

GEORGIA RADIO READING SERVICE, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

GEORGIA RADIO READING SERVICE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Georgia Radio Reading Service, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Georgia Radio Reading Service, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Radio Reading Service, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
September 28, 2018

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GEORGIA RADIO READING SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 131,217	\$ 107,761
Grants receivable	25,848	23,698
Prepaid expenses	2,102	1,972
Property and equipment, net	58,824	25,194
Total assets	\$ 217,991	\$ 158,625
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 3,830	\$ 3,445
Accrued payroll expenses	5,011	4,413
Total liabilities	8,841	7,858
Commitments and contingencies		
Net assets:		
Unrestricted	209,150	150,767
Total net assets	209,150	150,767
Total liabilities and net assets	\$ 217,991	\$ 158,625

The accompanying notes are an integral part of these financial statements.

GEORGIA RADIO READING SERVICE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in unrestricted net assets:		
Revenues, gains and support:		
Grants - state and local	\$ 356,010	\$ 310,865
Grants - foundations	18,040	11,698
General donations	12,235	9,330
Annual giving campaign	8,222	12,135
Donated facilities and services	69,901	66,333
Other income	123	30
Net assets released from restrictions	19,210	7,774
Total unrestricted revenues, gains and support	483,741	418,165
Expenses:		
Program services	376,794	333,739
Supporting services:		
Management and general	39,547	33,483
Fundraising	9,017	8,000
Total supporting services	48,564	41,483
Total expenses	425,358	375,222
Increase in unrestricted net assets	58,383	42,943
Changes in temporarily restricted net assets:		
Restricted contributions	19,210	4,950
Release of program restrictions	(19,210)	(7,774)
Decrease in temporarily restricted net assets	-	(2,824)
Increase in net assets	58,383	40,119
Net assets at beginning of year	150,767	110,648
Net assets at end of year	\$ 209,150	\$ 150,767

The accompanying notes are an integral part of these financial statements.

GEORGIA RADIO READING SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 206,245	\$ 10,212	\$ 5,550	\$ 222,007
Payroll taxes	16,108	798	433	17,339
Donated facilities and services	65,007	3,219	1,749	69,975
Space rent	18,473	588	319	19,380
Professional fees	8,000	17,481	-	25,481
Sub-channel use fee - radio	8,000	-	-	8,000
Printing	4,734	-	249	4,983
Office supplies	-	4,141	-	4,141
Insurance	4,198	208	113	4,519
Program books and magazines	8,398	-	-	8,398
Technical support	4,062	-	-	4,062
Volunteer appreciation	2,200	-	-	2,200
Broadcast radios	7,740	-	-	7,740
Telephone	1,942	96	52	2,090
Payroll processing	-	1,660	-	1,660
Postage/Copier	1,633	-	86	1,719
Repairs and maintenance	3,289	162	88	3,539
Dues and subscriptions	624	-	-	624
Depreciation	8,087	400	219	8,706
Broadcasting supplies	1,922	-	-	1,922
Travel	257	74	-	331
Other	5,875	292	159	6,326
Bank charges	-	216	-	216
	<u>\$ 376,794</u>	<u>\$ 39,547</u>	<u>\$ 9,017</u>	<u>\$ 425,358</u>
Total expenses				
Percentages	<u>89%</u>	<u>9%</u>	<u>2%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

GEORGIA RADIO READING SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 190,083	\$ 9,412	\$ 5,112	\$ 204,607
Payroll taxes	14,948	740	402	16,090
Donated facilities and services	61,624	3,051	1,658	66,333
Space rent	18,473	588	319	19,380
Professional fees	8,000	13,370	-	21,370
Sub-channel use fee - radio	8,000	-	-	8,000
Printing	2,647	-	139	2,786
Office supplies	-	3,968	-	3,968
Insurance	4,028	200	107	4,335
Program books and magazines	5,141	-	-	5,141
Technical support	1,805	-	-	1,805
Volunteer appreciation	2,107	-	-	2,107
Broadcast radios	7,069	-	-	7,069
Telephone	352	17	9	378
Payroll processing	-	1,555	-	1,555
Postage/Copier	1,452	-	76	1,528
Repairs and maintenance	1,516	75	40	1,631
Dues and subscriptions	604	-	-	604
Depreciation	1,788	89	48	1,925
Broadcasting supplies	821	-	-	821
Travel	231	47	-	278
Other	3,050	151	90	3,291
Bank charges	-	220	-	220
	<u>\$ 333,739</u>	<u>\$ 33,483</u>	<u>\$ 8,000</u>	<u>\$ 375,222</u>
Total expenses				
Percentages	<u>89%</u>	<u>9%</u>	<u>2%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

GEORGIA RADIO READING SERVICE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 58,383	\$ 40,119
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	8,706	1,925
Gain on disposal of assets	(80)	-
Change in assets and liabilities:		
(Increase) decrease in grants receivable	(2,150)	(3,983)
(Increase) decrease in prepaid expenses	(130)	614
Increase (decrease) in accounts payable	385	2,595
Increase (decrease) in accrued payroll expenses	598	24
Total adjustments	<u>7,329</u>	<u>1,175</u>
Net cash provided by operating activities	<u>65,712</u>	<u>41,294</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	<u>(42,256)</u>	<u>(22,188)</u>
Net cash used in investing activities	<u>(42,256)</u>	<u>(22,188)</u>
Net increase in cash and cash equivalents	23,456	19,106
Cash and cash equivalents, beginning of year	<u>107,761</u>	<u>88,655</u>
Cash and cash equivalents, end of year	<u>\$ 131,217</u>	<u>\$ 107,761</u>

The accompanying notes are an integral part of these financial statements.

GEORGIA RADIO READING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies

Organization

The accompanying financial statements include the accounts of Georgia Radio Reading Services, Inc. (the Organization). The Organization is a nonprofit Georgia corporation that provides radio reading services for blind and print-handicapped individuals via closed-circuit radio and several cable television systems in Georgia.

Method of Reporting

The Organization's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets based on stipulations made by the donor.

Contributions

Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions which limit the use of the donated assets.

Accordingly, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as unrestricted contributions and pledges receivable.

The Organization records gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

GEORGIA RADIO READING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

Land held for sale, other assets and marketable securities acquired by gift are recorded at their fair market value on the date of receipt. No amounts have been reflected in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's programs and supporting services. If donated services received either created or enhanced non-financial assets or required specialized skills which would need to be purchased if not donated, the value of those donated professional services would be recorded.

Property and Equipment

It is the policy of the Organization to capitalize property and equipment in excess of \$500. The cost of the property, or fair market value as of the date of receipt if donated, is depreciated over the estimated useful lives of the related assets using the straight-line method. Organization property is depreciated over lives ranging from 3 to 7 years.

Advertising Expenses

It is the policy of the Organization to expense advertising costs as incurred.

Functional Allocation of Expenses

The costs of providing the program and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains bank accounts with a single financial institution. The balances in the Organization's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2018 and 2017. The balances at June 30, 2018 and 2017 were within the insured limits.

GEORGIA RADIO READING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Tax Exempt Status

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2018 and 2017, the Organization did not have any unrelated business income, and accordingly, no unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, that are material to the financial statements. The applicable federal and state tax forms are subject to examination by the appropriate regulatory authorities, and the returns are typically open for the last three years.

Subsequent Events

Subsequent events have been evaluated through September 28, 2018, which is the date the financial statements were available to be issued, and there were no significant subsequent events requiring recognition or disclosure in the financial statements.

2. Cash and Cash Equivalents

The Organization considers all cash investments and highly liquid investments with maturities of three months or less to be cash equivalents. All cash and cash equivalents were unrestricted as of June 30, 2018 and 2017.

3. Property and Equipment, Net

Property and equipment consist of the following at June 30:

	2018	2017
Broadcast equipment	\$ 192,760	\$ 171,573
Computer software	51,458	31,958
Furniture and equipment	7,366	5,798
	251,584	209,329
Less accumulated depreciation	(192,760)	(184,135)
Total property and equipment, net	\$ 58,824	\$ 25,194

Depreciation expense for the years ended June 30, 2018 and 2017 was \$8,706 and \$1,925, respectively.

GEORGIA RADIO READING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. Donated Services and Equipment

A public broadcasting organization donates the use of space, equipment, and audio cable channels to the Organization at below-market rental rate. The difference between the fair rental rate and the rate charged for the use of these resources is recorded as donated use of facilities. The Organization also records the estimated fair market rental value for this space as donated use of facilities. For the years ended June 30, 2018 and 2017, \$69,901 and \$66,333, respectively is recorded for donated use of facilities.

In each of the years ended June 30, 2018 and 2017, volunteers donated approximately 12,000 volunteer hours, respectively, to the Organization. These hours are not recorded in the financial statements because they do not meet the criteria for recognition under generally accepted accounting principles. However, the Organization considers these hours as a valuable contribution, as the work could not be accomplished without the volunteers.

5. Lease Commitments

The Organization leases air time on a radio sub-channel pursuant to an initial two-year agreement in 1978, which is informally renewed automatically every year. The agreement requires quarterly payments of \$2,000. The agreement is cancelable by either party with ninety days' notice.

The operating lease expense for the Atlanta facility was \$19,380 for each of the years ended June 30, 2018 and 2017. In September 2018, the Organization renewed its lease of its Atlanta facility until June 30, 2023. Future minimum lease payments related to the operating lease for the Atlanta facility are as follows:

For the year ended June 30:	
2019	\$ 9,065
2020	10,878
2021	11,100
2022	11,100
2023	11,100
Total net assets released from restrictions	\$ 53,243

GEORGIA RADIO READING SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. Temporarily Restricted Net Assets

The following net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the years ended June 30:

	2018	2017
Program restriction accomplished:		
Website	\$ 14,000	\$ -
Radios	5,210	824
Program books/braille books	-	3,500
Production costs	-	2,750
Reading materials	-	700
Total net assets released from restrictions	\$ 19,210	\$ 7,774

7. Concentration of Support

The Organization receives a significant portion of its support from the Georgia Vocational Rehabilitation Agency (the Agency). Revenue received from this provider was approximately sixty-two (62%) and seventy-one percent (71%) of total revenue and support for the years ended June 30, 2018 and 2017, respectively. This revenue is recognized as unrestricted; however, the Organization must report to the Agency how it uses the funds according to an approved budget.

GEORGIA RADIO READING SERVICE, INC.

SUPPLEMENTAL INFORMATION

JUNE 30, 2018



INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION

To the Board of Directors
Georgia Radio Reading Services, Inc.:

We have audited the accompanying financial statements of Georgia Radio Reading Service, Inc. (a nonprofit organization) as of and for the year ended June 30, 2018, and have issued our report thereon dated September 28, 2018 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The Supplemental Schedule of State Awards Expended for the year ended June 30, 2018 is presented for the 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. In our opinion, the information is fairly stated in all material aspects in relation to the financial statements as a whole.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
September 28, 2018

GEORGIA RADIO READING SERVICE, INC.
 SCHEDULE OF STATE AWARDS EXPENDED
 FOR THE YEAR ENDED JUNE 30, 2018

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenses</u>	<u>Revenue Receivable at June 30, 2018</u>
Georgia Vocational Rehabilitation Agency						
Vocational Rehabilitation Program	42700-610-0000023754	7/1/17-6/30/18	\$ <u>300,000</u>	\$ <u>300,000</u>	\$ <u>300,000</u>	\$ <u>18,442</u>

The amount receivable as of June 30, 2018 was fully reimbursed/collected as of July 31, 2018.