



Consolidated Financial Statements
June 30, 2019 and 2018

KVCR TV and FM

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

KVCR TV AND FM

(A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN BERNARDINO COMMUNITY COLLEGE DISTRICT)

June 30, 2019 and 2018

TABLE OF CONTENTS

| | |
|--|----|
| INDEPENDENT AUDITOR'S REPORT..... | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS..... | 4 |
| BASIC FINANCIAL STATEMENTS | |
| Consolidated Statements of Net Position | 13 |
| Consolidated Statements of Revenues, Expenses, and Changes in Net Position..... | 14 |
| Consolidated Statements of Cash Flows | 15 |
| NOTES TO FINANCIAL STATEMENTS | 16 |
| SUPPLEMENTARY INFORMATION | |
| Combining Schedule of Revenues, Expenses, and Changes in Net Position | 27 |
| Note to Supplementary Information..... | 29 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 30 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | |
| Financial Statement Findings..... | 33 |
| Summary Schedule of Prior Year Audit Findings | 34 |



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) as of and for the year ended June 30, 2019, and the related notes to the consolidated financial statements, which collectively comprise the Entity's basic 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial position of the Entity as of June 30, 2019 and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Entity and are intended to present the financial position and the changes in 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, 2019, and the changes in its financial position 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.

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 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary MD&A 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 financial statements, and other knowledge we obtained during our audit of the basic 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Entity's financial statements. The accompanying supplementary information is presented for purposes of additional analysis and are not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 financial statements or to the basic 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 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 February 5, 2020, 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.

Prior Period Financial Statements

The financial statements of KVCR TV and FM as of and for the year ended June 30, 2018, were audited by Vavrinek, Trine, Day, & Co., LLP who joined Eide Bailly LLP on July 22, 2019, and whose report dated November 19, 2018, expressed an unmodified opinion on those financial statements.

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

Rancho Cucamonga, California
February 5, 2020

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

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, 2019 and 2018. The report consists of three basic 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, 2019 and 2018, and is best read in conjunction with the financial statements and the notes following this section.

FISCAL YEAR HIGHLIGHTS

The following are some highlights for fiscal year 2018-2019:

- KVCR-TV continued its evolution as the Empire Network, specifically branding on television as "Empire PBS".
- In May of 2018, the SBCCD Board of Trustees approved a proposal whereby KVCR would receive a portion of the \$157M allotted to the SBCCD as a result of the FCC Spectrum Auction in 2017. Included in that proposal was \$16M to cover both a comprehensive modernization and repurposing of KVCR's facilities into a cutting edge 4K / Ultra-High Definition digital studio as well as the construction of a new TV and Radio Tower that will enable KVCR to shift to VHF as per the terms of the FCC Spectrum repack. During the fiscal year 2018-2019, KVCR substantially completed this modernization, repurposing, and new tower project.

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

Table 1 - Statements of Net Position

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,517,378 | \$ 1,020,263 | \$ 757,026 |
| Accounts receivable | 14,193 | 8,987 | 5,944 |
| Due from related party | 1,297 | 31,302 | 106,660 |
| Other assets | 857,799 | 1,167,009 | 1,099,060 |
| Total Current Assets | <u>2,390,667</u> | <u>2,227,561</u> | <u>1,968,690</u> |
| Noncurrent Assets | | | |
| Property and equipment (net) | 879,469 | 956,783 | 1,156,412 |
| TOTAL ASSETS | <u>\$ 3,270,136</u> | <u>\$ 3,184,344</u> | <u>\$ 3,125,102</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | \$ 944,407 | \$ 363,707 | \$ 686,769 |
| Unearned revenue | 799,097 | 366,821 | 467,792 |
| Due to related party | 527,136 | 63,113 | 149,526 |
| Community service grant payable - current | - | - | 109,374 |
| TOTAL LIABILITIES | <u>2,270,640</u> | <u>793,641</u> | <u>1,413,461</u> |
| NET POSITION | | | |
| Net investment in capital assets | 879,469 | 1,047,038 | 1,156,412 |
| Unrestricted | 120,027 | 1,343,665 | 555,229 |
| TOTAL NET POSITION | <u>\$ 999,496</u> | <u>\$ 2,390,703</u> | <u>\$ 1,711,641</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 Statements 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 Statements 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.

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

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 2019-2020 fiscal year as program related expenses are incurred.
- The community service grant payable is for grant monies overpaid by the CPB which the Entity will repay through the reduction to future grants from the CPB.
- 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.

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

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.

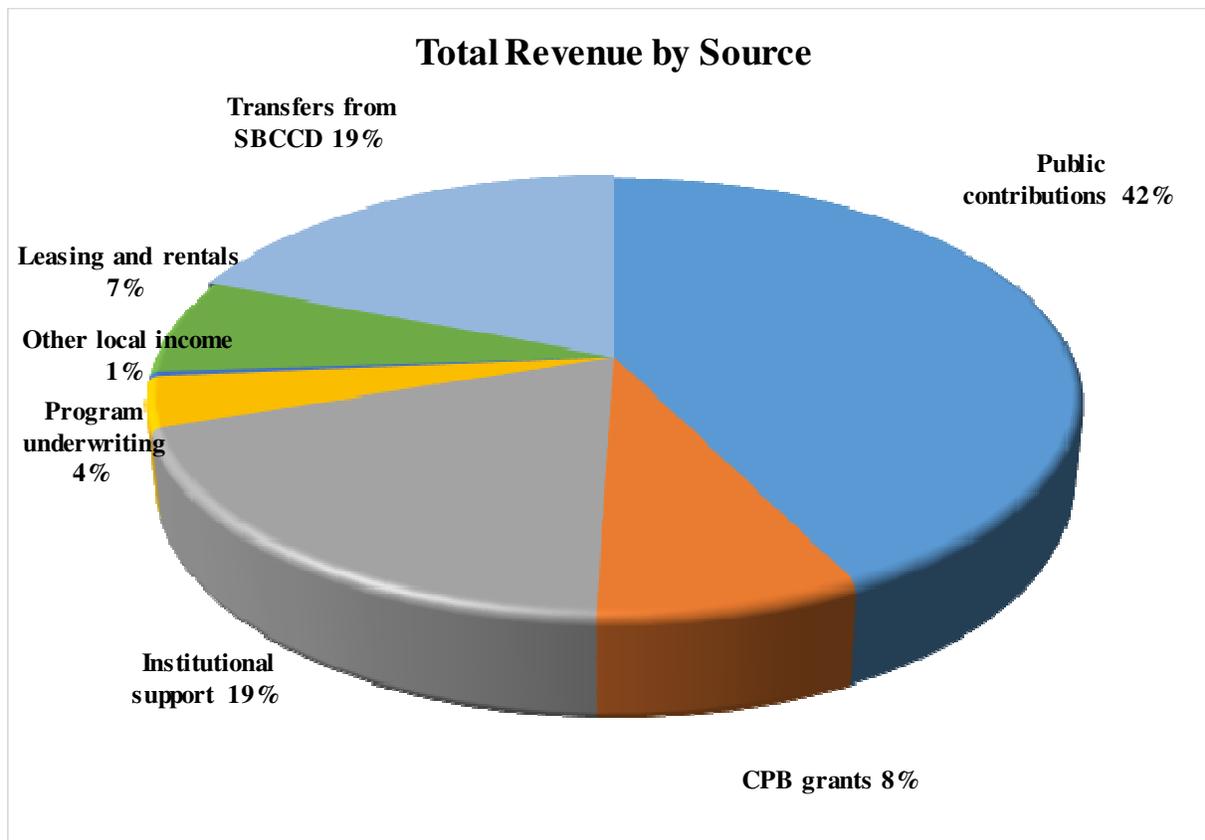
Table 2 - Statements of Revenues, Expenses, and Changes in Net Position

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------------|---------------------|---------------------|
| Operating Revenues | | | |
| Public contributions | \$ 3,479,664 | \$ 2,858,999 | \$ 3,875,373 |
| Institutional support | 1,575,129 | 1,768,076 | 1,545,883 |
| CPB grants | 639,156 | 1,223,576 | 1,130,598 |
| Program underwriting | 302,854 | 280,043 | 356,489 |
| Other local income | 108,443 | 218,003 | 317,275 |
| Total Operating Revenues | <u>6,105,246</u> | <u>6,348,697</u> | <u>7,225,618</u> |
| Operating Expenses | | | |
| Program services | 8,506,086 | 8,216,400 | 6,357,415 |
| Management and general | 348,048 | 401,410 | 527,638 |
| Fundraising | 796,608 | 834,935 | 791,625 |
| Total Operating Expenses | <u>9,650,742</u> | <u>9,452,745</u> | <u>7,676,678</u> |
| Total Operating Loss | <u>(3,545,496)</u> | <u>(3,104,048)</u> | <u>(451,060)</u> |
| Other Revenues | | | |
| Interest and dividends | 28,023 | 7,454 | 10,147 |
| Leasing and rentals | 576,266 | 545,656 | 534,906 |
| Transfers in from related party | 1,550,000 | 3,230,000 | 358,560 |
| Total Other Revenues | <u>2,154,289</u> | <u>3,783,110</u> | <u>903,613</u> |
| Change in Net Position | (1,391,207) | 679,062 | 452,553 |
| Net Position, Beginning of Year | <u>2,390,703</u> | <u>1,711,641</u> | <u>1,259,088</u> |
| Net Position, End of Year | <u>\$ 999,496</u> | <u>\$ 2,390,703</u> | <u>\$ 1,711,641</u> |

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

Below is an illustration of total revenues by source:



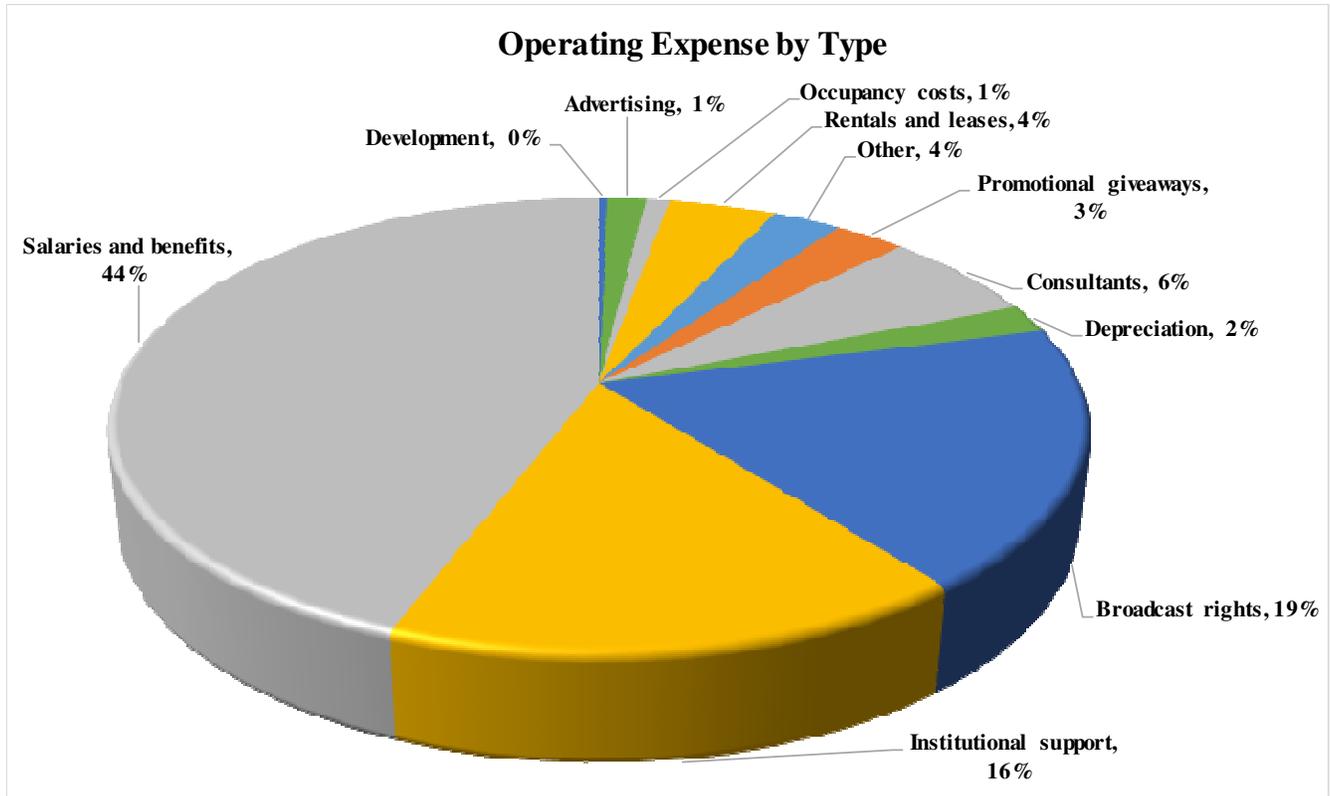
The following are explanatory remarks for the Statements of Revenues, Expenses, and Changes in Net Position:

- Total operating revenues decreased by \$243,451 from the prior year. This decrease was primarily driven by shortages in public contributions and underwriting revenue received in the 2018-2019 fiscal year.
- Total operating expenses increased by \$197,997 from the prior year due for the most part to additional staffing to create original programming, as well as fundraising expenses.

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

Below is an illustration of total operating expense by type:



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

- Program services:
 - Programming and production expenses incurred to purchase, schedule, and produce and prepare programs for broadcast.
 - 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.
 - 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.

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

- 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:
 - 3 to 20 years for furniture and equipment
 - 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, subscription and membership, royalties, and District support.
- Cash outlays include payment of salaries, benefits, programming, production, and other operating expenses.
- The financing activity during the fiscal year 2018-2019 refers to the community service grant payable which will be repaid through the reduction to future grants from the CPB.

Table 3 - Statements of Cash Flows

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|--------------------------|
| Cash Flows Provided By (Used In) | | | |
| Operating activities | \$ 615,023 | \$ 365,309 | \$ (216,360) |
| Financing activities | (117,908) | (102,072) | (582,437) |
| Net Change in Cash and Cash Equivalents | <u>497,115</u> | <u>263,237</u> | <u>(798,797)</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>1,020,263</u> | <u>757,026</u> | <u>1,555,823</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 1,517,378</u></u> | <u><u>\$ 1,020,263</u></u> | <u><u>\$ 757,026</u></u> |

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

NATURAL CLASSIFICATION OF EXPENSES

| | 2019 | | | | 2018 | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------------|-------------------|-------------------|
| | Program Activities | | | | Management and General Activities | | |
| | KVCR Radio | KVCR TV | FNX-TV | Total | KVCR Radio | KVCR TV | Total |
| Salaries and benefits | \$ 661,950 | \$ 1,853,365 | \$ 1,323,268 | \$ 3,838,583 | \$ 45,383 | \$ 65,307 | \$ 110,690 |
| Administrative | - | 80,430 | 33,859 | 114,289 | - | - | - |
| Advertising | 33,295 | 38,380 | 18,001 | 89,676 | - | - | - |
| Broadcast rights | 213,343 | 752,341 | 784,002 | 1,749,686 | - | - | - |
| Consultants | 21,928 | 241,592 | 229,706 | 493,226 | - | - | - |
| Depreciation expense | - | - | - | - | 9,354 | 185,868 | 195,222 |
| Development | - | - | - | - | 13,499 | 19,424 | 32,923 |
| Dues and memberships | 21,687 | 23,400 | 355 | 45,442 | - | - | - |
| Maintenance and operations | - | 6,853 | 575 | 7,428 | 213 | - | 213 |
| Noncash institutional support | 462,514 | 1,112,615 | - | 1,575,129 | - | - | - |
| Postage and freight | - | 2,665 | 3,369 | 6,034 | - | - | - |
| Professional fees | - | 14,420 | - | 14,420 | 3,690 | 5,310 | 9,000 |
| Promotional giveaways | 369 | 530 | 16,369 | 17,268 | - | - | - |
| Rentals and leases | 22,524 | 157,990 | 192,226 | 372,740 | - | - | - |
| Supplies | 569 | 9,622 | 10,750 | 20,941 | - | - | - |
| Travel | 146 | 6,937 | 6,894 | 13,977 | - | - | - |
| Telephone/Electricity | 3,389 | 112,388 | 31,470 | 147,247 | - | - | - |
| Total Expenses | \$ 1,441,714 | \$ 4,413,528 | \$ 2,650,844 | \$ 8,506,086 | \$ 72,139 | \$ 275,909 | \$ 348,048 |
| | 2018 | | | | 2018 | | |
| | Program Activities | | | | Management and General Activities | | |
| | KVCR Radio | KVCR TV | FNX-TV | Total | KVCR Radio | KVCR TV | Total |
| Salaries and benefits | \$ 585,563 | \$ 1,651,522 | \$ 1,224,092 | \$ 3,461,177 | \$ 61,321 | \$ 88,242 | \$ 149,563 |
| Administrative | 1,406 | 80,353 | 54,176 | 135,935 | - | - | - |
| Advertising | 31,175 | 31,175 | 8,000 | 70,350 | - | 8,542 | 8,542 |
| Broadcast rights | 317,994 | 738,426 | 305,135 | 1,361,555 | - | - | - |
| Consultants | 19,763 | 367,099 | 339,507 | 726,369 | - | - | - |
| Depreciation expense | - | - | - | - | 16,153 | 176,174 | 192,327 |
| Development | - | - | - | - | 13,450 | 4,314 | 17,764 |
| Dues and memberships | 27,546 | 5,563 | 1,805 | 34,914 | - | - | - |
| Maintenance and operations | 878 | 11,728 | 4,048 | 16,654 | 1,200 | 1,200 | 2,400 |
| Noncash institutional support | 668,320 | 1,099,756 | - | 1,768,076 | - | - | - |
| Postage and freight | - | 2,561 | 2,174 | 4,735 | - | - | - |
| Professional fees | 3,690 | 33,075 | - | 36,765 | 2,686 | 3,865 | 6,551 |
| Promotional giveaways | - | - | 5,045 | 5,045 | - | - | - |
| Rentals and leases | 20,205 | 124,254 | 186,347 | 330,806 | - | - | - |
| Supplies | 1,839 | 17,535 | 17,745 | 37,119 | - | 1,920 | 1,920 |
| Travel | 3,204 | 23,289 | 25,370 | 51,863 | - | - | - |
| Telephone/Electricity | 1,289 | 131,215 | 42,533 | 175,037 | - | - | - |
| Loss on sale of equipment | - | - | - | - | - | 22,343 | 22,343 |
| Total Expenses | \$ 1,682,872 | \$ 4,317,551 | \$ 2,215,977 | \$ 8,216,400 | \$ 94,810 | \$ 306,600 | \$ 401,410 |

| Fundraising Activities | | | Total |
|------------------------|-------------------|-------------------|---------------------|
| KVCR Radio | KVCR TV | Total | Expenses |
| \$ 128,597 | \$ 185,408 | \$ 314,005 | \$ 4,263,278 |
| - | - | - | 114,289 |
| - | - | - | 89,676 |
| - | 36,830 | 36,830 | 1,786,516 |
| 25,105 | 96,840 | 121,945 | 615,171 |
| - | - | - | 195,222 |
| - | - | - | 32,923 |
| - | - | - | 45,442 |
| - | - | - | 7,641 |
| - | - | - | 1,575,129 |
| 5,500 | 20,936 | 26,436 | 32,470 |
| - | - | - | 23,420 |
| 31,958 | 224,155 | 256,113 | 273,381 |
| 8,945 | 28,900 | 37,845 | 410,585 |
| 608 | 2,308 | 2,916 | 23,857 |
| 190 | 328 | 518 | 14,495 |
| - | - | - | 147,247 |
| <u>\$ 200,903</u> | <u>\$ 595,705</u> | <u>\$ 796,608</u> | <u>\$ 9,650,742</u> |

| Fundraising Activities | | | Total |
|------------------------|-------------------|-------------------|---------------------|
| KVCR Radio | KVCR TV | Total | Expenses |
| \$ 129,098 | \$ 185,775 | \$ 314,873 | \$ 3,925,613 |
| - | - | - | 135,935 |
| - | - | - | 78,892 |
| - | 37,765 | 37,765 | 1,399,320 |
| 24,417 | 121,372 | 145,789 | 872,158 |
| - | - | - | 192,327 |
| - | - | - | 17,764 |
| - | - | - | 34,914 |
| - | - | - | 19,054 |
| - | - | - | 1,768,076 |
| 6,931 | 21,994 | 28,925 | 33,660 |
| - | - | - | 43,316 |
| 15,513 | 254,503 | 270,016 | 275,061 |
| 10,239 | 17,535 | 27,774 | 358,580 |
| 1,138 | 7,519 | 8,657 | 47,696 |
| - | 1,136 | 1,136 | 52,999 |
| - | - | - | 175,037 |
| - | - | - | 22,343 |
| <u>\$ 187,336</u> | <u>\$ 647,599</u> | <u>\$ 834,935</u> | <u>\$ 9,452,745</u> |

KVCR TV AND FM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018

ECONOMIC FACTORS AFFECTING THE FUTURE OF KVCR TV AND FM

The greatest challenges to public television and radio mirror many of the same challenges that affects media outlets and content producers or providers nationally. The surplus of entertainment content available along with the increasing fragmentation of viewer behavior into a hybrid of traditional linear, time-based viewing and on-demand consumption are considerable financial challenges to KVCR. With a reduction in the number of subscribers to Cable and Satellite television, there is a compensatory increase in the use of streaming media platforms such as Netflix, Amazon and Hulu. Combined with broadcast television channels moving away from legacy Multiple System Operators ("MSO's") to smaller streaming packages, termed "skinny bundles" (ex. DirectNow, YouTube TV) public media faces a threat due to audiences migrating to platforms and distribution methods where PBS doesn't have a local presence on many such offerings. Radio suffers a similar challenge with the proliferation of subscription streaming services such as Apple Music, Spotify, Google Play and others. The accessibility of a vast library of music with no commercials, along with the growing popularity of extended engagement with Podcasts, all prove viable threats to NPR member stations like KVCR and radio as a whole.

This change in viewer and listener options and habits have a broader impact on revenue from supporter contributions for stations such as KVCR. As a result, total revenue generated through membership, online giving, underwriting, and vehicle donations decreased once more for this reporting period. The performance of Pledge shows on television continues to suffer as many gifts that were the core of such program (gifts such as DVDs and CDs) contributions are losing relevance in a digital landscape. The Pledge system based on such "Thank You" gifts will need to evolve to reflect the preferences of the current marketplace.

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 Richard Galope, Associate Vice Chancellor, by phone at 909-382-4036 or by e-mail at rgalope@sbccd.cc.ca.us.

KVCR TV AND FM

CONSOLIDATED STATEMENTS OF NET POSITION JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,517,378 | \$ 1,020,263 |
| Accounts receivable | 14,193 | 8,987 |
| Due from related party | 1,297 | 31,302 |
| Other assets | <u>857,799</u> | <u>1,167,009</u> |
| Total Current Assets | <u>2,390,667</u> | <u>2,227,561</u> |
| NONCURRENT ASSETS | | |
| Property and equipment (net) | <u>879,469</u> | <u>956,783</u> |
| TOTAL ASSETS | <u><u>\$ 3,270,136</u></u> | <u><u>\$ 3,184,344</u></u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 944,407 | \$ 363,707 |
| Unearned revenue | 799,097 | 366,821 |
| Due to related party | <u>527,136</u> | <u>63,113</u> |
| TOTAL LIABILITIES | <u>2,270,640</u> | <u>793,641</u> |
| NET POSITION | | |
| Net investment in capital assets | 879,469 | 956,783 |
| Unrestricted | <u>120,027</u> | <u>1,433,920</u> |
| TOTAL NET POSITION | <u>999,496</u> | <u>2,390,703</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 3,270,136</u></u> | <u><u>\$ 3,184,344</u></u> |

See the accompanying notes to financial statements.

KVCR TV AND FM

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|--------------------|---------------------|
| Operating Revenues | | |
| Public contributions - FM Station | \$ 659,085 | \$ 644,962 |
| Public contributions - TV Station | 2,820,579 | 2,214,037 |
| Non cash institutional support from San Bernardino Community College District - FM | 462,514 | 668,320 |
| Non cash institutional support from San Bernardino Community College District - TV | 1,112,615 | 1,099,756 |
| CPB grants - TV Station | 639,156 | 1,223,576 |
| Program underwriting - FM Station | 182,674 | 180,774 |
| Program underwriting - TV Station | 120,180 | 99,269 |
| Other local income - FM Station | 8,816 | 25,316 |
| Other local income - TV Station | 99,627 | 192,687 |
| Total Operating Revenues | 6,105,246 | 6,348,697 |
| Operating Expenses | | |
| Program services - FM Station | 1,441,714 | 1,682,872 |
| Program services - TV Station | 7,064,372 | 6,533,528 |
| Management and general - FM Station | 72,139 | 94,810 |
| Management and general - TV Station | 275,909 | 306,600 |
| Fundraising - FM Station | 200,903 | 187,336 |
| Fundraising - TV Station | 595,705 | 647,599 |
| Total Operating Expenses | 9,650,742 | 9,452,745 |
| Total Operating Loss | (3,545,496) | (3,104,048) |
| Other Revenues | | |
| Interest and dividends - FM Station | 7,648 | 3,727 |
| Interest and dividends - TV Station | 20,375 | 3,727 |
| Leasing and rentals - FM Station | 8,732 | 545,656 |
| Leasing and rentals - TV Station | 567,534 | - |
| Transfers in from related party - FM Station | 450,000 | 340,000 |
| Transfers in from related party - TV Station | 1,100,000 | 2,890,000 |
| Total Other Revenues | 2,154,289 | 3,783,110 |
| CHANGE IN NET POSITION | (1,391,207) | 679,062 |
| NET POSITION, BEGINNING OF YEAR | 2,390,703 | 1,711,641 |
| NET POSITION, END OF YEAR | \$ 999,496 | \$ 2,390,703 |

See the accompanying notes to financial statements.

KVCR TV AND FM

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Position | \$ (1,391,207) | \$ 679,062 |
| Adjustments to Reconcile Change in Net Position to Net Cash From Operating Activities | | |
| Depreciation | 195,222 | 192,327 |
| Changes in Assets and Liabilities Related to: | | |
| Accounts receivable | (5,206) | (3,043) |
| Due from related party | 30,005 | 75,358 |
| Other assets | 309,210 | (67,949) |
| Accounts payable | 580,700 | (323,062) |
| Due to related party | 464,023 | (86,413) |
| Unearned revenue | 432,276 | (100,971) |
| Net Cash Flows From Operating Activities | <u>615,023</u> | <u>365,309</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Purchase of capital assets | (117,908) | (15,041) |
| Repayment of community service grant payable | - | (109,374) |
| Loss on retirement of assets | - | 22,343 |
| Net Cash Flows From Financing Activities | <u>(117,908)</u> | <u>(102,072)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 497,115 | 263,237 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,020,263</u> | <u>757,026</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 1,517,378</u></u> | <u><u>\$ 1,020,263</u></u> |

See the accompanying notes to financial statements.

KVCR FM AND TV

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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.

KVCR FM AND TV

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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.

Use of 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. Actual results could differ from those estimates. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Entity considers all investments with a maturity of six 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.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2019 and June 30, 2018, were \$89,676 and \$78,892, respectively.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis. Accordingly, 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.

KVCR FM AND TV

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Income Taxes

KVCR TV and FM and KNX 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.

Separate financial statements for the Foundation may be obtained from the Foundation office.

New Accounting Pronouncements

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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.

KVCR FM AND TV

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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, 2019, consisted of the following:

| | |
|---------------------------------------|---------------------|
| KVCR FM and TV | \$ 191,797 |
| KVCR Educational Foundation, Inc. | 891,545 |
| KVCR FNX | 434,036 |
| Total Deposits and Investments | <u>\$ 1,517,378</u> |
| San Bernardino County Investment Pool | <u>\$ 1,517,378</u> |

KVCR FM AND TV

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Deposits and investments as of June 30, 2018, consisted of the following:

| | |
|---------------------------------------|---------------------|
| KVCR FM and TV | \$ 475,519 |
| KVCR Educational Foundation, Inc. | 583,884 |
| KVCR FNX | <u>(39,140)</u> |
| Total Deposits and Investments | <u>\$ 1,020,263</u> |
| | |
| San Bernardino County Investment Pool | <u>\$ 1,020,263</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,:

| Investment Type | 2019 | | |
|---------------------------------------|---------------------|---------------------|-----------------------------------|
| | Book Value | Fair Value | Weighted Average Days to Maturity |
| San Bernardino County Investment Pool | <u>\$ 1,517,378</u> | <u>\$ 1,520,093</u> | 424 |
| | | | |
| Investment Type | 2018 | | |
| | Book Value | Fair Value | Weighted Average Days to Maturity |
| San Bernardino County Investment Pool | <u>\$ 1,020,263</u> | <u>\$ 1,015,357</u> | 353 |

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 AAAs/S1 by Fitch Rating agency.

KVCR FM AND TV

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

NOTE 3 - FAIR VALUE MEASUREMENTS

The Entity categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the Entity has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Entity's own data. The Entity should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the Entity are not available to other market participants.

Uncategorized - Investments in the San Bernardino County Investment Pool are not measured using the input levels above because the Entity's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The Entity's fair value measurements are as follows at June 30, 2019:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Uncategorized</u> |
|---------------------------------------|---------------------|----------------------|
| San Bernardino County Investment Pool | <u>\$ 1,520,093</u> | <u>\$ 1,520,093</u> |

The Entity's fair value measurements are as follows at June 30, 2018:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Uncategorized</u> |
|---------------------------------------|---------------------|----------------------|
| San Bernardino County Investment Pool | <u>\$ 1,015,357</u> | <u>\$ 1,015,357</u> |

All assets have been valued using a market approach, with quoted market prices.

KVCR FM AND TV

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

NOTE 4 - ACCOUNTS RECEIVABLE

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

| | 2019 | 2018 |
|---------------|------------------|-----------------|
| Contributions | \$ 2,964 | \$ 4,145 |
| Interest | 11,229 | 4,842 |
| Total | <u>\$ 14,193</u> | <u>\$ 8,987</u> |

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,:

| | 2019 | 2018 |
|------------------------------|--------------------|--------------------|
| Furniture and equipment | \$ 7,860,414 | \$ 7,795,521 |
| Computer | 6,192 | 6,192 |
| Vehicles | 52,943 | 25,368 |
| Subtotal | <u>7,919,549</u> | <u>7,827,081</u> |
| Accumulated depreciation | <u>(7,040,080)</u> | <u>(6,870,298)</u> |
| Total Property and Equipment | <u>\$ 879,469</u> | <u>\$ 956,783</u> |

Depreciation expense for the years ended 2019 and 2018, was \$195,222 and \$192,327, respectively.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30,:

| | 2019 | 2018 |
|-----------------|-------------------|-------------------|
| Vendors payable | <u>\$ 944,407</u> | <u>\$ 363,707</u> |

NOTE 7 - 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, 2019 and 2018, unearned revenues totaled \$799,097 and \$366,821, respectively.

NOTE 8 - RELATED PARTY TRANSACTIONS

During the year, certain transactions for services are paid by the District on behalf of the Entity. At June 30, 2019 and 2018, the District owed the Entity \$1,297 and \$31,302, respectively, for amounts collected on the Entity's behalf. The Entity owed the District \$527,136 and \$63,113 for services and supply costs incurred.

KVCR FM AND TV

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

NOTE 9 - 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, 2019, the indirect rate was computed as 0.91 percent applied to the FM Radio Station's costs and 2.22 percent applied to the TV Station's costs. For the year ended June 30, 2018, the indirect rate was computed as 1.86 percent applied to the FM Radio Station's costs and 2.67 percent applied to the TV Station's costs. The calculated institutional support totaled \$1,575,129 and \$1,768,076 for the 2019 and 2018 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 \$2,200,000 and \$4,080,000 in cash to support the programming of both the FM Radio and TV Stations for the 2019 and 2018 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, 2019 and June 30, 2018.

NOTE 10 - 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 |
|-------------------------|-------------------|
| 2020 | \$ 15,600 |
| 2021 | 15,600 |
| 2022 | 15,600 |
| 2023 | 15,600 |
| 2024 | 15,600 |
| Thereafter | 130,000 |
| Total | <u>\$ 208,000</u> |

Lease expense for the year ended June 30, 2019 and June 30, 2018 amounted to \$410,585 and \$358,580, respectively. Revenue received under sublease agreements amounted to \$576,266 and \$483,674 for the years ended June 30, 2019 and 2018, respectively.

KVCR FM AND TV

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 - 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, 2019 through February 5, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



SUPPLEMENTARY INFORMATION

KVCR TV AND FM

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

For June 30, 2019:

| | KVCR Radio | KVCR TV | KVCR Educational Foundation, Inc. | KVCR FNX | Total |
|--|--------------------|---------------------|---|---------------------|-----------------------|
| Operating Revenues | | | | | |
| Public contributions - FM Station | \$ 33,025 | \$ - | \$ 626,060 | \$ - | \$ 659,085 |
| Public contributions - TV Station | - | 48,580 | 725,078 | 2,046,921 | 2,820,579 |
| Non Cash Institutional Support from San Bernardino Community College District - FM | 462,514 | - | - | - | 462,514 |
| Non Cash Institutional Support from San Bernardino Community College District - TV | - | 1,112,615 | - | - | 1,112,615 |
| CPB grants - TV Station | - | 639,156 | - | - | 639,156 |
| Program underwriting - FM Station | - | - | 182,674 | - | 182,674 |
| Program underwriting - TV Station | - | - | 110,980 | 9,200 | 120,180 |
| Other local income - FM Station | 4,186 | - | 4,630 | - | 8,816 |
| Other local income - TV Station | - | 8,111 | 88,569 | 2,947 | 99,627 |
| Total Operating Revenues | 499,725 | 1,808,462 | 1,737,991 | 2,059,068 | 6,105,246 |
| Operating Expenses | | | | | |
| Program services - FM Station | 952,091 | - | 489,623 | - | 1,441,714 |
| Program services - TV Station | - | 4,094,041 | 319,487 | - | 4,413,528 |
| Program services - FNX TV Station | - | - | - | 2,650,844 | 2,650,844 |
| Management and general - FM Station | 20,637 | - | 51,502 | - | 72,139 |
| Management and general - TV Station | - | 202,324 | 73,585 | - | 275,909 |
| Fundraising - FM Station | 13,567 | - | 187,336 | - | 200,903 |
| Fundraising - TV Station | - | - | 595,705 | - | 595,705 |
| Total Operating Expenses | 986,295 | 4,296,365 | 1,717,238 | 2,650,844 | 9,650,742 |
| Total Operating Loss | (486,570) | (2,487,903) | 20,753 | (591,776) | (3,545,496) |
| Other Revenues | | | | | |
| Interest and dividends - FM Station | 4,376 | - | 3,272 | - | 7,648 |
| Interest and dividends - TV Station | - | 6,564 | 4,909 | 8,902 | 20,375 |
| Leasing and rentals - FM Station | 8,732 | - | - | - | 8,732 |
| Leasing and rentals - TV Station | - | 567,534 | - | - | 567,534 |
| Transfers in from related party - FM Station | 450,000 | - | - | - | 450,000 |
| Transfers in from related party - TV Station | - | 1,100,000 | - | - | 1,100,000 |
| Total Other Revenues | 463,108 | 1,674,098 | 8,181 | 8,902 | 2,154,289 |
| CHANGE IN NET POSITION | \$ (23,462) | \$ (813,805) | \$ 28,934 | \$ (582,874) | \$ (1,391,207) |

See the accompanying note to supplementary information.

KVCR TV AND FM

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, Continued FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

For June 30, 2018:

| | 2018 | | | | |
|--|---------------------|---------------------|---|---------------------|--------------------|
| | KVCR Radio | KVCR TV | KVCR Educational Foundation, Inc. | KVCR FNX | Total |
| Operating Revenues | | | | | |
| Public contributions - FM Station | \$ - | \$ - | \$ 644,962 | \$ - | \$ 644,962 |
| Public contributions - TV Station | - | - | 713,772 | 1,500,265 | 2,214,037 |
| Non Cash Institutional Support from San Bernardino Community College District - FM | 668,320 | - | - | - | 668,320 |
| Non Cash Institutional Support from San Bernardino Community College District - TV | - | 1,099,756 | - | - | 1,099,756 |
| CPB grants - TV Station | - | 1,223,576 | - | - | 1,223,576 |
| Program underwriting - FM Station | - | - | 180,774 | - | 180,774 |
| Program underwriting - TV Station | - | - | 99,269 | - | 99,269 |
| Other local income - FM Station | 13,734 | - | 11,582 | - | 25,316 |
| Other local income - TV Station | - | 2,268 | 169,357 | 21,062 | 192,687 |
| Total Operating Revenues | 682,054 | 2,325,600 | 1,819,716 | 1,521,327 | 6,348,697 |
| Operating Expenses | | | | | |
| Program services - FM Station | 1,197,149 | - | 485,723 | - | 1,682,872 |
| Program services - TV Station | - | 3,815,659 | 501,892 | - | 4,317,551 |
| Program services - FNX TV Station | - | - | - | 2,215,977 | 2,215,977 |
| Management and general - FM Station | 43,308 | - | 51,502 | - | 94,810 |
| Management and general - TV Station | - | 233,015 | 73,585 | - | 306,600 |
| Fundraising - FM Station | - | - | 187,336 | - | 187,336 |
| Fundraising - TV Station | - | - | 647,599 | - | 647,599 |
| Total Operating Expenses | 1,240,457 | 4,048,674 | 1,947,637 | 2,215,977 | 9,452,745 |
| Total Operating Loss | (558,403) | (1,723,074) | (127,921) | (694,650) | (3,104,048) |
| Other Revenues | | | | | |
| Interest and dividends - FM Station | - | - | - | - | - |
| Interest and dividends - TV Station | - | 2,881 | 4,573 | - | 7,454 |
| Leasing and rentals - TV Station | - | 545,656 | - | - | 545,656 |
| Transfers in from related party - FM Station | 340,000 | - | - | - | 340,000 |
| Transfers in from related party - TV Station | - | 2,890,000 | - | - | 2,890,000 |
| Total Other Revenues | 340,000 | 3,438,537 | 4,573 | - | 3,783,110 |
| CHANGE IN NET POSITION | \$ (218,403) | \$ 1,715,463 | \$ (123,348) | \$ (694,650) | \$ 679,062 |

See the accompanying note to supplementary information.

KVCR TV AND FM

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019 AND 2018

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 the 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2020.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Entity and are intended to present the financial position and the changes in 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, 2019, and the changes in its financial position 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 financial statements, we considered the Entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity's 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 determination of financial statement amounts. 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*.

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 Sully LLP".

Rancho Cucamonga, California
February 5, 2020



SCHEDULE OF FINDINGS AND QUESTIONED COST

KVCR TV AND FM

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019 AND 2018**

None noted.

KVCR TV AND FM

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2019 AND 2018**

None noted.