



Consolidated Financial Statements
June 30, 2021

KVCR TV and FM

(A Public Telecommunications Entity Operated by the
San Bernardino Community Collect District)

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Independent Auditor's Report

The Board of Directors
San Bernardino Community College District
KVCR TV and FM
San Bernardino, California

We have audited the accompanying consolidated financial statements of KVCR TV and FM (the Entity) (a public telecommunications entity, operated by the San Bernardino Community College District (the District)) as of and for the years ended June 30, 2021 and 2020, and the related notes to the consolidated financial statements, which collectively comprise the Entity's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the respective consolidated financial position of the Entity as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the consolidated financial statements of the Entity are intended to present the financial position and the changes in consolidated financial position attributable to the transactions of the Entity. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2021 and 2020, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting Principles generally accepted in the United States of America require the management's discussion and analysis (MD&A) on pages 4 through 12 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Entity's consolidated financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022, on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contract, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
January 20, 2022

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the combined financial activities and condition of KVCR TV and FM (the Stations), the KVCR Educational Foundation, Inc. (the Foundation), and KVCR FNX, as of June 30, 2021 and 2020. The report consists of three basic consolidated financial statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows and provides information about the Stations, the Foundation, and KVCR FNX as a whole. This section of the annual financial report presents our discussion and analysis of the Entity's consolidated financial performance for the fiscal years ending June 30, 2021 and 2020, and is best read in conjunction with the financial statements and the notes following this section.

Table 1 - Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 883,810	\$ (268,057)	\$ 1,517,378
Accounts receivable	85,885	85,652	14,193
Due from related party	802,106	2,766,996	1,297
Prepaid expenses	535,375	968,636	824,265
Other assets	33,534	33,534	33,534
	<u>2,340,710</u>	<u>3,586,761</u>	<u>2,390,667</u>
Noncurrent Assets			
Property and equipment (net)	558,229	714,434	879,469
	<u>558,229</u>	<u>714,434</u>	<u>879,469</u>
Total assets	<u>2,898,939</u>	<u>4,301,195</u>	<u>3,270,136</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	77,047	162,732	944,407
Due to related party	2,121,232	3,019,326	527,136
Unearned revenue	1,298,361	1,311,798	799,097
	<u>3,496,640</u>	<u>4,493,856</u>	<u>2,270,640</u>
Total current liabilities	<u>3,496,640</u>	<u>4,493,856</u>	<u>2,270,640</u>
Net Position			
Net investment in capital assets	558,229	714,434	879,469
Unrestricted (deficit)	(1,155,930)	(907,095)	120,027
	<u>(1,155,930)</u>	<u>(907,095)</u>	<u>120,027</u>
Total net position (deficit)	<u>\$ (597,701)</u>	<u>\$ (192,661)</u>	<u>\$ 999,496</u>

Financial Position

The Statements of Net Position above includes all assets and liabilities of the Entity as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. The Statement of Net Position is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the Entity as a whole. The Statement of Net Position primarily presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (total assets minus total liabilities). Net position is one way to measure the financial condition of the Entity as a whole.

The following are explanatory remarks for the Statements of Net Position:

- Cash and cash equivalents consist of cash deposited into the County Treasurer's investment pool.
- Due from related party and accounts receivable primarily consist of revenues from local and State sources from which the Entity had earnings, but which were not received as of the fiscal year-end date.
- Property and equipment consist of furniture and equipment, vehicles, and computer software. Net property and equipment is the historical value of equipment less accumulated depreciation. The decrease in the balance of net property and equipment is due to current year depreciation.
- Due to related party and accounts payable consist of operating expenses which the Entity incurred, but for which payments were not issued as of year-end.
- Unearned revenue consists of amounts received in advance of required program expense being incurred. This revenue will become earned in the 2021-2022 fiscal year as program related expenses are incurred.
- The net position is divided into two major categories. The first category, net investments in capital assets, represents total investments in capital assets, net of outstanding debt obligations related to those capital assets. The second category is unrestricted net position that is available to be used for any lawful purpose of the Entity.

Statements of Revenues, Expenses, and Changes in Net Position

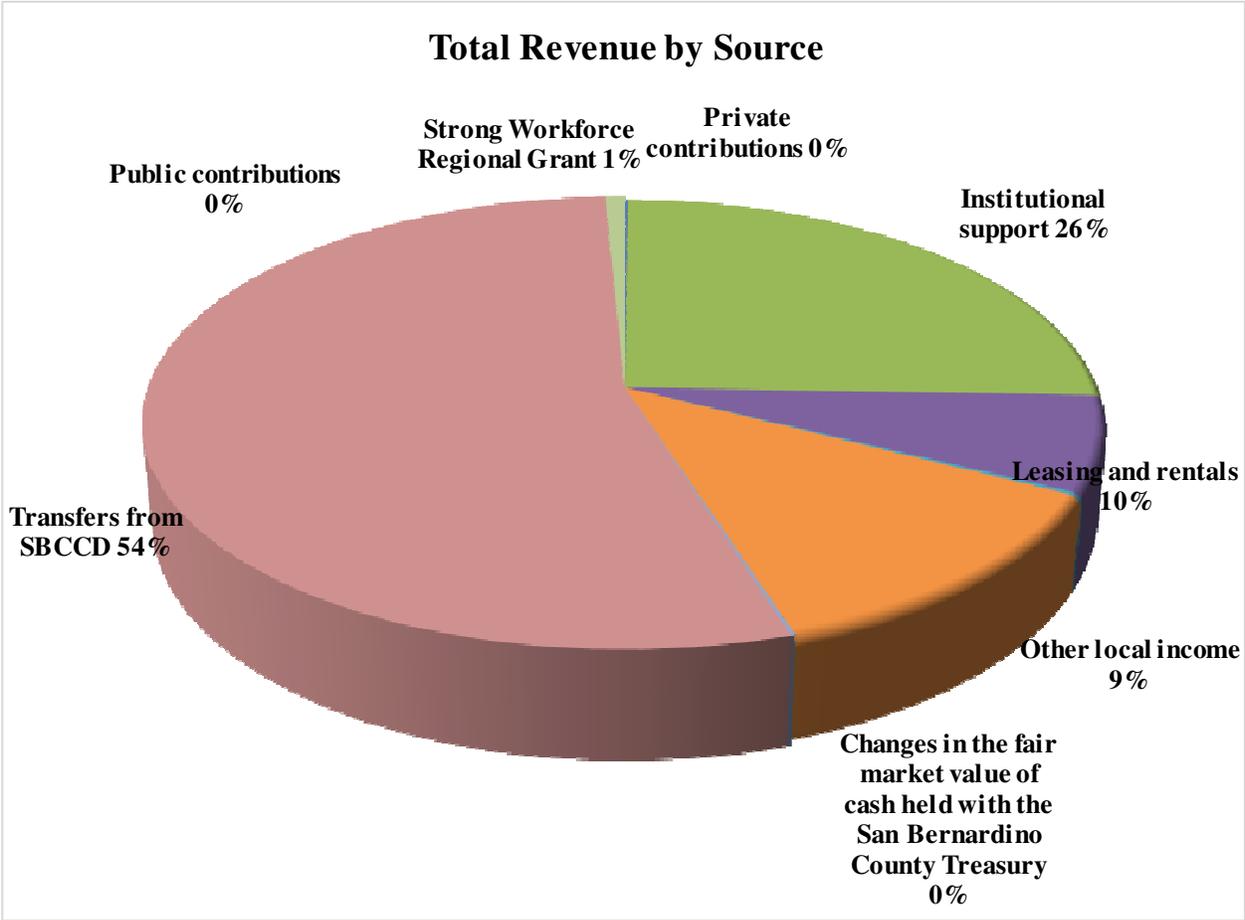
Changes in total net position are presented in the Statements of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not; the operating and nonoperating expense incurred, whether paid or not; and any other revenues, expenses, gains and/or losses earned or incurred. Thus, this statement presents the results of operation for the Entity as a whole.

Operating revenues are earned from public contributions, grants, underwriting, and other local sources. Other revenues include interest and dividend income, leasing and rental income, and a transfer for program support from the San Bernardino Community College District.

Table 2 - Statements of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues			
Public contributions	\$ 5,319	\$ 2,341,169	\$ 3,479,664
Private contributions	623	-	-
Institutional support	1,133,963	1,431,598	1,575,129
CPB grants	-	-	639,156
Program underwriting	305,456	133,983	302,854
Other local income	1,210,528	516,253	108,443
Strong Workforce Regional Grant	33,944	50,000	-
Total operating revenues	<u>2,689,833</u>	<u>4,473,003</u>	<u>6,105,246</u>
Operating Expenses			
Program services	5,676,568	6,841,433	8,506,086
Management and general	393,513	154,242	348,048
Fundraising	-	-	796,608
Total operating expenses	<u>6,070,081</u>	<u>6,995,675</u>	<u>9,650,742</u>
Total operating loss	<u>(3,380,248)</u>	<u>(2,522,672)</u>	<u>(3,545,496)</u>
Other Revenues			
Interest and dividends	8,193	17,170	28,023
Leasing and rentals	554,609	566,093	576,266
Change in the fair market value of the cash held by the San Bernardino County Treasury	5,431	-	-
Transfers in from related party	2,406,975	747,252	1,550,000
Total other revenues	<u>2,975,208</u>	<u>1,330,515</u>	<u>2,154,289</u>
Change in Net Position	(405,040)	(1,192,157)	(1,391,207)
Net Position (Deficit), Beginning of Year	<u>(192,661)</u>	<u>999,496</u>	<u>2,390,703</u>
Net Position (Deficit), End of Year	<u>\$ (597,701)</u>	<u>\$ (192,661)</u>	<u>\$ 999,496</u>

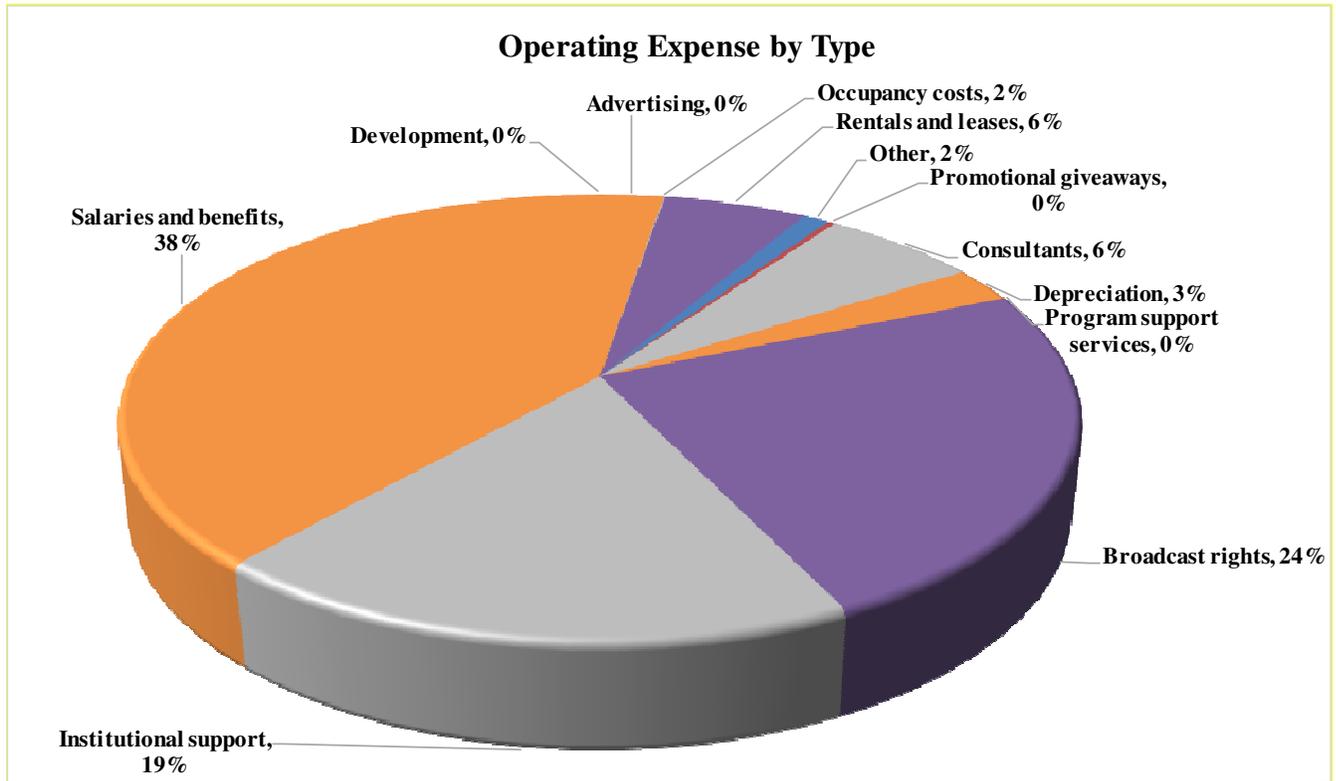
Below is an illustration of total revenues by source:



The following are explanatory remarks for the Statements of Revenues, Expenses, and Changes in Net Position:

- Total operating revenues decreased by \$1,783,170 from the prior year. This decrease was primarily driven by shortages in public contributions and underwriting revenue received in the 2020-2021 fiscal year.
- Total operating expenses decreased by \$925,594 from the prior year due for the most part to efforts to control costs in conjunction with managerial restructuring.

Below is an illustration of total operating expense by type:



The Entity's operating expenses are shown below (with explanatory remarks):

- Program services:
 - o Programming and production expenses incurred to purchase, schedule, and produce and prepare programs for broadcast.
 - o Broadcasting expenses incurred to prepare, store, check quality, verify automation asset management, play out, and monitor program streams, as well as installation and maintenance of equipment necessary for technical operations of the Stations, and transmission costs such as rents and utilities.
 - o Program information and promotions expenses incurred to maintain the Stations' website, and design and procure promotional materials.
- Management and general: Expenses incurred for management services such as general manager, accounting, administrative, and legal services.
- Fundraising: All costs for pledge premiums, membership administrative services, database management costs, and expenses incurred for underwriting, grant, and other solicitations to support the Stations.

- Depreciation of capital assets is computed and recorded using the straight-line method. A capitalization threshold of \$5,000 is maintained for computer software and furniture and equipment. Useful lives of assets are estimated as follows:
 - o 3 to 20 years for furniture and equipment
 - o 8 years for computer software

Statements of Cash Flows

The Statements of Cash Flows shown below provides information about cash receipts and cash payments during the fiscal year. The statement also assists readers in understanding the Entity's ability to generate net cash flows, and its ability to meet obligations as they come due, or the need for assistance via external financing. The Entity has adopted the indirect cash flow method which shows a reconciliation from reported change in net position to cash provided by operating, financing, and investing activities.

Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of CPB grant funding, membership, underwriting, and District support.
- Cash outlays include payment of salaries, benefits, programming, production, and other operating expenses.

Table 3 - Statements of Cash Flows

	2021	2020	2019
Cash Flows Provided By (Used In)			
Operating activities	\$ 1,151,867	\$ (1,785,435)	\$ 615,023
Financing activities	-	-	(117,908)
Net Change in Cash and Cash Equivalents	1,151,867	(1,785,435)	497,115
Cash and Cash Equivalents, Beginning of Year	(268,057)	1,517,378	1,020,263
Cash and Cash Equivalents, End of Year	<u>\$ 883,810</u>	<u>\$ (268,057)</u>	<u>\$ 1,517,378</u>

NATURAL CLASSIFICATION OF EXPENSES

	2021							
	Program Activities				Management and General Activities			Total
	KVCR Radio	KVCR TV	FNX-TV	Total	KVCR Radio	KVCR TV	Total	Expenses
Salaries and benefits	\$ 487,363	\$ 914,312	\$ 539,562	\$ 1,941,237	\$ 161,340	\$ 232,173	\$ 393,513	\$ 2,334,750
Administrative	1,145	808	425	2,378	-	-	-	2,378
Advertising	-	3,015	-	3,015	-	-	-	3,015
Broadcast rights	217,364	818,780	433,893	1,470,037	-	-	-	1,470,037
Consultants	83,610	229,642	70,244	383,496	-	-	-	383,496
Depreciation expense	5,775	150,430	-	156,205	-	-	-	156,205
Development	-	-	-	-	-	-	-	-
Dues and memberships	3,438	3,142	-	6,580	-	-	-	6,580
Maintenance and operations	-	3,704	133	3,837	-	-	-	3,837
Noncash institutional support	327,348	806,615	-	1,133,963	-	-	-	1,133,963
Postage and freight	1,000	3,000	-	4,000	-	-	-	4,000
Professional fees	17,629	25,509	1,074	44,212	-	-	-	44,212
Promotional giveaways	4,047	13,012	-	17,059	-	-	-	17,059
Rentals and leases	10,299	157,604	183,021	350,924	-	-	-	350,924
Supplies	1,111	1,842	1,199	4,152	-	-	-	4,152
Travel	-	-	411	411	-	-	-	411
Telephone/Electricity	34,700	121,547	(1,185)	155,062	-	-	-	155,062
Total expenses	\$1,194,829	\$3,252,962	\$1,228,777	\$ 5,676,568	\$ 161,340	\$ 232,173	\$ 393,513	\$ 6,070,081
	2020							
	Program Activities				Management and General Activities			Total
	KVCR Radio	KVCR TV	FNX-TV	Total	KVCR Radio	KVCR TV	Total	Expenses
Salaries and benefits	\$ 554,483	\$1,283,382	\$1,097,399	\$ 2,935,264	\$ 55,943	\$ 80,503	\$ 136,446	\$ 3,071,710
Administrative	-	4,290	148,000	152,290	-	-	-	152,290
Advertising	299	-	150	449	-	-	-	449
Broadcast rights	376,629	798,367	281,673	1,456,669	-	-	-	1,456,669
Consultants	36,505	140,872	49,268	226,645	-	-	-	226,645
Depreciation expense	5,775	159,260	-	165,035	-	-	-	165,035
Development	-	-	-	-	6,698	11,098	17,796	17,796
Dues and memberships	17,957	4,035	300	22,292	-	-	-	22,292
Maintenance and operations	-	289	-	289	-	-	-	289
Noncash institutional support	413,436	1,018,162	-	1,431,598	-	-	-	1,431,598
Postage and freight	-	1,352	(249)	1,103	-	-	-	1,103
Professional fees	(1,501)	5,560	-	4,059	-	-	-	4,059
Promotional giveaways	209	9,476	1,016	10,701	-	-	-	10,701
Rentals and leases	14,644	157,684	71,151	243,479	-	-	-	243,479
Supplies	1,655	9,633	263	11,551	-	-	-	11,551
Travel	1,407	6,279	17,677	25,363	-	-	-	25,363
Telephone/Electricity	(544)	122,446	32,744	154,646	-	-	-	154,646
Total expenses	\$1,420,954	\$3,721,087	\$1,699,392	\$ 6,841,433	\$ 62,641	\$ 91,601	\$ 154,242	\$ 6,995,675

ECONOMIC FACTORS AFFECTING THE FUTURE OF KVCR TV AND FM

Public television and radio stations are going through a renaissance of relevance to the communities they serve through the programming they deliver. However, the most significant public television and radio challenges still mirror many of the same challenges that affect commercial media, national media, and streaming services—media consumption has fractured, become vastly accessible, and serves a hyper-driven society.

KVCR Public television is affected due to audiences migrating to platforms where local public media doesn't have an established presence. Radio has similar challenges with the proliferation of subscription streaming services and social platforms. The surplus of entertainment content available and the growing fragmentation of viewer behavior into a hybrid of traditional broadcast, linear, and on-demand consumption is a considerable financial challenge to KVCR. The station's operational cost to deliver public media programming will continue to correlate with inflationary pressures. This change in viewer and listener habits and access, along with the rising cost of business, has a broader impact on revenue for public media stations that are viewer-supported and grant-funded, such as KVCR.

As a result, total revenue generated through membership, online giving, and underwriting decreased once more for this reporting period. In light, the station's operating expenses in this reporting period were reduced due to cost-cutting measures and operational analysis. In this climate, the challenge for public media is to adapt while reaching in new ways to inspire its audience into support while not changing the channel.

CONTACTING KVCR MANAGEMENT

This financial report is designed to provide our donors, taxpayers, investors, and creditors with a general overview of the Entity's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to Lawrence Strong, Director of Fiscal Services, by phone at 909-388-6915 or by e-mail at lstrong@sbccd.edu.

KVCR TV and FM
Consolidated Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 883,810	\$ (268,057)
Accounts receivable	85,885	85,652
Due from related party	802,106	2,766,996
Prepaid expenses	535,375	968,636
Other assets	<u>33,534</u>	<u>33,534</u>
Total current assets	<u>2,340,710</u>	<u>3,586,761</u>
Noncurrent Assets		
Property and equipment (net)	<u>558,229</u>	<u>714,434</u>
Total assets	<u>2,898,939</u>	<u>4,301,195</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	77,047	162,732
Due to related party	2,121,232	3,019,326
Unearned revenue	<u>1,298,361</u>	<u>1,311,798</u>
Total liabilities	<u>3,496,640</u>	<u>4,493,856</u>
Net Position		
Net investment in capital assets	558,229	714,434
Unrestricted (deficit)	<u>(1,155,930)</u>	<u>(907,095)</u>
Total net position	<u>(597,701)</u>	<u>(192,661)</u>
Total liabilities and net position	<u>\$ 2,898,939</u>	<u>\$ 4,301,195</u>

KVCR TV and FM
Consolidated Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Public contributions - FM Station	\$ -	\$ 670,848
Public contributions - TV Station	5,319	1,670,321
Private contributions - TV Station	623	-
Non cash institutional support from San Bernardino Community College District - FM	327,348	413,436
Non cash institutional support from San Bernardino Community College District - TV	806,615	1,018,162
CPB grants - TV Station	-	-
Program underwriting - FM Station	137,339	103,124
Program underwriting - TV Station	168,117	30,859
Other local income - FM Station	224,170	2,148
Other local income - TV Station	986,358	514,105
Strong Workforce Regional Grant - TV Station	21,743	50,000
Strong Workforce Regional Grant - FM Station	12,201	-
	<u>2,689,833</u>	<u>4,473,003</u>
Operating Expenses		
Program services - FM Station	1,194,829	1,420,954
Program services - TV Station	4,481,739	5,420,479
Management and general - FM Station	161,340	62,641
Management and general - TV Station	232,173	91,601
	<u>6,070,081</u>	<u>6,995,675</u>
Total operating expenses		
	<u>(3,380,248)</u>	<u>(2,522,672)</u>
Other Revenues		
Interest and dividends - TV Station	8,193	17,170
Leasing and rentals - FM Station	9,688	3,061
Leasing and rentals - TV Station	544,921	563,032
Change in the fair market value of the cash held by the San Bernardino County Treasury	5,431	-
Transfers in from related party - FM Station	1,172,076	262,699
Transfers in from related party - TV Station	1,234,899	484,553
	<u>2,975,208</u>	<u>1,330,515</u>
Total other revenues		
Change in Net Position	(405,040)	(1,192,157)
Net Position, Beginning of Year	<u>(192,661)</u>	<u>999,496</u>
Net Position, End of Year	<u>\$ (597,701)</u>	<u>\$ (192,661)</u>

See Notes to Financial Statements

KVCR TV and FM
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net position	\$ (405,040)	\$ (1,192,157)
Adjustments to reconcile change in net position to net cash from operating activities		
Depreciation expense	156,205	165,035
Changes in assets and liabilities related to		
Accounts receivable	(233)	(71,459)
Due from related party	1,964,890	(2,765,699)
Prepaid expenses	433,261	(144,371)
Accounts payable	(85,685)	(781,675)
Due to related party	(898,094)	2,492,190
Unearned revenue	(13,437)	512,701
	1,151,867	(1,785,435)
Net Cash Flows from Operating Activities		
	1,151,867	(1,785,435)
Net Change in Cash and Cash Equivalents		
	(268,057)	1,517,378
Cash and Cash Equivalents, Beginning of Year		
	\$ 883,810	\$ (268,057)
Cash and Cash Equivalents, End of Year		

Note 1 - Summary of Significant Accounting Policies

Organization

KVCR TV and FM is comprised of the following activities:

KVCR TV and FM is a public telecommunications entity owned and operated by the San Bernardino Community College District (the District), which provides public radio and television station broadcasts to the Inland Empire area of Southern California. These stations provide the public with a variety of musical, informational, and educational programming.

KVCR Educational Foundation, Inc. (the Foundation) was established in 1999 for the purpose of raising, holding, and investing funds for the benefit of KVCR TV and FM. It is a separate nonprofit 501(c)(3) corporation that is an auxiliary organization of the District.

KVCR FNX, First Nations Experience is a broadcast television network owned and operated by the studios of KVCR. The network originated through a partnership of the San Manuel Band of Mission Indians and the San Bernardino Community College District with the mission to illustrate the lives and cultures of native people around the world.

These financial statements are not intended to, and do not purport to, present fairly the financial position and the changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The activity of the Entity is presented in an Enterprise format which includes a statement of cash flows. The Enterprise format accounts for activities similar to those in the private sector, where the proper matching of revenues and costs is important, and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its statement of net position, all revenues are recognized when earned, and all expenses, including depreciation, are recognized when incurred.

For internal operating purposes, the District's Board of Trustees has established three separate funds, which include separate self-balancing accounts and separate Board approved budgets for the activities of KVCR TV and FM, KVCR Educational Foundation, Inc, and KVCR FNX. The activities of the Foundation and KVCR FNX have been consolidated with KVCR TV and FM activities.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Contributions

Contributions are recognized when the donor makes a promise to give to support the activities of the Entity's programming that are, in substance, unconditional.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Entity's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the 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 the reported amounts 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.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Entity considers all cash on hand, cash deposited with the County Treasurer, plus any of the cash deposits or investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of interest and donations receivable. Bad debts are accounted for by the direct write-off method. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

Property and Equipment

The Entity capitalizes property and equipment purchased or donated with a unit cost over \$5,000. Lesser amounts are expensed when purchased. Donations of property and equipment are recorded as contributions at their estimated fair value, if known. Routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method based on the assets' estimated useful lives ranging from three to thirty years.

The Entity records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and June 30, 2020, were \$3,015 and \$449, respectively.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and management and general activities have been summarized on a functional basis and the consolidated Statement of Revenues, Expenses, and Changes in Net Position. Accordingly, based upon management's estimates, certain costs have been allocated among the programs and management and general activities benefited. A detail of functional expenses is included within the MD&A.

Income Taxes

KVCR TV and FM and FNX fund are programs of the San Bernardino Community College District. The District is a public education institution and is considered a political subdivision of the State of California and is, therefore, tax exempt and not subject to filing informational returns.

The Foundation is a non-profit public benefit corporation that is exempt for income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified by the Internal Revenue Service (IRS) as other than a private organization. Contributions received qualify as tax deductible gifts as provided in Section 170(b)(1)(A)(iv). The Foundation is also exempt from California State Franchise and income tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal Form 990, *Return of Organization Exempt from Income Tax*, and State Form 109, *California Exempt Organization Business Income Tax Return*, are subject to examination by the IRS for three years and the State Franchise Tax Board for four years after they are filed. The Foundation is not aware of any such examinations at this time.

New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements for this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Cash and Cash Equivalents

Policies and Practices

Cash and cash equivalents are maintained in accordance with the District's policies and procedures. The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with the San Bernardino County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the Entity's investment in the pool is reported in the accompanying financial statements at amounts based upon the Entity's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, consisted of the following:

KVCR FM and TV	\$ 834,533
KVCR Educational Foundation, Inc.	-
KVCR FNX	<u>49,277</u>
 Total deposits and investments	 <u><u>\$ 883,810</u></u>
 Cash awaiting deposit	 \$ 85,364
San Bernardino County Investment Pool	<u>798,446</u>
 Total deposits and investments	 <u><u>\$ 883,810</u></u>

Deposits and investments as of June 30, 2020, consisted of the following:

KVCR FM and TV	\$ 632,619
KVCR Educational Foundation, Inc.	266,443
KVCR FNX	<u>(1,167,119)</u>
Total deposits and investments	<u>\$ (268,057)</u>
Cash awaiting deposit	\$ 398,067
San Bernardino County Investment Pool	<u>(666,124)</u>
Total deposits and investments	<u>\$ (268,057)</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Entity manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool.

Specific Identification

Information about the sensitivity of the fair values of the Entity's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the Entity's investment by maturity as of the following at June 30:

	2021	
Investment Type	Fair Value	Weighted Average Days to Maturity
San Bernardino County Investment Pool	<u>\$ 798,446</u>	461
	2020	
Investment Type	Fair Value	Weighted Average Days to Maturity
San Bernardino County Investment Pool	<u>\$ (666,124)</u>	553

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Entity's investment in the San Bernardino County Investment Pool is rated at AAf/S1 by Fitch Ratings agency.

Note 3 - Accounts Receivable

Accounts receivable represent amounts due to the Entity as follows at June 30:

	2021	2020
Contributions	\$ 50,003	\$ 32,366
State categorical aid	33,944	50,000
Interest	1,938	3,286
	<u>\$ 85,885</u>	<u>\$ 85,652</u>
Total	<u>\$ 85,885</u>	<u>\$ 85,652</u>

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2021	2020
Furniture and equipment	\$ 7,860,414	\$ 7,860,414
Computer	6,192	6,192
Vehicles	52,943	52,943
	<u>7,919,549</u>	<u>7,919,549</u>
Subtotal	7,919,549	7,919,549
Accumulated depreciation	(7,361,320)	(7,205,115)
Total property and equipment	<u>\$ 558,229</u>	<u>\$ 714,434</u>

Depreciation expense for the years ended 2021 and 2020, was \$156,205 and \$165,035, respectively.

Note 5 - Accounts Payable

Accounts payable consisted of the following at June 30:

	2021	2020
Salaries and benefits payable	\$ 13,846	\$ -
Vendors payable	63,201	162,732
	<u>\$ 77,047</u>	<u>\$ 162,732</u>
Total	<u>\$ 77,047</u>	<u>\$ 162,732</u>

Note 6 - Unearned Revenue

Unearned revenue represents amounts received in advance of required program expenses being incurred. This amount will be used for program related expenses in the subsequent fiscal year. As of June 30, 2021 and 2020, unearned revenues totaled \$1,298,361 and \$1,311,798, respectively.

Note 7 - Related Party Transactions

During the year, certain transactions for services are paid by the District on behalf of the Entity. At June 30, 2021 and 2020, the District owed the Entity \$802,106 and \$2,766,996, respectively, for amounts collected on the Entity's behalf. The Entity owed the District \$2,121,232 and \$3,019,326, respectively, for services and supply costs incurred.

Note 8 - Institutional Support

The District provides non cash institutional support to the KVCR TV and FM Stations related to instructional services, occupancy, supplies, and other administrative costs. The District applies an indirect rate that is in compliance with the CPB's guidance. For the year ended June 30, 2021, the indirect rate was computed as 0.48% applied to the FM Radio Station's costs and 1.25% applied to the TV Station's costs. For the year ended June 30, 2020, the indirect rate was computed as 0.65% applied to the FM Radio Station's costs and 1.67% applied to the TV Station's costs. The calculated institutional support totaled \$1,133,963 and \$1,431,598 for the 2021 and 2020 years, respectively. This non cash support for the KVCR TV and FM Stations is included within the Statements of Revenues, Expenses, and Changes in Net Position as both a source of funding and a use of funding and does not have an effect on the ending balance. Additionally, the KVCR Foundation and the District provided a total of \$1,986,569 and \$1,092,465 in cash to support the programming of both the FM Radio and TV Stations for the 2021 and 2020 years, respectively. The cash support provided by the KVCR Foundation to the KVCR TV and FM Stations has been eliminated for consolidation purposes for both fiscal years ending June 30, 2021 and June 30, 2020.

Note 9 - Commitments and Contingencies

Grants

KVCR TV is funded in part through grants from the CPB, which are paid through the District as the broadcasting licensee. Funds from the CPB are designated for the purpose of operating the TV Station and are subject to review and audit by the grantor agency. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursement would not be material.

Operating Leases

The District leases land on behalf of the Entity on Box Springs Mountain for the Entity’s broadcasting equipment. The lease term expires on October 31, 2032.

Year Ending June 30,	Lease Payment
2022	\$ 28,318
2023	28,318
2024	28,318
2025	28,318
2026	28,318
Thereafter	179,349
Total	\$ 320,939

Lease expense for the year ended June 30, 2021 and June 30, 2020 amounted to \$350,924 and \$243,479, respectively. Revenue received under sublease agreements amounted to \$554,609 and \$566,093 for the years ended June 30, 2021 and 2020, respectively.

Note 10 - Subsequent Events

The Entity’s management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2021 through January 20, 2022, which is the date the financial statements were available to be issued.

Subsequent to year-end, the California State Legislature passed AB-132, the Postsecondary Education Trailer Bill. This bill allows for the allocation of \$4,015,000 to the San Bernardino Community College District to support their partnership with KVCR TV. This funding will allow for the continued operations of the KVCR for the benefit of Inland Empire residents.



Supplementary Information
June 30, 2021

KVCR TV and FM

KVCR TV and FM
Combining Schedules of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

For June 30, 2021

	KVCR Radio	KVCR TV	KVCR FNX	Total
Operating Revenues				
Public contributions - FM Station	\$ -	\$ -	\$ -	\$ -
Public contributions - TV Station	-	3,489	1,830	5,319
Private contributions	-	623	-	623
Non cash institutional support from San Bernardino Community College District - FM	327,348	-	-	327,348
Non cash institutional support from San Bernardino Community College District - TV	-	806,615	-	806,615
CPB grants - TV Station	-	-	-	-
Program underwriting - FM Station	137,339	-	-	137,339
Program underwriting - TV Station	-	51,767	116,350	168,117
Other local income - FM Station	224,170	-	-	224,170
Other local income - TV Station	-	985,358	1,000	986,358
Strong Workforce Regional Grant - TV Station	-	21,743	-	21,743
Strong Workforce Regional Grant - FM Station	12,201	-	-	12,201
Total operating revenues	701,058	1,869,595	119,180	2,689,833
Operating Expenses				
Program services - FM Station	1,194,829	-	-	1,194,829
Program services - TV Station	-	3,252,962	-	3,252,962
Program services - FNX TV Station	-	-	1,228,777	1,228,777
Management and general - FM Station	161,340	-	-	161,340
Management and general - TV Station	-	232,173	-	232,173
Total operating expenses	1,356,169	3,485,135	1,228,777	6,070,081
Total operating loss	(655,111)	(1,615,540)	(1,109,597)	(3,380,248)
Other Revenues				
Interest and dividends - TV Station	-	7,996	197	8,193
Leasing and rentals - FM Station	9,688	-	-	9,688
Leasing and rentals - TV Station	-	544,921	-	544,921
Change in the fair market value of the cash held by the San Bernardino County Treasury	2,141	3,081	209	5,431
Transfers in from related party - FM Station	1,172,076	-	-	1,172,076
Transfers in from related party - TV Station	-	814,493	420,406	1,234,899
Total other revenues	1,183,905	1,370,491	420,812	2,975,208
Change in Net Position (Deficit)	\$ 528,794	\$ (245,049)	\$ (688,785)	\$ (405,040)

KVCR TV and FM
Combining Schedules of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

For June 30, 2020

	KVCR Radio	KVCR TV	KVCR FNX	Total
Operating Revenues				
Public contributions - FM Station	\$ 670,848	\$ -	\$ -	\$ 670,848
Public contributions - TV Station	-	670,081	1,000,240	1,670,321
Private contributions - TV Station	-	-	-	-
Non cash institutional support from San Bernardino Community College District - FM	413,436	-	-	413,436
Non cash institutional support from San Bernardino Community College District - TV	-	1,018,162	-	1,018,162
CPB grants - TV Station	-	-	-	-
Program underwriting - FM Station	103,124	-	-	103,124
Program underwriting - TV Station	-	27,459	3,400	30,859
Other local income - FM Station	2,148	-	-	2,148
Other local income - TV Station	-	511,642	2,463	514,105
Strong Workforce Regional Grant - TV Station	-	50,000	-	50,000
Strong Workforce Regional Grant - FM Station	-	-	-	-
Total operating revenues	<u>1,189,556</u>	<u>2,277,344</u>	<u>1,006,103</u>	<u>4,473,003</u>
Operating Expenses				
Program services - FM Station	1,420,954	-	-	1,420,954
Program services - TV Station	-	3,721,087	-	3,721,087
Program services - FNX TV Station	-	-	1,699,392	1,699,392
Management and general - FM Station	62,641	-	-	62,641
Management and general - TV Station	-	91,601	-	91,601
Total operating expenses	<u>1,483,595</u>	<u>3,812,688</u>	<u>1,699,392</u>	<u>6,995,675</u>
Total operating loss	<u>(294,039)</u>	<u>(1,535,344)</u>	<u>(693,289)</u>	<u>(2,522,672)</u>
Other Revenues				
Interest and dividends - TV Station	-	13,674	3,496	17,170
Leasing and rentals - FM Station	3,061	-	-	3,061
Leasing and rentals - TV Station	-	563,032	-	563,032
Change in the fair market value of the cash held by the San Bernardino County Treasury	-	-	-	-
Transfers in from related party - FM Station	262,699	-	-	262,699
Transfers in from related party - TV Station	-	182,553	302,000	484,553
Total other revenues	<u>265,760</u>	<u>759,259</u>	<u>305,496</u>	<u>1,330,515</u>
Change in Net Position (Deficit)	<u>\$ (28,279)</u>	<u>\$ (776,085)</u>	<u>\$ (387,793)</u>	<u>\$ (1,192,157)</u>

Note 1 - Purpose of Schedule

Combining Schedule of Revenues, Expenses, and Changes in Net Position

This schedule is prepared on the accrual basis of accounting and provides a detail of activity for the programs accounted for within the Entity. This information has been provided at the request of management to assist in the reporting required by the Corporation for Public Broadcasting and is not a required part of the financial statements.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
San Bernardino Community College District
KVCR TV and FM
San Bernardino, California

We have audited, 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, the consolidated financial statements of KVCR TV and FM (the Entity) (a public telecommunications entity operated by the San Bernardino Community College District) as of and for the year ended June 30, 2021, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 20, 2022.

Emphasis of Matter

As discussed in Note 1, the consolidated financial statements of the Entity and are intended to present the financial position and the changes in consolidated financial position attributable to the transactions of the Entity. They do not purport to, and do not, present fairly the consolidated financial position of the District as of June 30, 2021, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

A *deficiency in internal control* exists when the design or operation of a 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 that a material misstatement of the Entity's consolidated 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

KVCR TV and FM's Response to the Finding

The Entity's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Entity's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
January 20, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

KVCR TV and FM

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*.

2021-001 Financial Condition

Criteria or Specific Requirement

Management has a responsibility to evaluate whether there is sufficient resources and net position to support program operations.

Condition

Material Weakness – For the fiscal year ending June 30, 2021, the Entity’s net position was a deficit of \$597,701.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition identified during the final year-end audit procedures of net position.

Effect

The Entity is at risk of not being able to perform current services and is in jeopardy of not having adequate resources to be sustainable in future years.

Cause

The cause of the condition identified appears to be due to inability of the Entity to meet its own operational needs.

Repeat Finding: Yes

Recommendation

The Entity should monitor its budget to actual results to ensure that the Entity can maintain its operations. The Entity should consider a budget/fiscal accountability plan to help improve the financial performance of the Entity.

Corrective Action Plan

Management will continue to monitor and appropriately address any negative balances. State funding received during FY22 will assist in meeting the needs of KVCR.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2020-001 Financial Condition

Criteria or Specific Requirement

Management has a responsibility to evaluate whether there is sufficient resources and net position to support program operations.

Condition

Material Weakness – For the fiscal year ending June 30, 2020, the Entity's net position was a deficit of \$192,661.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition identified during the final year-end audit procedures of the net position.

Effect

The Entity is at risk of not being able to perform current services and is in jeopardy of not having adequate resources to be sustainable in future years.

Cause

The cause of the condition identified appears to be due to inability of the Entity to meet its own operational needs.

Repeat Finding: No

Recommendation

The Entity should monitor its budget to actual results to ensure that the Entity can maintain its operations. The Entity should consider a budget/fiscal accountability plan to help improve the financial performance of the Entity.

Current Status

Not implemented. See current year finding 2021-001.