



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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of KVCR TV and FM (the Entity) (a public telecommunications entity operated by the San Bernardino Community College District) 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.

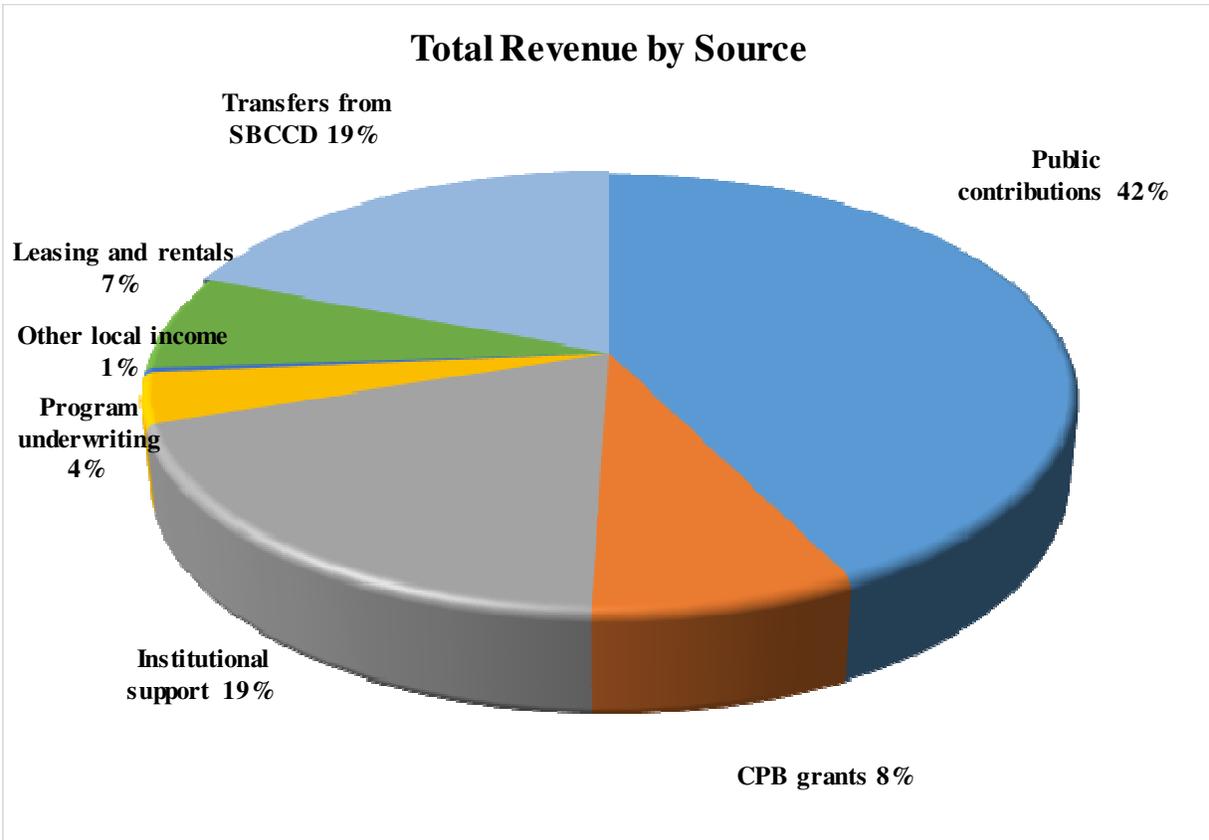
Table 2 - Statements of Revenues, Expenses, and Changes in Net Position

	<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:



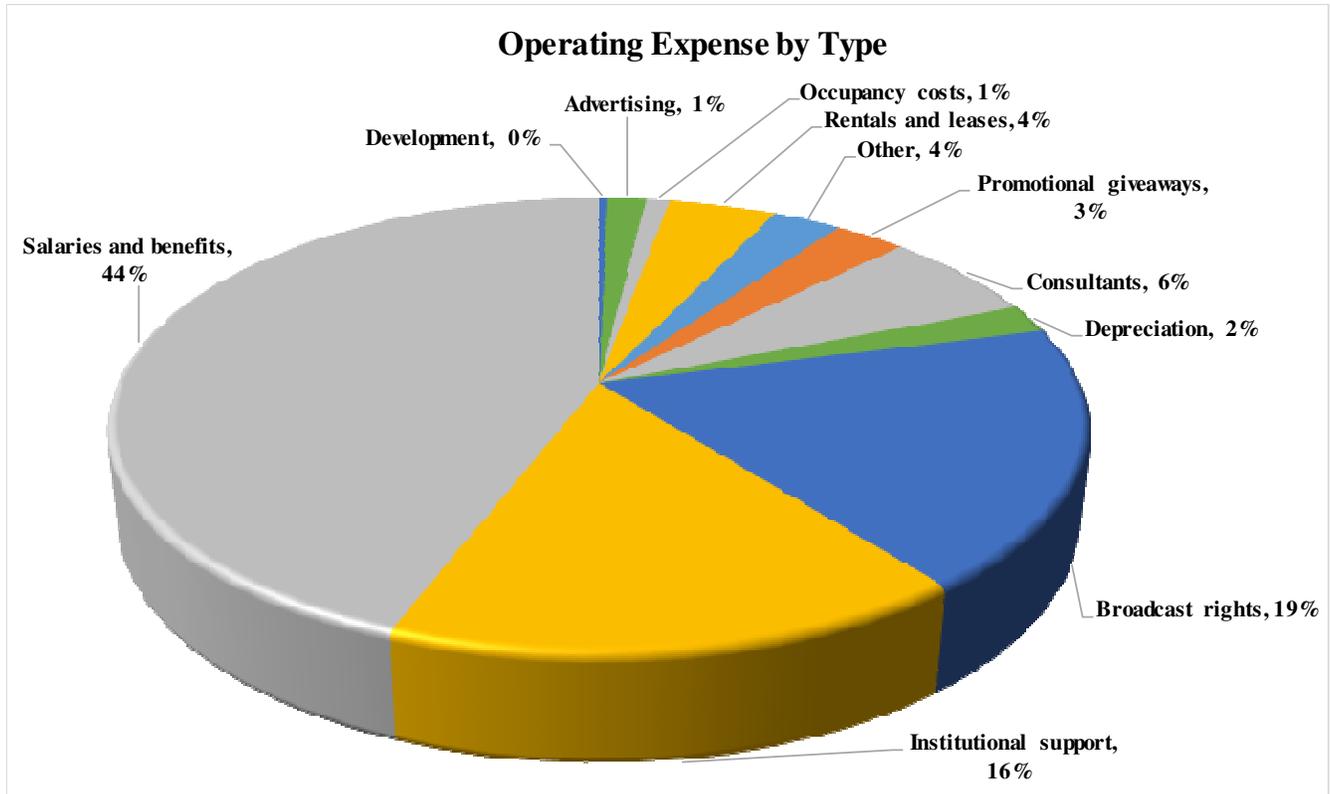
The following are explanatory remarks for the Statements of Revenues, Expenses, and Changes in Net Position:

- 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	(39,140)
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 black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

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.