

**MENDOCINO COUNTY
PUBLIC BROADCASTING**

**FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
June 30, 2017 and 2016**

MENDOCINO COUNTY PUBLIC BROADCASTING

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Fick, Eggemeyer & Williamson

Certified Public Accountants, PC



MEMBERS OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Mendocino County Public Broadcasting
Philo, California

Report on the Financial Statements

We have audited the accompanying financial statements of Mendocino County Public Broadcasting, (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mendocino County Public Broadcasting, as of June 30, 2017, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The public accounting firm of Jamie L. Walling, CPA Accountancy Corporation, previously audited Mendocino County Public Broadcasting's fiscal year 2016 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated December 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fick, Eggemeyer & Williamson, CPA's

Fick, Eggemeyer & Williamson, CPA's
St. Louis, Missouri
January 3, 2018

MENDOCINO COUNTY PUBLIC BROADCASTING
STATEMENT OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,481	\$ 3,139
Pledges receivable, net of allowance	50,444	44,042
Underwriting receivable	7,561	10,841
Prepaid expenses	23,412	32,318
Total current assets	84,898	90,340
NON-CURRENT ASSETS		
Depreciable assets, net of accumulated depreciation - note 4	63,653	87,314
Station license, net of accumulated amortization - note 5	1,119	1,439
Deposits	2,305	675
Total non-current assets	67,077	89,428
Total assets	\$ 151,975	\$ 179,768
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 108,305	\$ 47,595
Accrued payroll expenses - note 6	8,309	5,274
Deferred revenue	7,499	20,943
Other liabilities	818	-
Line of credit - note 3	13,500	45,439
Total current liabilities	138,431	119,251
LONG-TERM LIABILITIES		
None	-	-
Total long-term liabilities	-	-
NET ASSETS		
Unrestricted	13,544	60,517
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	13,544	60,517
Total liabilities and net assets	\$ 151,975	\$ 179,768

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING
STATEMENT OF ACTIVITIES
For the fiscal years ended June 30, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support and revenue:					
Memberships and contributions	\$ 331,914	\$ -	\$ -	\$ 331,914	\$ 329,396
In-kind contributions	-	-	-	-	1,260
Grant income	134,996	-	-	134,996	129,477
Underwriting	72,655	-	-	72,655	61,467
Special events	20,554	-	-	20,554	18,418
Total support and revenue	560,119	-	-	560,119	540,018
Net assets released from restrictions	-	-	-	-	-
Total	560,119	-	-	560,119	540,018
Program services:					
Programming and production	49,129	-	-	49,129	68,679
Broadcasting	126,792	-	-	126,792	106,304
Program information and promotion	127,069	-	-	127,069	117,428
Total program services	302,990	-	-	302,990	292,411
Support services:					
Fundraising and membership development	80,971	-	-	80,971	58,086
Underwriting and grant solicitation	52,175	-	-	52,175	56,970
Management and general	170,956	-	-	170,956	150,480
Total support services	304,102	-	-	304,102	265,536
Total expenses	607,092	-	-	607,092	557,947
Changes in net assets	(46,973)	-	-	(46,973)	(17,929)
Net assets, beginning of period	60,517	-	-	60,517	78,446
Net assets, end of period	\$ 13,544	\$ -	\$ -	\$ 13,544	\$ 60,517

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING
STATEMENT OF CASH FLOWS
For the fiscal years ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (46,973)	\$ (17,929)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,424	19,476
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable	(6,402)	(26,780)
(Increase) decrease in underwriting receivable	3,280	(6,842)
(Increase) decrease in prepaid expenses	8,906	(11,136)
(Increase) decrease in deposits	(1,630)	(122)
Increase (decrease) in accounts payable	60,710	14,354
Increase (decrease) in accrued payroll and related liabilities	3,035	(10,842)
Increase (decrease) in deferred revenue	(13,444)	11,179
Increase (decrease) in other liabilities	818	-
Net cash provided by (used in) operating activities	34,724	(28,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,443)	-
Net cash provided by (used in) investing activities	(2,443)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	(31,939)	22,439
Net cash provided by (used in) financing activities	(31,939)	22,439
Net increase (decrease) in cash and cash equivalents	342	(6,203)
Cash and cash equivalents - beginning of the year	3,139	9,342
Cash and cash equivalents - end of the year	\$ 3,481	\$ 3,139
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 2,883	\$ 2,176

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Mendocino County Public Broadcasting (the Organization) is a non-profit public benefit corporation. The Organization's primary purpose is to own and operate an educational, non-profit, community supported broadcast system, including, but not necessarily limited to radio broadcasting. The broadcast system consists of KZYX, KZYZ and Fort Bragg translator, serving several counties in Northern California.

Financial Statement Presentation

Mendocino County Public Broadcasting's financial statement presentation complies with the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Organization in accordance with the Articles of Incorporation and By-Laws.

Temporarily Restricted Net Assets - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Organization or by the passage of time. The Organization presently has no temporarily restricted net assets.

Permanently Restricted Net Assets - are subject to donor-imposed stipulations that the net assets be retained and invested permanently. The Organization presently has no permanently restricted net assets.

Cash and Cash Equivalents

Mendocino County Public Broadcasting considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables

Pledges and underwriting receivables represent amounts due to the Organization that have not been collected. An allowance is provided for receivable accounts when a significant pattern of uncollectibility has occurred. As of June 30, 2017 and 2016, there was an allowance for doubtful accounts against pledges receivable in the amounts of \$1,500 and \$2,890, respectively.

Contributed Services

A number of volunteers contribute services to the Organization. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

Basis of Accounting

The financial statements of Mendocino County Public Broadcasting have been prepared on the accrual basis in accordance with auditing standards generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

MENDOCINO COUNTY PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income. Mendocino County Public Broadcasting is not considered a private foundation.

The Organization adopted the provisions of Accounting for Uncertainty in Income Taxes on July 1, 2016. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of June 30, 2017 and 2016, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed prior to fiscal 2015 are closed.

Promises to Give

Contributions and grants are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions or grants are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fixed Assets and Depreciation

Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair market value at the date of the donation. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Buildings and building improvements have been depreciated over periods ranging from 15 to 20 years. All other depreciable property has been depreciated over periods ranging from 5 to 15 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Use of Estimates in Financial Statement

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Note 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fundraising, administration or the appropriate program based on evaluations of the related benefits. Administrative expenses include those expenses which were not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

MENDOCINO COUNTY PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 3 - LINE OF CREDIT

The Organization has an unsecured line of credit with the Savings Bank of Mendocino County. The interest rate is variable, calculated at 2.25 percentage points over the index resulting in an initial interest rate of 7.5% at June 30, 2017 and 6.75% at June 30, 2016. Repayment terms include monthly installments of interest due. The loan as of June 30, 2017 is to be paid in full in one payment of all outstanding principal plus accrued unpaid interest on August 7, 2018. As of June 30, 2017 the outstanding principal amount due was \$13,500. The loan as of June 30, 2016 was to be paid in full in one payment of all outstanding principal plus accrued unpaid interest by August 7, 2017. As of June 30, 2016 the outstanding principal amount due was \$45,439.

Note 4 - DEPRECIABLE ASSETS AND DEPRECIATION

A summary of fixed assets follows:

	6/30/17	6/30/16
Broadcasting and other equipment	\$ 272,071	\$ 282,278
Office equipment	5,812	5,812
Recorded material	119,898	119,898
Leasehold improvements	34,765	34,765
	<u>432,546</u>	<u>442,753</u>
Less: accumulated depreciation	(368,893)	(355,439)
Depreciable assets, net	<u>\$ 63,653</u>	<u>\$ 87,314</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the years ended June 30, 2017 and 2016 was \$26,104 and \$19,156, respectively.

Note 5 - STATION LICENSE AND AMORTIZATION

A summary of the station license intangible asset follows:

	6/30/17	6/30/16
Station license	\$ 2,239	\$ 2,239
Less: accumulated amortization	(1,120)	(800)
Station license, net	<u>\$ 1,119</u>	<u>\$ 1,439</u>

Amortization expense for the years ended June 30, 2017 and 2016 was \$320 per year.

MENDOCINO COUNTY PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 6 - ACCRUED VACATION PAY

Accrued vacation pay at June 30, 2017 and 2016 was \$8,309 and \$5,274, respectively.

Note 7 - OPERATING LEASES

The Organization leases its office facilities and transmitter sites under various operating lease agreements with original terms ranging from 5 to 15 years and with renewal options ranging from monthly to 10 years. Payments under certain leases are subject to annual increases to reflect inflation.

- A. The organization's lease agreement with Jed Pogran and Gary McGregor, for the office facilities was renewed for an additional one year term on November 1, 2016, which extended the lease until October 31, 2017. The lease payments are \$863 per month.
- B. The organization has a month to month lease agreement with Fisher Wireless for a transmitting site. The lease payments are \$323 per month.
- C. The organization entered into a 60 month lease agreement with Xerox on June 6, 2016 for a copier at a base rate of \$113 per month. The lease expires in June 2021.
- D. The organization entered into a 42 month lease agreement with Pitney Bowes on February 18, 2015 for a postage meter at a base rate of \$341 per month. The lease expires in August 2019.

Operating lease payments totaled \$34,290 and \$31,459 for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017 future minimum lease payments were as follows:

Year ending June 30, 2018	\$ 8,900
2019	5,448
2020	2,038
2021	1,356
Total future minimum lease payments	<u>\$ 20,518</u>

Note 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 3, 2018, the date which the financial statements were available for issue, and noted no reportable events.

MENDOCINO COUNTY PUBLIC BROADCASTING
 SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
 For the fiscal years ended June 30, 2017 and 2016

	Program Services				Support Services			2017 Total	2016 Total
	Programming and production	Broadcasting	Program information and promotion	Fundraising and membership development	Underwriting and grant solicitation	Management and general			
Salaries and related expenses	\$ 32,198	\$ 51,842	\$ 5,849	\$ 37,503	\$ 50,886	\$ 98,033	\$ 276,311	\$ 247,998	
Legal and professional	255	188	73	214	180	10,048	10,958	11,220	
Consulting	-	-	48,817	1,341	-	-	50,158	59,228	
Programming	-	318	49,256	-	-	-	49,574	39,553	
Dues and subscriptions	5,140	6,474	13,238	7,757	-	1,006	33,615	34,535	
Rents	-	32,818	-	-	-	175	32,993	28,634	
Fundraising	-	-	-	25,025	-	-	25,025	23,615	
Printing and supplies	-	690	-	3,583	438	13,426	18,137	15,973	
Telephone	-	19,015	-	-	-	8,560	27,575	23,530	
Insurance	-	-	-	-	-	11,857	11,857	11,867	
Satellite interconnect	-	90	9,836	-	-	-	9,926	8,885	
Meals and lodging	-	-	-	4,897	-	5,697	10,594	10,326	
Utilities	-	-	-	-	-	7,865	7,865	7,223	
Miscellaneous	-	439	-	651	-	9,384	10,474	8,224	
Travel	-	30	-	-	671	311	1,012	2,810	
Board development	-	-	-	-	-	1,711	1,711	2,674	
Interest expense	-	-	-	-	-	2,883	2,883	2,176	
Depreciation and amortization	11,536	14,888	-	-	-	-	26,424	19,476	
	\$ 49,129	\$ 126,792	\$ 127,069	\$ 80,971	\$ 52,175	\$ 170,956	\$ 607,092	\$ 557,947	

See accompanying notes and independent auditors' report