

KVCR EDUCATIONAL FOUNDATION, INC.

(A California Nonprofit Corporation)

**ANNUAL FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2017 AND 2016

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

June 30, 2017 and 2016

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Net Position June 30, 2017 and 2016	3
Statements of Activities For the Years Ended June 30, 2017 and 2016	4
Statements of Cash Flows For the Years Ended June 30, 2017 and 2016	5
Statements of Functional Expenses For the Years Ended June 30, 2017 and 2016	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
KVCR Educational Foundation, Inc.
San Bernardino, California

We have audited the accompanying financial statements of KVCR Educational Foundation, Inc. (a California nonprofit corporation) (the Foundation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KVCR Educational Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Vivinet Tume Day & Co. LLP

Rancho Cucamonga, California
November 20, 2017

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

STATEMENTS OF NET POSITION
JUNE 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents	\$ 422,868	\$ 848,469
Restricted cash and cash equivalents	103,438	40,871
Accounts receivable	1,358	3,159
Prepaid expense	620	-
Other assets	33,534	26,686
Due from related party	73,953	230,379
TOTAL ASSETS	<u>\$ 635,771</u>	<u>\$ 1,149,564</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 68,709	\$ 71,297
Due to related party	36,863	415,991
Deferred revenue	103,438	43,425
Total Liabilities	<u>209,010</u>	<u>530,713</u>
 NET ASSETS		
Unrestricted	323,323	577,980
Temporarily restricted	103,438	40,871
Total Net Assets	<u>426,761</u>	<u>618,851</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 635,771</u>	<u>\$ 1,149,564</u>

See the accompanying notes to financial statements.

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2017		
	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Contributions - FM Station	\$ -	\$ 635,409	\$ 635,409
Contributions - TV Station	-	970,598	970,598
Contributions - general	42,410	-	42,410
Underwriting - FM Station	-	272,977	272,977
Underwriting - TV Station	-	61,662	61,662
Special events	90,953	-	90,953
Net assets released from restrictions	1,878,079	(1,878,079)	-
Total Support and Revenues	<u>2,011,442</u>	<u>62,567</u>	<u>2,074,009</u>
Expenses			
Program services	1,049,911	-	1,049,911
Management and general	429,192	-	429,192
Fundraising	791,624	-	791,624
Total Expenses	<u>2,270,727</u>	<u>-</u>	<u>2,270,727</u>
Other Income			
Interest - FM Station	2,314	-	2,314
Interest - TV Station	2,314	-	2,314
Total Other Income	<u>4,628</u>	<u>-</u>	<u>4,628</u>
CHANGE IN NET ASSETS	(254,657)	62,567	(192,090)
NET ASSETS, BEGINNING OF YEAR	<u>577,980</u>	<u>40,871</u>	<u>618,851</u>
NET ASSETS, END OF YEAR	<u>\$ 323,323</u>	<u>\$ 103,438</u>	<u>\$ 426,761</u>

See the accompanying notes to financial statements.

2016		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 618,781	\$ 618,781
-	1,014,470	1,014,470
56,000	-	56,000
-	306,452	306,452
-	134,088	134,088
83,566	-	83,566
2,073,791	(2,073,791)	-
<u>2,213,357</u>	<u>-</u>	<u>2,213,357</u>
1,484,544	-	1,484,544
55,879	-	55,879
800,516	-	800,516
<u>2,340,939</u>	<u>-</u>	<u>2,340,939</u>
1,638	-	1,638
1,638	-	1,638
<u>3,276</u>	<u>-</u>	<u>3,276</u>
(124,306)	-	(124,306)
702,286	40,871	743,157
<u>\$ 577,980</u>	<u>\$ 40,871</u>	<u>\$ 618,851</u>

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (192,090)	\$ (124,306)
Adjustments to reconcile change in net assets to net cash provided by operations		
Contributions restricted for long-term purposes	(1,606,007)	(1,633,251)
Change in operating assets and liabilities related to:		
Accounts receivable	1,801	(2,646)
Due from related party	156,426	-
Prepaid expense	(620)	-
Other assets	(6,848)	36,012
Accounts payable	(2,588)	(55,305)
Due to related party	(379,128)	328,481
Deferred revenue	60,013	30,299
Net Cash Flows From Operating Activities	<u>(1,969,041)</u>	<u>(1,420,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted cash	(62,567)	-
Net Cash Flows From Investing Activities	<u>(62,567)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	1,606,007	1,633,251
Net Cash Flows From Investing Activities	<u>1,606,007</u>	<u>1,633,251</u>
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(425,601)	212,535
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>848,469</u>	<u>635,934</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 422,868</u>	<u>\$ 848,469</u>

See the accompanying notes to financial statements.

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

2017						
	Program Services			Management and General		
	Radio	TV	Total	Radio	TV	Total
Supplies	\$ 829	\$ 1,191	\$ 2,020	\$ -	\$ -	\$ -
Consultants	-	-	-	-	-	-
Travel	585	585	1,170	-	-	-
Postage	-	-	-	-	-	-
Leases and rents	-	-	-	-	-	-
Professional services	-	-	-	66,067	95,074	161,141
Program support services	517,441	402,600	920,041	-	-	-
Broadcast program rights	-	-	-	-	-	-
Advertising	65,808	60,872	126,680	-	-	-
Other development	-	-	-	108,966	156,805	265,771
Promotional giveaways	-	-	-	-	-	-
Repairs and maintenance	-	-	-	1,080	1,200	2,280
Total Expenses	<u>\$ 584,663</u>	<u>\$ 465,248</u>	<u>\$ 1,049,911</u>	<u>\$ 176,113</u>	<u>\$ 253,079</u>	<u>\$ 429,192</u>

2016						
	Program Services			Management and General		
	Radio	TV	Total	Radio	TV	Total
Supplies	\$ 505	\$ 456	\$ 961	\$ -	\$ -	\$ -
Consultants	615	1,585	2,200	-	-	-
Travel	1,600	1,600	3,200	-	380	380
Postage	-	-	-	-	-	-
Leases and rents	3,513	10,537	14,050	-	425	425
Professional services	-	-	-	4,772	6,868	11,640
Program support services	413,851	872,899	1,286,750	-	-	-
Broadcast program rights	-	-	-	-	-	-
Advertising	90,942	86,441	177,383	-	-	-
Other development	-	-	-	15,512	22,323	37,835
Promotional giveaways	-	-	-	-	-	-
Repairs and maintenance	-	-	-	1,997	3,602	5,599
Total Expenses	<u>\$ 511,026</u>	<u>\$ 973,518</u>	<u>\$ 1,484,544</u>	<u>\$ 22,281</u>	<u>\$ 33,598</u>	<u>\$ 55,879</u>

See the accompanying notes to financial statements.

Fundraising			Total
Radio	TV	Total	Expenses
\$ 1,057	\$ 4,371	\$ 5,428	\$ 7,448
19,996	107,203	127,199	127,199
866	2,014	2,880	4,050
10,640	23,995	34,635	34,635
5,690	16,171	21,861	21,861
-	-	-	161,141
104,206	149,955	254,161	1,174,202
-	35,033	35,033	35,033
-	-	-	126,680
-	-	-	265,771
50,041	260,386	310,427	310,427
-	-	-	2,280
<u>\$ 192,496</u>	<u>\$ 599,128</u>	<u>\$ 791,624</u>	<u>\$ 2,270,727</u>

Fundraising			Total
Radio	TV	Total	Expenses
\$ 515	\$ 1,195	\$ 1,710	\$ 2,671
62,428	133,697	196,125	198,325
-	-	-	3,580
7,361	20,624	27,985	27,985
-	2,340	2,340	16,815
-	-	-	11,640
74,327	106,959	181,286	1,468,036
-	28,735	28,735	28,735
-	-	-	177,383
-	-	-	37,835
78,692	283,643	362,335	362,335
-	-	-	5,599
<u>\$ 223,323</u>	<u>\$ 577,193</u>	<u>\$ 800,516</u>	<u>\$ 2,340,939</u>

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

KVCR Educational Foundation, Inc. (the Foundation) was formed as a California nonprofit public benefit corporation on July 15, 1999. The Foundation was formed as an auxiliary Foundation of the San Bernardino Community College District (the District) under the provision of the California Education Code, Title V of the California Code of Regulations, and the Implementing Regulation of the District. Per the Foundation's Master Agreement with the District and its Bylaws, the Foundation was formed for the purpose of raising funds and receiving gifts to be used for the benefit of the District's TV and Radio stations known as KVCR-TV and KVCR-FM (the Stations). The Foundation will engage only in those activities that are in support of and consistent with State and Federal laws and with the policies, rules, regulations, and program goals of the District. The Foundation is funded primarily through program underwriting fees, production income, and grants and contributions from the public.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted: Unrestricted resources received with no donor-imposed stipulations and available to support the Foundation's operations.
- Temporarily restricted: Resources received with donor imposed restrictions as to the time or purpose to support the Stations. As the restrictions expire due to passage of time or use, the assets are released to the unrestricted net assets.
- Permanently restricted: Net assets that are subject to donor-imposed restrictions that the original gift be maintained in perpetuity as an endowment. As of June 30, 2017, the Foundation had received no permanently restricted gifts.

In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Revenue Recognition

Revenues are recognized when earned, and expenses are recognized when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in financial institutions, as well as in the San Bernardino County Investment Pool.

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Prepaid Expense

Prepaid expense consists of merchandise purchased to be used as promotional items to be sold and/or given to donors in exchange for programming pledges exceeding specific dollar thresholds. Merchandise is recorded at cost when purchased and expensed as a supply when sold or given away.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Foundation'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.

Income Taxes

The Foundation is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and 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)(vi). The Foundation is also exempt from California State franchise and income taxes 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 by the State Franchise Tax Board for four years, after they were filed. The Foundation is not aware of any such examinations at this time.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs, general and administrative, and fundraising activities benefited.

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the factors that market participants would use in pricing an asset or liability.

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

The Foundation's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
San Bernardino County Investment Pool	<u>\$ 526,026</u>	<u>\$ 526,026</u>

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable represent unrestricted contributions, pledges, and subscriptions. Management has reviewed the balance outstanding and has noted all are current and fully collectable.

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 - RELATED PARTY TRANSACTIONS

The Foundation has an ongoing relationship with the District. The District provides payroll and benefit services to individuals who are working for the Foundation. The Foundation reimburses the District for these services. During the years ended June 30, 2017 and 2016, the costs related to District employees were \$447,609 and \$337,021, respectively, and are included within the program support expenses of the Foundation. Additionally, during the year ended June 30, 2017, contributions and program underwriting received for the benefit of the District's TV and Radio stations were \$1,032,260 and \$908,386, respectively. During the year ended June 30, 2016, contributions and program underwriting received for the benefit of the District's TV and Radio stations were \$1,148,558 and \$925,233, respectively. These funds will be held by the Foundation until needed for programming and services of the Stations. During the years ended June 30, 2017 and 2016, the Foundation provided a total of \$881,770 and \$1,131,015, respectively, in direct and indirect program support to support the TV and Radio stations.

Additionally, as of June 30, 2017 and 2016, the Foundation is owed \$73,953 and \$230,379, respectively, from the San Bernardino Community College District's KVCR FM and TV Station Fund for operational expenses. As of June 30, 2017 and 2016, the Foundation owes the San Bernardino Community College District \$36,863 and \$415,991, respectively, for expenses related to employee costs and supplies.

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable are categorized as follows:

	2017	2016
Various vendors	<u>\$ 68,709</u>	<u>\$ 71,297</u>

NOTE 6 - RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of program funds restricted for TV and Radio station programming and expenses by donors. Balances are held in separate sub-program accounts and monitored by management to ensure the use is appropriate.

NOTE 7 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 20, 2017, 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.