	\$ 1,358
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	19,342	22,229
(Increase) Decrease In:		
Trade receivables	-9	-
Grants receivable	32,540	-68
Prepaid expenses	606	-1,351
Increase (Decrease) In:		
Accounts payable and accrued expenses	6,364	1,669
	\$ -68,187	\$ 23,837
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ -	\$ -4,038
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	\$ 2,500	\$ -
Loan payments	-4,411	-16,447
	\$ -1,911	\$ -16,447
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	\$ -70,098	\$ 3,352
Cash and cash equivalents at beginning of year	70,477	67,125
Cash and Cash Equivalents at End of Year	\$ 379	\$ 70,477
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 2,388	\$ 881

See the accompanying notes to the financial statements, which are an integral part of this exhibit.

AFRO-AMERICAN COMMUNITY BROADCASTING, INC.
KBBG-FM
Waterloo, Iowa

NOTES TO FINANCIAL STATEMENTS
At December 31, 2015

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Organization was incorporated on March 4, 1977, under the Iowa Non-Profit Corporation Act. It operates as radio station KBBG-FM, serving locally in a 60 mile radius around the Waterloo, Iowa area and world-wide through their website kbbgfm.org as a non-commercial, educational radio station.

Significant Accounting Policies

Accounting Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and 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.

Basis of Presentation – The Organization has adopted financial accounting standards for accounting for contributions received and made and financial statements of not-for-profit organizations. Financial accounting standards establish standards for external reporting by not-for-profit organizations and require that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The standards also require that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with the donor imposed restrictions. A description of the three net asset categories is as follows:

Unrestricted Net Assets – This category of net assets includes unrestricted contributions and expenses associated with the principal activity of the Organization.

Temporarily Restricted Net Assets – This category of net assets includes gifts and income for which donor imposed restrictions have not been met and pledges for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently Restricted Net Assets – This category of net assets includes gifts, trusts and pledges which require, by donor restriction, that the corpus of the gift be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

There are no temporarily or permanently restricted net assets at December 31, 2017.

In-Kind Contributions – In-kind contributions are recorded as revenue in the Statement of Activities. An equal amount is recorded as property and equipment in the Statement of Financial Position or as an expense in the Statement of Activities. In-kind contributions consist of donated equipment, professional services, programming services, printing costs, and advertising. These contributions are recorded at estimated fair value at the time of contribution.

Revenue Recognition – Revenue from grants is recognized in the period the Organization has fulfilled the requirements of the grants.

Cash and Cash Equivalents – For purposes of reporting cash flows, cash and cash equivalents include cash and savings with six month liquidity.

Property, Equipment and Depreciation – Property and equipment are stated at historical cost except for donated property which is recorded at estimated fair value at date of receipt. Depreciation is computed over the asset’s estimated useful life. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Estimated Useful Lives</u>	<u>Asset Class (In Years)</u>
Buildings	39
Improvements other than buildings	15
Furniture and equipment	5-15

Fair Value of Financial Instruments – The carrying amount of cash, receivables and accounts payable approximates fair value because of the short maturity of these instruments. The carrying amount of current notes payable approximates fair value because these instruments bear interest at approximate current rates available to the Company for similar borrowings.

Income Taxes – Afro-American Community Broadcasting, Incorporated is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The tax exempt status is also recognized by the State of Iowa. Accordingly, no provision for income taxes has been made.

Pledges and Contributions – KBBG-FM engages in periodic fundraising campaigns manifested by offering on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of the program offerings and other operating expenses of KBBG-FM. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give are recognized as revenue in the period the funds are received. However, uncollected pledges are not enforceable against contributors. An allowance for uncollectible contributions receivable is provided based on KBBG-FM’s judgment including such factors as prior collection history and type of contribution. All pledges receivable are promises to give within one year of December 31, 2017. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

NOTE 2 – COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, non-profit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications 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.

According to the Communications Act, funds may be used at the discretion of recipients. The Organization uses these funds for purposes relating primarily to production and acquisition of programming. Also, the Grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

The Grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of Grant funds, record-keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

The Organization's grant totaled \$0 for the year ended December 31, 2017. The Organization received \$32,540 which was included in accounts receivable at December 31, 2016. While the organization did not receive the allocation for 2017, funds are in reserve awaiting a collaboration with Iowa Public Radio for assistance with fundraising and programming.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Organization's deposits in banks at December 31, 2017 were entirely covered by federal depository insurance. The Organization's cash at December 31, 2017 is in a demand deposit (checking) account.

NOTE 4 – ENDOWMENT FUND

The Community Foundation of Waterloo/Cedar Falls and Northeast Iowa (the "Foundation") acts as an agent for the Organization in administering an endowment fund. The Foundation accepts donations into this fund and pays KBBG the income from the fund each year. The assets of the fund are deemed to belong to the Foundation for the benefit of the Organization.

NOTE 5 – SCHEDULE OF FUNCTIONAL EXPENSES

The costs of providing the various programs and services of Afro-American Community Broadcasting, Incorporated have been allocated to program/service functions based upon utilization and time spent by employees as designated by the Program Development Director.

NOTE 6 – UNRESTRICTED, DESIGNATED NET ASSETS

At December 31, 2017, \$59,186 was designated for the annual banquet.

NOTE 7 – LONG TERM DEBT

Changes in long-term liabilities for the year ended December 31, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Bank Loan	\$ 14,055	\$ -	\$ -2,879	\$ 11,176	\$ 3,169
Bank Line of Credit	11,228	-	-1,532	9,696	2,200
Loan – Board of Directors	2,075	2,500	-	4,575	4,575
	<u>\$ 27,358</u>	<u>\$ 2,500</u>	<u>\$ -4,411</u>	<u>25,447</u>	<u>9,944</u>

During the year ended December 31, 2013, the Organization refinanced \$36,105 that was on a bank line of credit. The interest rate is 4.50% with a three year repayment period.

During the year ended December 31, 2015, the Organization opened a bank line of credit to pay operating expenses.

During the year ended December 31, 2017, a member of the Board of Directors loaned the Organization \$2,500 to pay operating expenses. The beginning balance was from a previous loan from a Board member.

During the year ended December 31, 2017, The Organization made interest payments of \$2,388 and repaid \$4,411 of the principal.

NOTE 8 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the Federal Communications Commission (FCC) and the Corporation for Public Broadcasting (CPB). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the FCC or the CPB. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 9 – GOING CONCERN

Fundraising and event participation declined steadily over the past few years because the Waterloo and Cedar Valley area have been hit hard by the economic downturn. The Corporation for Public Broadcasting changed the Organization's Community Service Grant (CSG) eligibility status during 2014. Because of this, the Organization received less grant funds each year. These funds represent a large portion of cash income each year. The first half of 2017, the organization had a volunteer executive director who passed away in June 2017.

During the period July through December 2017, the Organization hired a new full-time, paid executive director and a consultant to assist with training and grant writing. The Board of Directors has been expanded with new members and there are new volunteers. The new Board created a strategic plan and a formal, comprehensive fundraising plan that included increased individual donors, expanded underwriting opportunities, profit from the annual banquet (beyond what has been realized for the past several years) and the receipt of grant funds. During this short time period, the Organization received \$30,000 in grant funds and there is \$180,000 of grant funds pending. The Organization's formal fundraising plan is on target to raise \$309,000 over the next fiscal year. Changes in programming, music format and content, website and fundraising events have received positive feedback from the community.

NOTE 10– RELATED PARTY TRANSACTIONS

The Organization had business transactions between the Organization and Organization officials or employees totaling \$3,068. This includes the loan from a member of the Board of Directors. See Note 7 – Long-term Debt for more detail.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2018, which is the date the financial statements were available to be issued.

AFRO-AMERICAN COMMUNITY BROADCASTING, INC.
KBBG-FM
Waterloo, Iowa

SCHEDULES OF FUNCTIONAL EXPENSES – UNRESTRICTED FUND
Years Ended December 31, 2017 and 2016

	Program Services			Total Program Services
	Programming And Production	Broadcasting	Program Information	
Wages	\$ 2,861	\$ 21,983	\$ 10,243	\$ 35,087
Payroll taxes	219	1,682	784	2,685
Bank fees	-	-	-	-
Postage	-	-	-	-
Professional fees	4,000	-	-	4,000
Dues and subscriptions	-	-	-	-
Advertising and promotion	-	-	-	-
Office expense	-	-	-	-
Telephone	275	687	138	1,100
Utilities	-	-	-	-
Insurance	-	-	-	-
Repairs and maintenance	-	3,091	-	3,091
Security	-	-	-	-
Miscellaneous expense	-	-	-	-
Depreciation	-	1,276	-	1,276
Fundraising expense	-	-	-	-
Employee Benefits	-	-	-	-
Programming	5,547	-	-	5,547
Travel	-	-	-	-
Interest expense	-	-	-	-
Supplies	-	2,152	-	2,152
Total	\$ 12,902	\$ 30,871	\$ 11,165	\$ 54,938

See independent accountant's report.

Support Services					
Management And General	Fundraising	Underwriting and Grant Solicitation	Total Support Services	2017 Total	2016 Total
\$ 30,731	\$ 14,454	\$ -	\$ 45,185	\$ 80,272	\$ 55,387
4,611	1,106	-	5,717	8,402	4,265
115	-	-	115	115	420
147	74	73	294	294	427
32,966	8,781	5,875	47,622	51,622	16,990
-	-	-	-	-	918
550	2,003	-	2,553	2,553	277
3,463	1,200	1,200	5,863	5,863	2,356
412	830	415	1,657	2,757	3,266
11,989	-	-	11,989	11,989	13,481
13,111	-	-	13,111	13,111	13,220
3,378	-	-	3,378	6,469	3,463
1,160	-	-	1,160	1,160	711
-	-	-	-	-	181
18,066	-	-	18,066	19,342	22,229
-	10,582	-	10,582	10,582	12,343
-	-	-	-	-	57
-	-	-	-	5,547	21,955
110	300	-	410	410	-
2,388	-	-	2,388	2,388	881
-	-	-	-	2,152	2,653
<u>\$ 123,197</u>	<u>\$ 39,330</u>	<u>\$ 7,563</u>	<u>\$ 170,090</u>	<u>\$ 225,028</u>	<u>\$ 175,480</u>

Independent Auditor's Report on Internal Control over Financial Reporting

To the Board of Directors
Afro-American Community Broadcasting, Inc.

I have audited in accordance with auditing standards generally accepted in the United States of America the financial statements of Afro-American Community Broadcasting, Inc. as of and for the year ended December 31, 2017, and have issued my report thereon dated February 9, 2018

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Afro-American Community Broadcasting, Inc.'s internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Afro-American Community Broadcasting, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Afro-American Community Broadcasting, Inc.'s internal control.

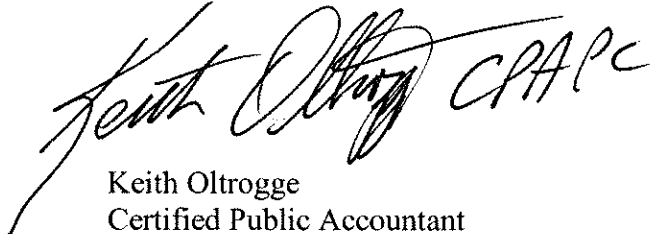
My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, I did not identify deficiencies in internal control I consider to be material weaknesses or significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Afro-American Community Broadcasting, Inc. during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

Denver, Iowa
February 9, 2018