Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for twelve months beyond the consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Entity's basic consolidated financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements or to the basic consolidated 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 consolidated 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 January 23, 2023 on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Eide Bailly LLP

Rancho Cucamonga, California
January 23, 2023

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) and KVCR FNX, as of June 30, 2022. The report consists of three basic consolidated financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows and provides information about the Stations 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, 2022 and 2021, and is best read in conjunction with the financial statements and the notes following this section.

Statements of Net Position

Table 1

	2022	2021, as restated
Assets		
Cash, cash equivalents and investments	$ 3,712,272	$ 883,810
Receivables	9,756,791	9,604,183
Other current assets	408,910	568,909
Capital and right-to-use leased assets, net	786,097	988,066
Total assets	14,664,070	12,044,968
Liabilities		
Accounts payable	123,925	77,047
Due to related party	4,999,365	2,121,232
Unearned revenue	934,997	1,298,361
Long-term liabilities		
Lease liability, due within one year	76,067	69,420
Lease liability, due in more than one year	621,738	697,805
Total liabilities	6,756,092	4,263,865
Deferred Inflows of Resources		
Deferred inflows of resources related to leases	5,417,731	5,694,389
Net Position		
Net investment in capital assets	88,292	220,841
Unrestricted	2,401,955	1,865,873
Total net position	$ 2,490,247	$ 2,086,714

Financial Position

The Statements of Net Position above includes all assets, liabilities and deferred inflows of resources 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 Statement 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 Statement of Net Position primarily presents end-of-year data concerning assets, liabilities, deferred inflows of resources and net position (total assets minus total liabilities and deferred inflows of resources). 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 consists of only cash awaiting deposit. Once the funds are deposited into the County Treasurer's investment pool, they are classified as investments.

- 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.

- Lease receivables consists of the present value of payments expected to be received during the lease term for the leasing of real property. The deferred inflow of resources consists of initial amount of the lease receivable less any payments that have been received.

- Capital assets and right-to-use leased assets consist of furniture and equipment, vehicles, computer software and leased cellular tower space. Net capital assets is the historical value of the assets less accumulated depreciation. Net right-to-use leased assets is the value of the leased assets less accumulated amortization. The decrease in the balance of net capital assets and right-to-use leased assets is due to current year depreciation and amortization, respectively.

- 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 2022-2023 fiscal year as program related expenses are incurred.

- Lease liabilities consists of the present value of payments expected to be made during the Entity's lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

- 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.

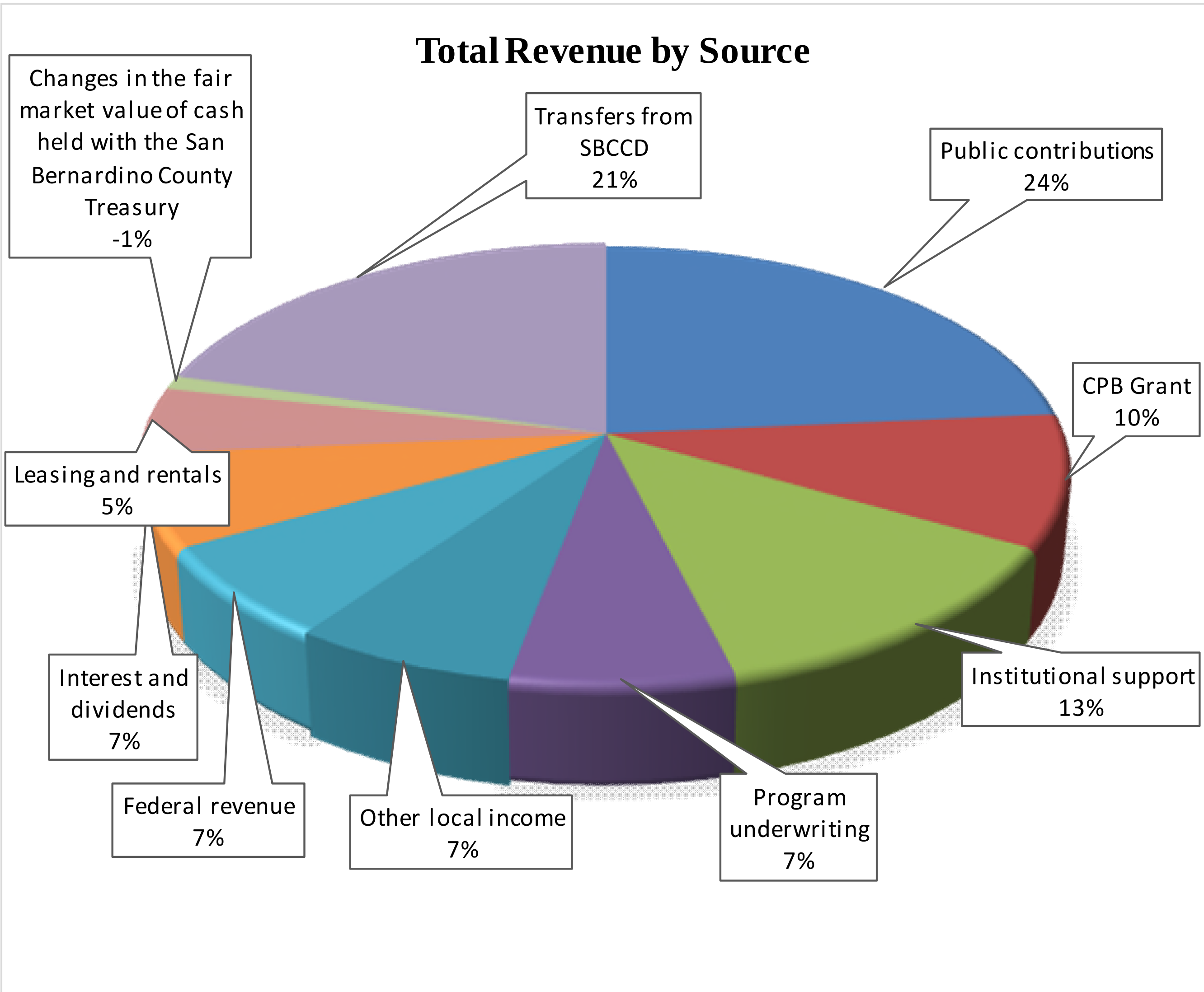
Operating revenues are earned from public contributions, grants, underwriting, and other local sources. Other revenues include interest and dividend income, leasing and rental income, and a transfer for program support from the San Bernardino Community College District.

Table 2

	2022	2021*
Operating Revenues		
Federal revenue	$ 400,102	$ -
Inland Empire Pre-Apprenticeship Program	15,382	33,944
Contributions	1,421,089	1,397,968
Institutional support	809,913	1,133,963
CPB grants	617,227	-
Other local income	828,870	1,515,984
Total operating revenues	4,092,583	4,081,859
Operating Expenses	5,633,092	6,070,081
Total operating loss	(1,540,509)	(1,988,222)
Other Revenues (expenses/losses)		
Investment income and expenses, net	353,573	13,624
Leasing and rentals	314,816	554,609
Transfers in from related party	1,275,653	1,014,949
Total other revenues (expenses/losses)	1,944,042	1,583,182
Change in Net Position	$ 403,533	$ (405,040)

*The 2021 year has not been restated for the effects of the implementation of GASB Statement No. 87.

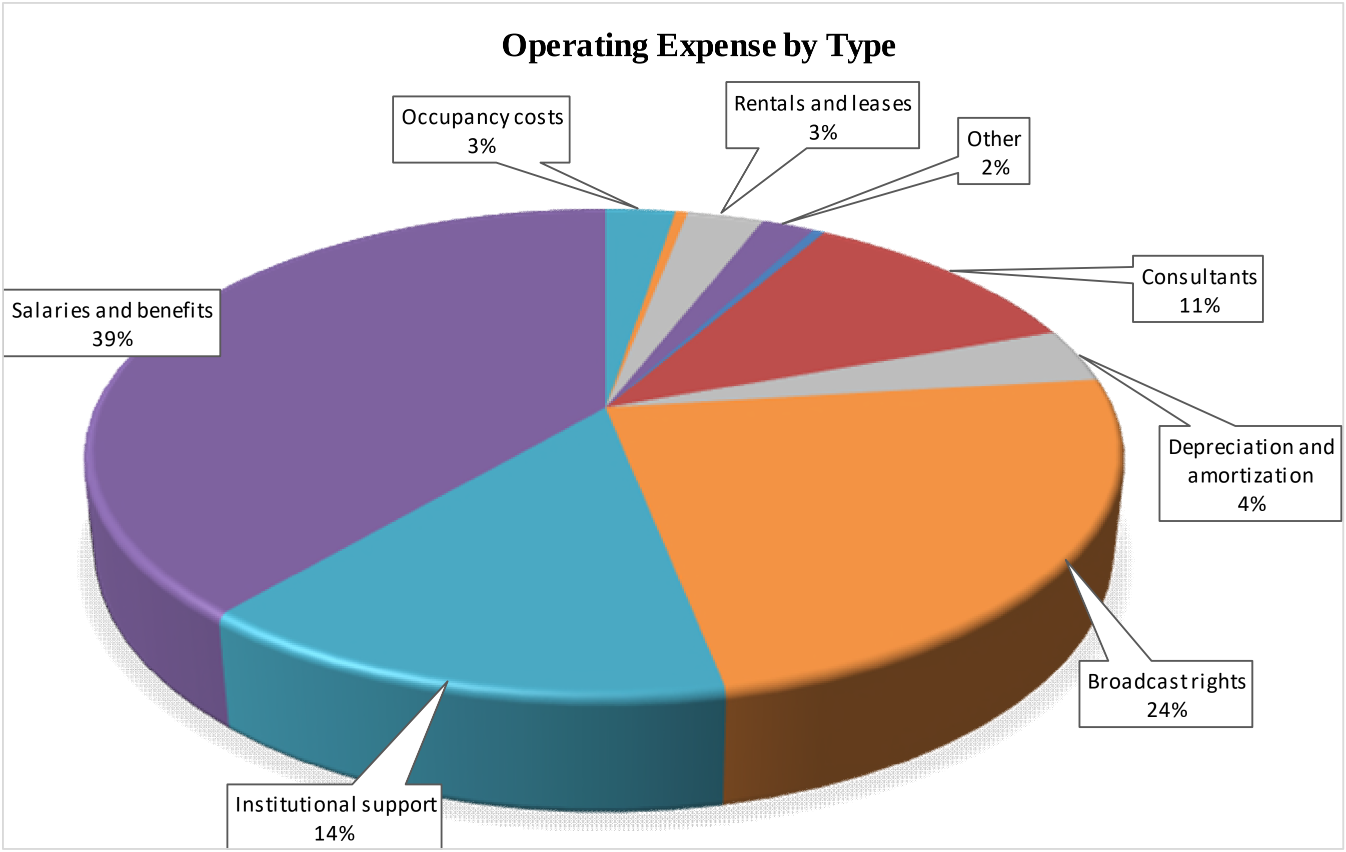
Below is an illustration of total revenues by source:



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

- Total operating expenses decreased by $436,989 from the prior year due for the most part to managerial efforts to control operating and production costs.

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 director of operations, 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:
  - 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 grant funding, membership, production services, underwriting, and District support.
- Cash outlays include payment of salaries, benefits, programming, production, and other operating expenses.

Table 3

	2022	2021
Cash Flows from		
Operating activities	$ (1,492,150)	$ (2,881,546)
Noncapital financing activities	4,036,459	4,123,086
Capital financing activities	(106,221)	(103,297)
Investing activities	390,374	13,624
Net Change in Cash and Cash Equivalents	2,828,462	1,151,867
Cash and Cash Equivalents, Beginning of Year	883,810	(268,057)
Cash and Cash Equivalents, End of Year	$ 3,712,272	$ 883,810

Natural Classification of Expenses

2022	Program Activities				Management and General Activities			Total
	KVCR Radio	KVCR TV	FNX-TV	Total	KVCR Radio	KVCR TV	Total	Expenses
Salaries and benefits	$ 566,787	$1,116,638	$ 308,423	$ 1,991,848	$ 77,669	$ 111,768	$ 189,437	$ 2,181,285
Administrative	(495)	3,279	(339)	2,445	-	-	-	2,445
Advertising	3,000	23,000	-	26,000	-	-	-	26,000
Amortization expense	-	53,539		53,539				53,539
Broadcast rights	329,239	819,979	195,866	1,345,084	-	-	-	1,345,084
Consultants	75,393	390,577	159,769	625,739	-	-	-	625,739
Depreciation expense	5,775	142,655		148,430	-	-	-	148,430
Dues and memberships	400	2,000	-	2,400	-	-	-	2,400
Maintenance and operations	-	12,396	1,000	13,396	-	-	-	13,396
Noncash institutional support	188,736	495,591	125,586	809,913	-	-	-	809,913
Postage and freight	-	2,000	-	2,000	-	-	-	2,000
Professional fees	32,157	40,398	-	72,555	-	-	-	72,555
Promotional giveaways	278	22,502	2,181	24,961	-	-	-	24,961
Rentals and leases	7,804	94,781	57,590	160,175	-	-	-	160,175
Supplies	747	11,118	647	12,512	-	-	-	12,512
Travel	320	3,438	2,349	6,107	-	-	-	6,107
Telephone/Electricity	-	146,551	-	146,551	-	-	-	146,551
Total expenses	$1,210,141	$3,380,442	$ 853,072	$ 5,443,655	$ 77,669	$ 111,768	$ 189,437	$ 5,633,092

2021	Program Activities				Management and General Activities			Total
	KVCR Radio	KVCR TV	FNX-TV	Total	KVCR Radio	KVCR TV	Total	Expenses
Salaries and benefits	$ 487,363	$ 914,312	$ 539,562	$ 1,941,237	$ 161,340	$ 232,173	$ 393,513	$ 2,334,750
Administrative	1,145	808	425	2,378	-	-	-	2,378
Advertising	-	3,015	-	3,015	-	-	-	3,015
Broadcast rights	217,364	818,780	433,893	1,470,037	-	-	-	1,470,037
Consultants	83,610	229,642	70,244	383,496	-	-	-	383,496
Depreciation expense	5,775	150,430	-	156,205	-	-	-	156,205
Dues and memberships	3,438	3,142	-	6,580	-	-	-	6,580
Maintenance and operations	-	3,704	133	3,837	-	-	-	3,837
Noncash institutional support	327,348	806,615	-	1,133,963	-	-	-	1,133,963
Postage and freight	1,000	3,000	-	4,000	-	-	-	4,000
Professional fees	17,629	25,509	1,074	44,212	-	-	-	44,212
Promotional giveaways	4,047	13,012	-	17,059	-	-	-	17,059
Rentals and leases	10,299	157,604	183,021	350,924	-	-	-	350,924
Supplies	1,111	1,842	1,199	4,152	-	-	-	4,152
Travel	-	-	411	411	-	-	-	411
Telephone/Electricity	34,700	121,547	(1,185)	155,062	-	-	-	155,062
Total expenses	$1,194,829	$3,252,962	$1,228,777	$ 5,676,568	$ 161,340	$ 232,173	$ 393,513	$ 6,070,081

ECONOMIC FACTORS AFFECTING THE FUTURE OF KVCR TV AND FM

Public television and radio stations are going through a transformational period of relevance to the communities they serve through the type and delivery of programming they distribute. The most significant public television and radio challenges still mirror many of the same challenges that affect commercial media, national media, and streaming services—media consumption has fractured, become vastly accessible, and serves a hyper-driven society.

KVCR Public television is affected due to audiences migrating to digital platforms where local public media doesn't have an established presence. Radio has similar challenges with the proliferation of subscription streaming services and social platforms. The surplus of entertainment content available and the growing fragmentation of viewer behavior into a hybrid of traditional broadcast, linear, social, and on-demand consumption is a considerable financial challenge to KVCR. The station's operational cost to deliver public media programming will continue to correlate with changing technologies and inflationary pressures. This change in viewer and listener habits, along with the rising cost of business, has a broader impact on revenue for public media stations that are viewer-supported and grant-funded, such as KVCR.

As a result, total revenue generated through membership, online giving, and underwriting decreased once more for this reporting period. In light, the station's operating expenses in this reporting period were reduced due to cost-cutting measures and operational restructuring. In this climate, the challenge for public media is adapting to the digital transformation while developing ways to inspire new audiences to support and engage without abandoning traditional viewers and listeners.

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.

Assets	
Cash and cash equivalents	$ 101,549
Investments	3,610,723
Accounts receivable	83,008
Due from related party	1,071,849
Prepaid expenses	375,376
Other assets	33,534
Lease receivables	8,601,934
Capital and right-to-use leased assets	
Depreciable captial assets, net of accumulated depreciation	409,799
Right-to-use leased assets, net of accumulated amortization	376,298
Total capital and right-to-use leased assets, net	786,097
Total assets	14,664,070
Liabilities	
Accounts payable	123,925
Due to related party	4,999,365
Unearned revenue	934,997
Long-term liabilities	
Lease liability, due within one year	76,067
Lease liability, due in more than one year	621,738
Total liabilities	6,756,092
Deferred Inflows of Resources	
Deferred inflows of resources related to leases	5,417,731
Net Position	
Net investment in capital assets	88,292
Unrestricted	2,401,955
Total net position	$ 2,490,247

Operating Revenues	
Public contributions - FM Station	$ 587,073
Public contributions - TV Station	834,016
Non cash institutional support from San Bernardino Community College District - FM	188,736
Non cash institutional support from San Bernardino Community College District - TV	621,177
CPB grants - TV Station	617,227
Program underwriting - FM Station	170,507
Program underwriting - TV Station	237,689
Other local income - FM Station	41,452
Other local income - TV Station	379,222
Federal revenue - FM Station	164,042
Federal revenue - TV Station	236,060
Inland Empire Pre-Apprenticeship Program - TV Station	15,382
Total operating revenues	4,092,583
Operating Expenses	
Program services - FM Station	1,210,141
Program services - TV Station	4,233,514
Management and general - FM Station	77,669
Management and general - TV Station	111,768
Total operating expenses	5,633,092
Total operating loss	(1,540,509)
Other revenues, expenses and losses	
Interest and dividends - TV Station	452,455
Interest expense	(36,801)
Leasing and rentals - FM Station	9,492
Leasing and rentals - TV Station	305,324
Change in the fair market value of the cash held by the San Bernardino County Treasury	(62,081)
Transfers in from related party - FM Station	259,838
Transfers in from related party - TV Station	1,015,815
Total other revenues, expenses and losses	1,944,042
Change in Net Position	403,533
Net Position, Beginning of Year, as restated	2,086,714
Net Position, End of Year	$ 2,490,247

Cash Flows from Operating Activities	
Federal and local grants	$ 1,032,711
Other local operating receipts	1,889,472
Payments to employees	(2,181,285)
Payments to suppliers	(2,233,048)
Net cash flows from operating activities	(1,492,150)
Cash Flows from Noncapital Financing Activities	
Leasing and rentals	152,416
Transfers in from the San Bernardino Community College District (SBCCD)	3,884,043
Net cash flows from noncapital financing activities	4,036,459
Cash Flows from Capital Financing Activities	
Interest paid on capital debt	(36,801)
Principal paid on capital debt	(69,420)
Net cash flows from capital financing activities	(106,221)
Cash Flows from Investing Activities	
Change in fair market value of Cash in County treasury	(62,081)
Interest and dividends	452,455
Net cash flows from investing activities	390,374
Net Change in Cash	2,828,462
Cash and Cash Equivalents, Beginning of Year	883,810
Cash and Cash Equivalents, End of Year	$ 3,712,272

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (1,540,509)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization expense	201,969
Changes in assets and liabilities related to	
Accounts receivable	2,877
Prepaid expenses	159,999
Accounts payable	46,878
Unearned revenue	(363,364)
Net Cash Flows from Operating Activities	$ (1,492,150)

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 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.

KVCR TV and FM and FNX 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.

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 two separate funds, which include separate self-balancing accounts and separate Board approved budgets for the activities of KVCR TV and FM and KVCR FNX. The activities of the KVCR FNX have been consolidated with KVCR TV and FM activities.

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.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and those differences could be material.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Entity considers all cash on hand and short-term investments with original maturities of three months or less to be cash equivalents. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The Entity's investment in the County Treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the State, interest or other local sources. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

Capital Assets

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.

The Entity records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

Leases

The Entity recognizes a lease liability and an intangible right-to-use leased asset in the consolidated financial statements. The Entity measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The Entity recognizes a lease receivable and a deferred inflow of resources in the consolidated financial statements. At the commencement of a lease, the Entity initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the Entity adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires 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. The effect of the implementation of this standard on beginning net position is disclosed in Note 12 and the additional disclosures required by this standard are included in Note 4, Note 5 and Note 8.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.

- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.

- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

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 Entity is considered to be an involuntary participant in an external investment pool as the Entity 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, 2022, consisted of the following:

KVCR FM and TV	$ 3,518,437
KVCR FNX	193,835
Total deposits and investments	$ 3,712,272
Cash awaiting deposit	$ 101,549
San Bernardino County Investment Pool	3,610,723
Total deposits and investments	$ 3,712,272

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. The Entity maintains investments of $3,610,723 with the San Bernardino County Investment Pool, with an average maturity of 495 days.

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 the Entity as follows at June 30, 2022:

Other local sources	$ 70,814
State categorical aid	3,000
Interest	9,194
Total	$ 83,008

Note 4 - Lease Receivables

The Entity has entered into lease agreements with various lessees for Cellular Tower Space. The lease receivables are summarized below:

Lease Receivables	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022
Leased Cellular Tower Space	$ 8,716,192	$ 16,980	$ (131,238)	$ 8,601,934

Cellular Tower Space

The Entity leases a portion of its facilities for cellular tower antenna sites and space. These leases are noncancelable for a period of up to 456 months. The agreements allow for 3.00% annual CPI increases to the lease payments. At termination, lessees must remove all equipment and restore the site to its original state. During the fiscal year, the Entity recognized $131,238 in lease revenue and $433,609 in interest revenue related to these agreements. At June 30, 2022, the District recorded $8,601,934 in lease receivables and $5,417,731 in deferred inflows of resources for these arrangements. The District used an interest rate of 5.00%, based on the rates available to finance real estate over the same time periods.

Note 5 - Capital and Right-to-use Leased Assets

Capital and right-to-use leased assets consisted of the following at June 30, 2022:

	Balance July 1, 2022 as restated	Additions	Deletions	Balance June 30, 2022
Capital Assets Being Depreciated				
Furniture and equipment	$ 7,860,414	$ -	$ -	$ 7,860,414
Computers	6,192	-	-	6,192
Vehicles	52,943	-	-	52,943
Total capital assets being depreciated	7,919,549	-	-	7,919,549
Less: Accumulated Depreciation	(7,361,320)	(148,430)	-	(7,509,750)
Capital assets being depreciated, net	558,229	(148,430)	-	409,799
Right-to-Use Leased Assets				
Real property	1,164,142	-	-	1,164,142
Less: Accumulated Amortization	(734,305)	(53,539)	-	(787,844)
Right-to-use leased assets, net	429,837	(53,539)	-	376,298
Total capital and right-to-use leased assets, net	$ 988,066	$ (201,969)	$ -	$ 786,097

Note 6 - Accounts Payable

Accounts payable consisted of the following at June 30, 2022:

Salaries and benefits payable	$ 66,235
Vendors payable	57,690
Total	$ 123,925

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, 2022 unearned revenues totaled $934,997.

Note 8 - Long-Term Liabilities

Lease Liability

The Entity has entered into agreements to lease various properties. The Entity's liability for lease agreements is summarized below:

Leases	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022	Due in one Year
Real Property	$ 767,225	$ -	$ (69,420)	$ 697,805	$ 76,067

Real Property Leases

The Entity has entered into various agreement to lease real property for period up to 25 years, through the 2033 fiscal year. Under the terms of the leases, the Entity paid monthly and annual payments, which increase based on a set schedule in the individual lease agreements, which amounted to principal and interest costs of $106,221. The annual interest rate charged on the leases is 5.0%.

At June 30, 2022, the Entity has recognized right-to-use assets of $376,298 and a lease liability of $697,805 related to these agreements. During the fiscal year, the Entity recorded $53,539 in amortization expense and $36,801 in interest expense for the right to use of the equipment.

The Entity's liability on lease agreements with option to purchase is summarized below:

Fiscal Year	Principal	Interest	Total
2023	$ 76,067	$ 33,179	$ 109,246
2024	83,162	29,216	112,378
2025	90,733	24,886	115,619
2026	98,808	20,167	118,975
2027	107,418	15,031	122,449
2028-2032	229,533	25,517	255,050
2033	12,084	126	12,210
	$ 697,805	$ 148,122	$ 845,927

Note 9 - Related Party Transactions

During the year, certain transactions for services are paid by the District on behalf of the Entity. At June 30, 2022, the District owed the Entity $1,071,849 for amounts collected on the Entity's behalf. The Entity owed the District $4,999,365 for services and supply costs incurred.

Note 10 - 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, 2022, the indirect rate was computed as 17%. The calculated institutional support totaled $809,913 for the year ended June 30, 2022. 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 District provided a total of $2,693,350 in cash to support the programming of both the FM Radio and TV Stations for the year ended June 30, 2022.

Note 11 - Commitments and Contingencies

Grants

KVCR TV is funded in part through grants from the Corporation for Public Broadcasting (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.

Note 12 - Adoption of New Accounting Standard

As of June 30, 2021, the Entity adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires 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. As a result of this new standard, the beginning net position was restated as follows:

Net Position - Beginning	$ (597,701)
Lease receivables	8,716,192
Right-to-use leased assets, net of amortization	429,837
Lease liabilities	(767,225)
Deferred inflows of resources related to leases	(5,694,389)
Net Position - Beginning, as Restated	$ 2,086,714

	KVCR Radio	KVCR TV	KVCR FNX	Total
Operating Revenues				
Public contributions - FM Station	$ 587,073	$ -	$ -	$ 587,073
Public contributions - TV Station	-	830,752	3,264	834,016
Non cash institutional support from San Bernardino Community College District - FM	188,736	-	-	188,736
Non cash institutional support from San Bernardino Community College District - TV	-	495,591	125,586	621,177
CPB grants - TV Station	-	617,227	-	617,227
Program underwriting - FM Station	170,507	-	-	170,507
Program underwriting - TV Station	-	62,689	175,000	237,689
Other local income - FM Station	41,452	-	-	41,452
Other local income - TV Station	-	348,573	30,649	379,222
Federal revenue - FM Station	164,042	-	-	164,042
Federal revenue - TV Station	-	236,060	-	236,060
Inland Empire Pre-Apprenticeship Program - TV Station	-	15,382	-	15,382
Total operating revenues	1,151,810	2,606,274	334,499	4,092,583
Operating Expenses				
Program services - FM Station	1,210,141	-	-	1,210,141
Program services - TV Station	-	3,380,442	-	3,380,442
Program services - FNX TV Station	-	-	853,072	853,072
Management and general - FM Station	77,669	-	-	77,669
Management and general - TV Station	-	111,768	-	111,768
Total operating expenses	1,287,810	3,492,210	853,072	5,633,092
Total operating loss	(136,000)	(885,936)	(518,573)	(1,540,509)
Other Revenues, Expenses and Losses				
Interest and dividends - TV Station	-	451,358	1,097	452,455
Interest expense	-	(36,801)	-	(36,801)
Leasing and rentals - FM Station	9,492	-	-	9,492
Leasing and rentals - TV Station	-	305,324	-	305,324
Change in the fair market value of the cash held by the San Bernardino County Treasury	(24,121)	(34,710)	(3,250)	(62,081)
Transfers in from related party - FM Station	259,838	-	-	259,838
Transfers in from related party - TV Station	-	565,815	450,000	1,015,815
Total other revenues, expenses and losses	245,209	1,250,986	447,847	1,944,042
Change in Net Position	$ 109,209	$ 365,050	$ (70,726)	$ 403,533

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 consolidated financial statements.

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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity's consolidated 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 consolidated 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 results 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.

Eide Bailly LLP

Rancho Cucamonga, California
January 23, 2023

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2021-001 **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, 2021, the Entity's net position was a deficit of $597,701.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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

Current Status

Implemented.