

**KVCR EDUCATIONAL FOUNDATION, INC.**

**(A California Nonprofit Corporation)**

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

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**JUNE 30, 2016 AND 2015**

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

**June 30, 2016 and 2015**

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## 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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net position, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Vaurinik, Fine, Day & Co. LLP*

Rancho Cucamonga, California  
February 3, 2017

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

**STATEMENTS OF NET POSITION**  
**JUNE 30,**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted cash and cash equivalents	\$ 848,469	\$ 635,934
Restricted cash and cash equivalents	40,871	40,871
Accounts receivable	3,159	513
Prepaid expense	26,686	62,698
Due from related party	230,379	230,379
<b>TOTAL ASSETS</b>	<u>\$ 1,149,564</u>	<u>\$ 970,395</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 71,297	\$ 126,602
Due to related party	415,991	87,510
Deferred revenue	43,425	13,126
<b>Total Liabilities</b>	<u>530,713</u>	<u>227,238</u>
<b>NET ASSETS</b>		
Unrestricted	577,980	702,286
Temporarily restricted	40,871	40,871
<b>Total Net Assets</b>	<u>618,851</u>	<u>743,157</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,149,564</u>	<u>\$ 970,395</u>

See the accompanying notes to financial statements.

**KVCR EDUCATIONAL FOUNDATION, INC.**  
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**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30,**

	2016		
	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenues</b>			
Contributions - FM Station	\$ -	\$ 618,781	\$ 618,781
Contributions - TV Station	-	1,014,470	1,014,470
Contributions - general	56,000	-	56,000
Underwriting - FM Station	-	306,452	306,452
Underwriting - TV Station	-	134,088	134,088
Special events	83,566	-	83,566
Net assets released from restrictions	2,073,791	(2,073,791)	-
<b>Total Support and Revenues</b>	<u>2,213,357</u>	<u>-</u>	<u>2,213,357</u>
<b>Expenses</b>			
Program services	1,484,544	-	1,484,544
Management and general	55,879	-	55,879
Fundraising	800,516	-	800,516
<b>Total Expenses</b>	<u>2,340,939</u>	<u>-</u>	<u>2,340,939</u>
<b>Other Income</b>			
Interest - FM Station	1,638	-	1,638
Interest - TV Station	1,638	-	1,638
<b>Total Other Income</b>	<u>3,276</u>	<u>-</u>	<u>3,276</u>
<b>CHANGE IN NET ASSETS</b>	(124,306)	-	(124,306)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>702,286</u>	<u>40,871</u>	<u>743,157</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 577,980</u>	<u>\$ 40,871</u>	<u>\$ 618,851</u>

See the accompanying notes to financial statements.

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2015		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 541,596	\$ 541,596
-	989,056	989,056
-	-	-
-	286,658	286,658
-	115,491	115,491
100,954	-	100,954
<u>2,064,662</u>	<u>(2,064,662)</u>	<u>-</u>
<u>2,165,616</u>	<u>(131,861)</u>	<u>2,033,755</u>
1,177,573	-	1,177,573
93,911	-	93,911
<u>1,203,802</u>	<u>-</u>	<u>1,203,802</u>
<u>2,475,286</u>	<u>-</u>	<u>2,475,286</u>
453	-	453
<u>452</u>	<u>-</u>	<u>452</u>
<u>905</u>	<u>-</u>	<u>905</u>
(308,765)	(131,861)	(440,626)
<u>1,011,051</u>	<u>172,732</u>	<u>1,183,783</u>
<u>\$ 702,286</u>	<u>\$ 40,871</u>	<u>\$ 743,157</u>

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (124,306)	\$ (440,626)
Adjustments to reconcile change in net assets to net cash provided by operations		
Change in operating assets and liabilities		
(Increase) Decrease in accounts receivable	(2,646)	42,147
Increase in due from related party	-	(230,379)
Decrease in prepaid expense	36,012	-
(Decrease) in accounts payable	(55,305)	(4,739)
Increase in due to related party	328,481	87,510
Increase in deferred revenue	30,299	13,126
<b>Net Cash Flows From Operating Activities</b>	<u>212,535</u>	<u>(532,961)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in restricted cash	-	131,861
<b>Net Cash Flows From Investing Activities</b>	<u>-</u>	<u>131,861</u>
<b>NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	212,535	(401,100)
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>635,934</u>	<u>1,037,034</u>
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 848,469</u>	<u>\$ 635,934</u>

See the accompanying notes to financial statements.

**KVCR EDUCATIONAL FOUNDATION, INC.**  
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**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30,**

	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>

	2015					
	Program Services			Management and General		
	Radio	TV	Total	Radio	TV	Total
Supplies	\$ 1,249	\$ 989	\$ 2,238	\$ -	\$ -	\$ -
Consultants	-	-	-	-	-	-
Travel	1,662	5,341	7,003	-	377	377
Postage	-	-	-	-	-	-
Leases and rents	7,110	13,930	21,040	-	1,856	1,856
Professional services	-	-	-	24,277	34,936	59,213
Program support services	389,542	589,845	979,387	-	-	-
Broadcast program rights	-	-	-	-	-	-
Advertising	83,773	84,132	167,905	-	-	-
Other development	-	-	-	11,882	17,823	29,705
Promotional giveaways	-	-	-	-	-	-
Repairs and maintenance	-	-	-	985	1,775	2,760
Total Expenses	<u>\$ 483,336</u>	<u>\$ 694,237</u>	<u>\$ 1,177,573</u>	<u>\$ 37,144</u>	<u>\$ 56,767</u>	<u>\$ 93,911</u>

See the accompanying notes to financial statements.

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Fundraising			
Radio	TV	Total	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>

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Fundraising			
Radio	TV	Total	Total Expenses
\$ 575	\$ 1,335	\$ 1,910	\$ 4,148
148,691	318,449	467,140	467,140
-	-	-	7,380
14,260	39,960	54,220	54,220
-	3,028	3,028	25,924
60,345	169,105	229,450	288,663
-	-	-	979,387
-	49,497	49,497	49,497
-	-	-	167,905
-	-	-	29,705
86,567	311,990	398,557	398,557
-	-	-	2,760
<u>\$ 310,438</u>	<u>\$ 893,364</u>	<u>\$ 1,203,802</u>	<u>\$ 2,475,286</u>

**KVCR EDUCATIONAL FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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*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, 2016, 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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**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.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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***NOTE 2 - 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.

***NOTE 3 - DUE FROM AND TO RELATED PARTY***

As of June 30, 2016 and 2015, the Foundation is owed \$230,379 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, 2016 and 2015, the Foundation owes the San Bernardino Community College District \$415,991 and \$87,510, respectively, for expenses related to employee costs and supplies.

***NOTE 4 - ACCOUNTS PAYABLE***

Accounts payable are categorized as follows:

	<u>2016</u>	<u>2015</u>
Various vendors	<u>\$ 71,297</u>	<u>\$ 126,602</u>

***NOTE 5 - 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 6 - 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, 2016 and 2015, the costs related to District employees were \$337,021 and \$267,644, respectively, and are included within the program support expenses of the Foundation. Additionally, during the year ended June 30, 2016, contributions and program underwriting received for the benefit of the District's TV and Radio stations were \$1,633,251 and \$440,540, respectively. During the year ended June 30, 2015, contributions and program underwriting received for the benefit of the District's TV and Radio stations were \$1,530,652 and \$402,149, respectively. These funds will be held by the Foundation until needed for programming and services of the Stations. During the years ended June 30, 2016 and 2015, the Foundation provided a total of \$1,131,015 and \$2,064,662, respectively, in direct and indirect program support to support the TV and Radio stations.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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*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 February 3, 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.