



Consolidated Financial Statements
June 30, 2020

KVCR TV and FM

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

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of KVCR TV and FM (the Entity) (a public telecommunications entity, operated by the San Bernardino Community College District (the District)) as of and for the years ended June 30, 2020 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Entity as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the 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, 2020 and 2019, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting Principles generally accepted in the United States of America require the management's discussion and analysis (MD&A) on pages 4 through 12 be presented to supplement the basic 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 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 is 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 8, 2021, on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contract, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

February 8, 2021

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, 2020 and 2019. 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, 2020 and 2019, and is best read in conjunction with the financial statements and the notes following this section.

Table 1 - Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ (268,057)	\$ 1,517,378	\$ 1,020,263
Accounts receivable	85,652	14,193	8,987
Due from related party	2,766,996	1,297	31,302
Prepaid expenses	968,636	824,265	1,167,009
Other assets	33,534	33,534	-
Total current assets	<u>3,586,761</u>	<u>2,390,667</u>	<u>2,227,561</u>
Noncurrent Assets			
Property and equipment (net)	<u>714,434</u>	<u>879,469</u>	<u>956,783</u>
Total assets	<u>4,301,195</u>	<u>3,270,136</u>	<u>3,184,344</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	162,732	944,407	363,707
Due to related party	3,019,326	527,136	63,113
Unearned revenue	<u>1,311,798</u>	<u>799,097</u>	<u>366,821</u>
Total current liabilities	<u>4,493,856</u>	<u>2,270,640</u>	<u>793,641</u>
Net Position			
Net investment in capital assets	714,434	879,469	956,783
Unrestricted (deficit)	<u>(907,095)</u>	<u>120,027</u>	<u>1,433,920</u>
Total net position	<u>\$ (192,661)</u>	<u>\$ 999,496</u>	<u>\$ 2,390,703</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.

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 2020-2021 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

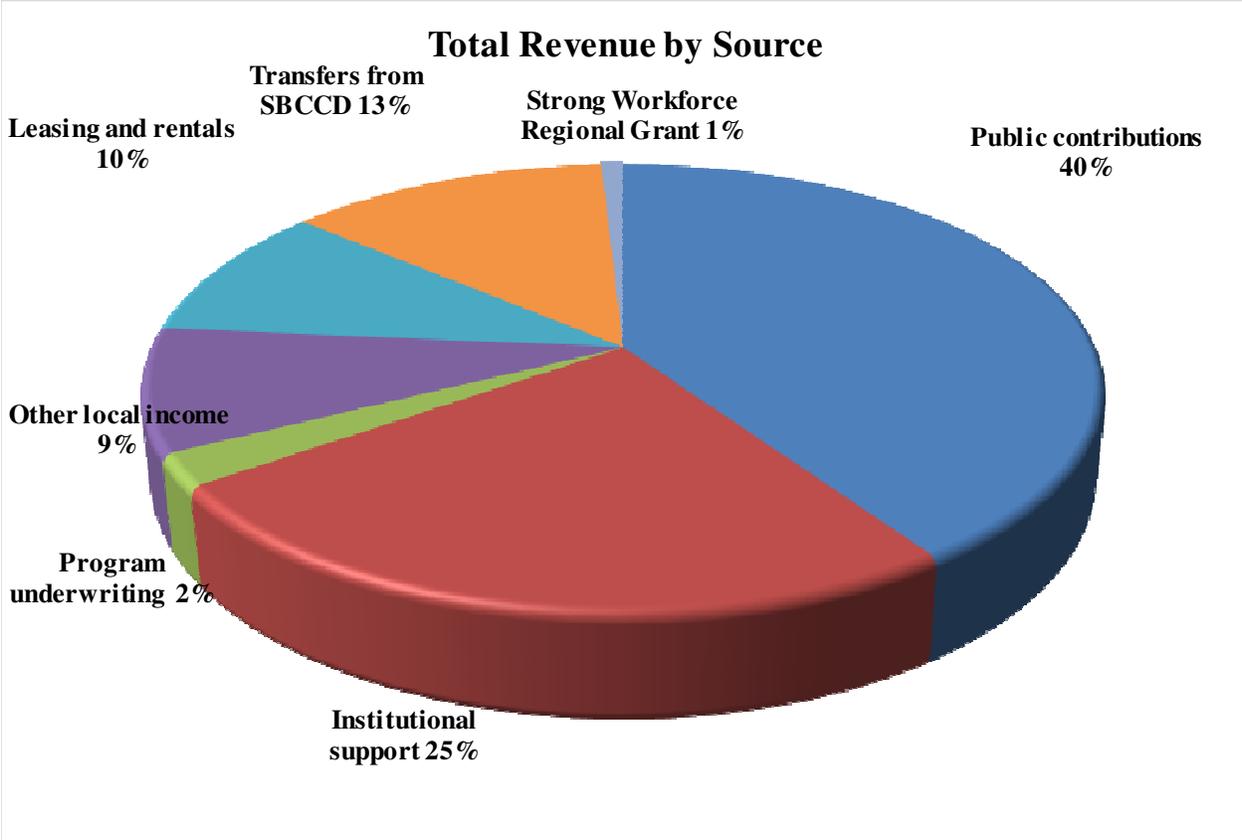
Changes in total net position are presented in the Statements of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not; the operating and nonoperating expense incurred, whether paid or not; 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.

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>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues			
Public contributions	\$ 2,341,169	\$ 3,479,664	\$ 2,858,999
Institutional support	1,431,598	1,575,129	1,768,076
CPB grants	-	639,156	1,223,576
Program underwriting	133,983	302,854	280,043
Other local income	516,253	108,443	218,003
Strong workforce regional grant	50,000	-	-
Total operating revenues	<u>4,473,003</u>	<u>6,105,246</u>	<u>6,348,697</u>
Operating Expenses			
Program services	6,841,433	8,506,086	8,216,400
Management and general	154,242	348,048	401,410
Fundraising	-	796,608	834,935
Total operating expenses	<u>6,995,675</u>	<u>9,650,742</u>	<u>9,452,745</u>
Total operating loss	<u>(2,522,672)</u>	<u>(3,545,496)</u>	<u>(3,104,048)</u>
Other Revenues			
Interest and dividends	17,170	28,023	7,454
Leasing and rentals	566,093	576,266	545,656
Transfers in from related party	747,252	1,550,000	3,230,000
Total other revenues	<u>1,330,515</u>	<u>2,154,289</u>	<u>3,783,110</u>
Change in Net Position	(1,192,157)	(1,391,207)	679,062
Net Position, Beginning of Year	<u>999,496</u>	<u>2,390,703</u>	<u>1,711,641</u>
Net Position, End of Year	<u>\$ (192,661)</u>	<u>\$ 999,496</u>	<u>\$ 2,390,703</u>

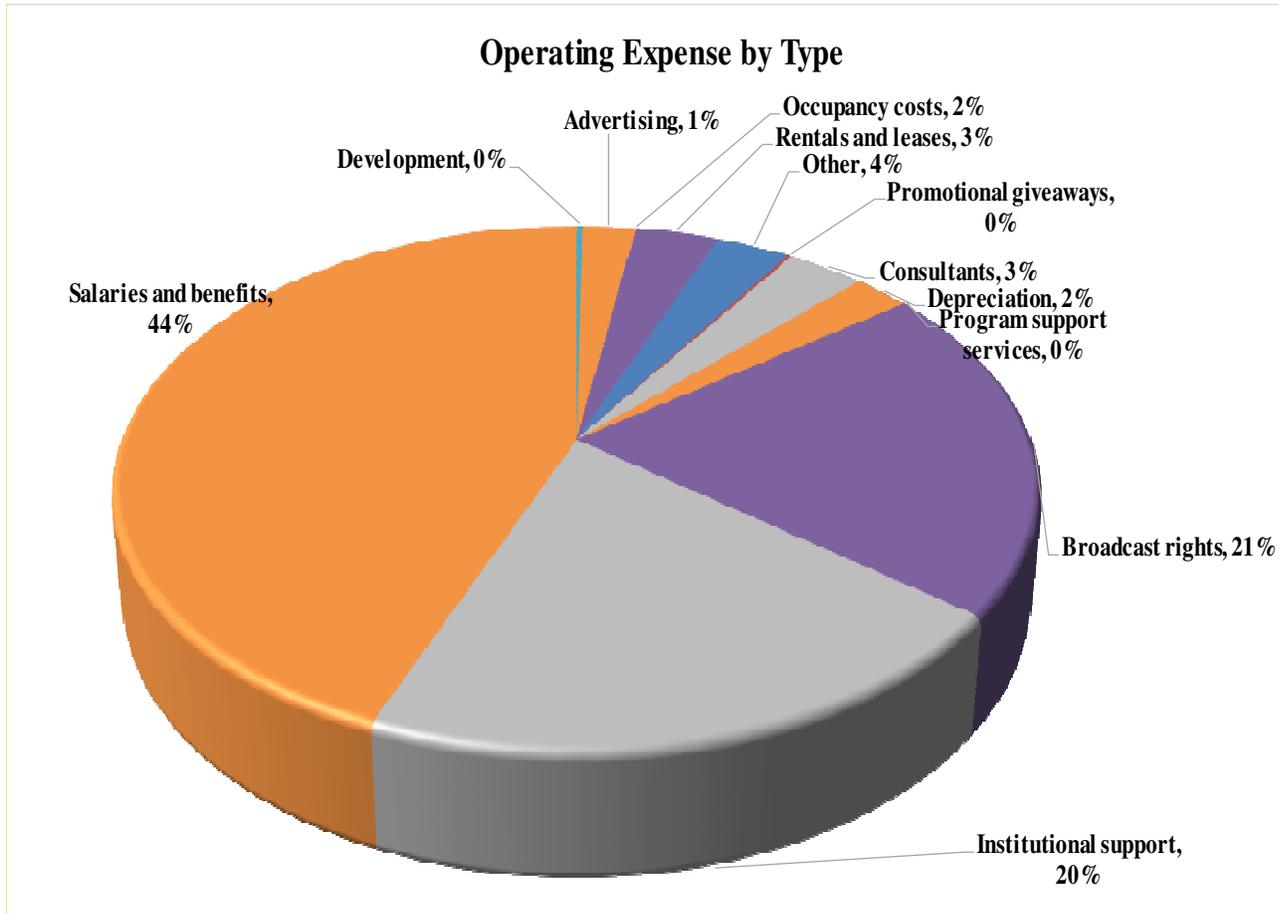
Below is an illustration of total revenues by source:



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

- Total operating revenues decreased by \$1,632,243 from the prior year. This decrease was primarily driven by shortages in public contributions and underwriting revenue received in the 2019-2020 fiscal year.
- Total operating expenses decreased by \$2,655,067 from the prior year due for the most part to efforts to control costs in conjunction with decreased revenues.

Below is an illustration of total operating expense by type:



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

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

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

Statements of Cash Flows

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

Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of CPB grant funding, subscription and membership, royalties, and District support.
- Cash outlays include payment of salaries, benefits, programming, production, and other operating expenses.
- The financing activity 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>2020</u>	<u>2019</u>	<u>2018</u>
Cash Flows Provided By (Used In)			
Operating activities	\$ (1,785,435)	\$ 615,023	\$ 365,309
Financing activities	-	(117,908)	(102,072)
	<u>(1,785,435)</u>	<u>497,115</u>	<u>263,237</u>
Net Change in Cash and Cash Equivalents			
	(1,785,435)	497,115	263,237
Cash and Cash Equivalents, Beginning of Year	<u>1,517,378</u>	<u>1,020,263</u>	<u>757,026</u>
Cash and Cash Equivalents, End of Year	<u>\$ (268,057)</u>	<u>\$ 1,517,378</u>	<u>\$ 1,020,263</u>

NATURAL CLASSIFICATION OF EXPENSES

	2020											
	Program Activities				Management and General Activities			Fundraising Activities			Total Expenses	
	KVCR Radio	KVCR TV	FNX-TV	Total	KVCR Radio	KVCR TV	Total	KVCR Radio	KVCR TV	Total		
Salaries and benefits	\$ 554,483	\$ 1,283,382	\$ 1,097,399	\$ 2,935,264	\$ 55,943	\$ 80,503	\$ 136,446	\$ -	\$ -	\$ -	\$ 3,071,710	
Administrative	-	4,290	148,000	152,290	-	-	-	-	-	-	152,290	
Advertising	299	-	150	449	-	-	-	-	-	-	449	
Broadcast rights	376,629	798,367	281,673	1,456,669	-	-	-	-	-	-	1,456,669	
Consultants	36,505	140,872	49,268	226,645	-	-	-	-	-	-	226,645	
Depreciation expense	5,775	159,260	-	165,035	-	-	-	-	-	-	165,035	
Development	-	-	-	-	6,698	11,098	17,796	-	-	-	17,796	
Dues and memberships	17,957	4,035	300	22,292	-	-	-	-	-	-	22,292	
Maintenance and operations	-	289	-	289	-	-	-	-	-	-	289	
Noncash institutional support	413,436	1,018,162	-	1,431,598	-	-	-	-	-	-	1,431,598	
Postage and freight	-	1,352	(249)	1,103	-	-	-	-	-	-	1,103	
Professional fees	(1,501)	5,560	-	4,059	-	-	-	-	-	-	4,059	
Promotional giveaways	209	9,476	1,016	10,701	-	-	-	-	-	-	10,701	
Rentals and leases	14,644	157,684	71,151	243,479	-	-	-	-	-	-	243,479	
Supplies	1,655	9,633	263	11,551	-	-	-	-	-	-	11,551	
Travel	1,407	6,279	17,677	25,363	-	-	-	-	-	-	25,363	
Telephone/Electricity	(544)	122,446	32,744	154,646	-	-	-	-	-	-	154,646	
Total Expenses	\$ 1,420,954	\$ 3,721,087	\$ 1,699,392	\$ 6,841,433	\$ 62,641	\$ 91,601	\$ 154,242	\$ -	\$ -	\$ -	\$ 6,995,675	

	2019											
	Program Activities				Management and General Activities			Fundraising Activities			Total Expenses	
	KVCR Radio	KVCR TV	FNX-TV	Total	KVCR Radio	KVCR 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	\$ 128,597	\$ 185,408	\$ 314,005	\$ 4,263,278	
Administrative	-	80,430	33,859	114,289	-	-	-	-	-	-	114,289	
Advertising	33,295	38,380	18,001	89,676	-	-	-	-	-	-	89,676	
Broadcast rights	213,343	752,341	784,002	1,749,686	-	-	-	-	36,830	36,830	1,786,516	
Consultants	21,928	241,592	229,706	493,226	-	-	-	25,105	96,840	121,945	615,171	
Depreciation expense	-	-	-	-	9,354	185,868	195,222	-	-	-	195,222	
Development	-	-	-	-	13,499	19,424	32,923	-	-	-	32,923	
Dues and memberships	21,687	23,400	355	45,442	-	-	-	-	-	-	45,442	
Maintenance and operations	-	6,853	575	7,428	213	-	213	-	-	-	7,641	
Noncash institutional support	462,514	1,112,615	-	1,575,129	-	-	-	-	-	-	1,575,129	
Postage and freight	-	2,665	3,369	6,034	-	-	-	5,500	20,936	26,436	32,470	
Professional fees	-	14,420	-	14,420	3,690	5,310	9,000	-	-	-	23,420	
Program support services	-	-	-	-	-	-	-	-	-	-	-	
Promotional giveaways	369	530	16,369	17,268	-	-	-	31,958	224,155	256,113	273,381	
Rentals and leases	22,524	157,990	192,226	372,740	-	-	-	8,945	28,900	37,845	410,585	
Supplies	569	9,622	10,750	20,941	-	-	-	608	2,308	2,916	23,857	
Travel	146	6,937	6,894	13,977	-	-	-	190	328	518	14,495	
Telephone/Electricity	3,389	112,388	31,470	147,247	-	-	-	-	-	-	147,247	
Total Expenses	\$ 1,441,714	\$ 4,413,528	\$ 2,650,844	\$ 8,506,086	\$ 72,139	\$ 275,909	\$ 348,048	\$ 200,903	\$ 595,705	\$ 796,608	\$ 9,650,742	

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, YouTube 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, and underwriting decreased once more for this reporting period.

CONTACTING KVCR MANAGEMENT

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

KVCR TV and FM
Consolidated Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ (268,057)	\$ 1,517,378
Accounts receivable	85,652	14,193
Due from related party	2,766,996	1,297
Prepaid expenses	968,636	824,265
Other assets	33,534	33,534
Total current assets	3,586,761	2,390,667
Noncurrent Assets		
Property and equipment (net)	714,434	879,469
Total assets	4,301,195	3,270,136
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	162,732	944,407
Due to related party	3,019,326	527,136
Unearned revenue	1,311,798	799,097
Total liabilities	4,493,856	2,270,640
Net Position		
Net investment in capital assets	714,434	879,469
Unrestricted (deficit)	(907,095)	120,027
Total net position	(192,661)	999,496
Total liabilities and net position	\$ 4,301,195	\$ 3,270,136

KVCR TV and FM
Consolidated Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Public contributions - FM Station	\$ 670,848	\$ 659,085
Public contributions - TV Station	1,670,321	2,820,579
Non cash institutional support from San Bernardino Community College District - FM	413,436	462,514
Non cash institutional support from San Bernardino Community College District - TV	1,018,162	1,112,615
CPB grants - TV Station	-	639,156
Program underwriting - FM Station	103,124	182,674
Program underwriting - TV Station	30,859	120,180
Other local income - FM Station	2,148	8,816
Other local income - TV Station	514,105	99,627
Strong workforce regional grant - TV Station	50,000	-
Total operating revenues	<u>4,473,003</u>	<u>6,105,246</u>
Operating Expenses		
Program services - FM Station	1,420,954	1,441,714
Program services - TV Station	5,420,479	7,064,372
Management and general - FM Station	62,641	72,139
Management and general - TV Station	91,601	275,909
Fundraising - FM Station	-	200,903
Fundraising - TV Station	-	595,705
Total operating expenses	<u>6,995,675</u>	<u>9,650,742</u>
Total operating loss	<u>(2,522,672)</u>	<u>(3,545,496)</u>
Other Revenues		
Interest and dividends - FM Station	-	7,648
Interest and dividends - TV Station	17,170	20,375
Leasing and rentals - FM Station	3,061	8,732
Leasing and rentals - TV Station	563,032	567,534
Transfers in from related party - FM Station	306,373	450,000
Transfers in from related party - TV Station	440,879	1,100,000
Total other revenues	<u>1,330,515</u>	<u>2,154,289</u>
Change in Net Position	(1,192,157)	(1,391,207)
Net Position, Beginning of Year	<u>999,496</u>	<u>2,390,703</u>
Net Position, End of Year	<u>\$ (192,661)</u>	<u>\$ 999,496</u>

KVCR TV and FM
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in Net Position	\$ (1,192,157)	\$ (1,391,207)
Adjustments to reconcile change in net position to Net Cash From Operating Activities		
Depreciation expense	165,035	195,222
Changes in Assets and Liabilities Related to:		
Accounts receivable	(71,459)	(5,206)
Due from related party	(2,765,699)	30,005
Prepaid expenses	(144,371)	342,744
Other assets	-	(33,534)
Accounts payable	(781,675)	580,700
Due to related party	2,492,190	464,023
Unearned revenue	512,701	432,276
	(1,785,435)	615,023
Net Cash Flows from Operating Activities		
Financing Activities		
Purchase of capital assets	-	(117,908)
	-	(117,908)
Net Change in Cash and Cash Equivalents	(1,785,435)	497,115
Cash and Cash Equivalents, Beginning of Year	1,517,378	1,020,263
Cash and Cash Equivalents, End of Year	\$ (268,057)	\$ 1,517,378

Note 1 - Summary of Significant Accounting Policies

Organization

KVCR TV and FM is comprised of the following activities:

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

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

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

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

Financial Statement Presentation

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

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

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

Fair Value Measurements

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

Contributions

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

Donated Services, Goods, and Facilities

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

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Accounts Receivable

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

Property and Equipment

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2020 and June 30, 2019, were \$449 and \$89,676, respectively.

Allocation of Functional Expenses

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

Income Taxes

KVCR TV and FM and 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.

New Accounting Pronouncements

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Cash and Cash Equivalents

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

Summary of Deposits and Investments

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

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

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	<u>434,036</u>
 Total deposits and investments	 <u><u>\$ 1,517,378</u></u>
 San Bernardino County Investment Pool	 <u><u>\$ 1,517,378</u></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	2020		
	Book Value	Reported Amount	Weighted Average Days to Maturity
San Bernardino County Investment Pool	<u>\$ (268,057)</u>	<u>\$ (268,057)</u>	553
Investment Type	2019		
	Book Value	Reported Amount	Weighted Average Days to Maturity
San Bernardino County Investment Pool	<u>\$ 1,517,378</u>	<u>\$ 1,517,378</u>	424

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 AAAf/S1 by Fitch Ratings agency.

Note 3 - Accounts Receivable

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

	2020	2019
Contributions	\$ 32,366	\$ 2,964
State categorical aid	50,000	-
Interest	3,286	11,229
Total	\$ 85,652	\$ 14,193

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2020	2019
Furniture and equipment	\$ 7,860,414	\$ 7,860,414
Computer	6,192	6,192
Vehicles	52,943	52,943
Subtotal	7,919,549	7,919,549
Accumulated depreciation	(7,205,115)	(7,040,080)
Total property and equipment	\$ 714,434	\$ 879,469

Depreciation expense for the years ended 2020 and 2019, was \$165,035 and \$195,222, respectively.

Note 5 - Accounts Payable

Accounts payable consisted of the following at June 30:

	2020	2019
Vendors payable	\$ 162,732	\$ 944,407

Note 6 - Unearned Revenue

Unearned revenue represents amounts received in advance of required program expenses being incurred. This amount will be used for program related expenses in the subsequent fiscal year. As of June 30, 2020 and 2019, unearned revenues totaled \$1,311,798 and \$799,097, respectively.

Note 7 - Related Party Transactions

During the year, certain transactions for services are paid by the District on behalf of the Entity. At June 30, 2020 and 2019, the District owed the Entity \$2,766,996 and \$1,297, respectively, for amounts collected on the Entity's behalf. The Entity owed the District \$3,019,326 and \$527,136, respectively, for services and supply costs incurred.

Note 8 - Institutional Support

The District provides non cash institutional support to the KVCR TV and FM Stations related to instructional services, occupancy, supplies, and other administrative costs. The District applies an indirect rate that is in compliance with the CPB's guidance. For the year ended June 30, 2020, the indirect rate was computed as 0.65% applied to the FM Radio Station's costs and 1.67% applied to the TV Station's costs. For the year ended June 30, 2019, the indirect rate was computed as 0.91% applied to the FM Radio Station's costs and 2.22% applied to the TV Station's costs. The calculated institutional support totaled \$1,431,598 and \$1,575,129 for the 2020 and 2019 years, respectively. This non cash support for the KVCR TV and FM Stations is included within the Statements of Revenues, Expenses, and Changes in Net Position as both a source of funding and a use of funding and does not have an effect on the ending balance. Additionally, the KVCR Foundation and the District provided a total of \$1,092,465 and \$2,200,000 in cash to support the programming of both the FM Radio and TV Stations for the 2020 and 2019 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, 2020 and June 30, 2019.

Note 9 - Commitments and Contingencies

Grants

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

Operating Leases

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

Year Ending June 30,	Lease Payment
2021	\$ 15,600
2022	15,600
2023	15,600
2024	15,600
2025	15,600
Thereafter	114,400
Total	\$ 192,400

Lease expense for the year ended June 30, 2020 and June 30, 2019 amounted to \$243,479 and \$410,585, respectively. Revenue received under sublease agreements amounted to \$566,093 and \$576,266 for the years ended June 30, 2020 and 2019, respectively.

Note 10 - Subsequent Events

The Entity’s management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2020 through February 8, 2021, 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.

Subsequent to year-end, the Entity has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Entity is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Entity’s financial position is not known.



Supplementary Information
June 30, 2020

KVCR TV and FM

KVCR TV and FM
Combining Schedules of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

For June 30, 2020

	KVCR Radio	KVCR TV	KVCR Educational Foundation, Inc.	KVCR FNX	Total
Operating Revenues					
Public contributions - FM Station	\$ 670,848	\$ -	\$ -	\$ -	\$ 670,848
Public contributions - TV Station	-	670,081	-	1,000,240	1,670,321
Non Cash Institutional Support from San Bernardino Community College District - FM	413,436	-	-	-	413,436
Non Cash Institutional Support from San Bernardino Community College District - TV	-	1,018,162	-	-	1,018,162
CPB grants - TV Station	-	-	-	-	-
Program underwriting - FM Station	103,124	-	-	-	103,124
Program underwriting - TV Station	-	27,459	-	3,400	30,859
Other local income - FM Station	2,148	-	-	-	2,148
Other local income - TV Station	-	511,642	-	2,463	514,105
Strong Workforce Regional Grant - TV Station	-	50,000	-	-	50,000
Total operating revenues	1,189,556	2,277,344	-	1,006,103	4,473,003
Operating Expenses					
Program services - FM Station	1,420,954	-	-	-	1,420,954
Program services - TV Station	-	3,721,087	-	-	3,721,087
Program services - FNX TV Station	-	-	-	1,699,392	1,699,392
Management and general - FM Station	62,641	-	-	-	62,641
Management and general - TV Station	-	91,601	-	-	91,601
Fundraising - FM Station	-	-	-	-	-
Fundraising - TV Station	-	-	-	-	-
Total operating expenses	1,483,595	3,812,688	-	1,699,392	6,995,675
Total operating loss	(294,039)	(1,535,344)	-	(693,289)	(2,522,672)
Other Revenues					
Interest and dividends - FM Station	-	-	-	-	-
Interest and dividends - TV Station	-	17,170	-	-	17,170
Leasing and rentals - FM Station	3,061	-	-	-	3,061
Leasing and rentals - TV Station	-	563,032	-	-	563,032
Transfers in from related party - FM Station	306,373	-	-	-	306,373
Transfers in from related party - TV Station	-	440,879	-	-	440,879
Total other revenues	309,434	1,021,081	-	-	1,330,515
Change in Net Position	\$ 15,395	\$ (514,263)	\$ -	\$ (693,289)	\$ (1,192,157)

KVCR TV and FM
Combining Schedules of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

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)

Note 1 - Purpose of Schedule

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of KVCR TV and FM (the Entity) (a public telecommunications entity operated by the San Bernardino Community College District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2021.

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, 2020, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Entity’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

KVCR TV and FM's Response to Finding

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 8, 2021



Schedule of Findings and Questioned Costs
June 30, 2020

KVCR TV and FM

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

2020-001 Financial Condition

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Repeat Finding: No

Recommendation

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

Corrective Action Plan

Management will update its procedures to monitor and address negative balances.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.