

**MENDOCINO COUNTY  
PUBLIC BROADCASTING**

Financial Statements  
June 30, 2015

**MENDOCINO COUNTY PUBLIC BROADCASTING**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

I have audited the accompanying financial statements of Mendocino County Public Broadcasting (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities and changes in net assets, functional expenses 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.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Jamie L. Walling CPA Accountancy Corporation*

Jamie L. Walling, CPA Accountancy Corporation  
Eureka, California  
November 30, 2015

MENDOCINO COUNTY PUBLIC BROADCASTING

Statement of Financial Position

June 30, 2015

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	9,342
Pledges receivable, net of allowance of \$2,890		17,262
Underwriting receivable		3,999
Prepaid expenses		21,182
<b>Total Current Assets</b>		<u>51,785</u>

**Fixed Assets**

Fixed assets, net		106,470
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**Other Assets**

Station license, net		1,759
Deposits		553
<b>Total Other Assets</b>		<u>2,312</u>

<b>Total Assets</b>	\$	<u>160,567</u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accrued payroll expenses	\$	16,116
Line of credit		23,000
Accounts payable		33,241
Deferred revenues		9,764
<b>Total Current Liabilities</b>		<u>82,121</u>

**Net Assets**

Unrestricted		78,446
<b>Total Net Assets</b>		<u>78,446</u>

<b>Total Liabilities and Net Assets</b>	\$	<u>160,567</u>
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See accompanying notes to financial statements and independent auditor's report

**MENDOCINO COUNTY PUBLIC BROADCASTING**  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
Memberships and contributions	\$ 321,060	\$ -	\$ -	\$ 321,060
Grant income	132,564	-	-	132,564
Underwriting	54,170	-	-	54,170
Special events	7,311	-	-	7,311
<b>Total Support and Revenue</b>	<u>515,105</u>	<u>-</u>	<u>-</u>	<u>515,105</u>
<b>Operating Expenses</b>				
Program Services				
Programming and production	63,485	-	-	63,485
Broadcasting	118,560	-	-	118,560
Program information and promotion	105,038	-	-	105,038
Supporting Services				
Fundraising and membership development	66,317	-	-	66,317
Underwriting and grant solicitation	50,609	-	-	50,609
Management and general	193,156	-	-	193,156
<b>Total Operating Expenses</b>	<u>597,165</u>	<u>-</u>	<u>-</u>	<u>597,165</u>
<b>CHANGE IN NET ASSETS</b>	(82,060)	-	-	(82,060)
<b>BEGINNING NET ASSETS</b>	<u>160,506</u>	<u>-</u>	<u>-</u>	<u>160,506</u>
<b>ENDING NET ASSETS</b>	<u>\$ 78,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,446</u>

See accompanying notes to financial statements and independent auditor's report

**MENDOCINO COUNTY PUBLIC BROADCASTING**

Statement of Cash Flows

For the Year Ended June 30, 2015

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (82,060)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	19,352
(Increase) decrease in operating assets:	
Receivables	27,167
Prepaid expenses	1,746
Deposits	53
Increase (decrease) in operating liabilities:	
Accrued payroll and related liabilities	3,431
Accounts payable	425
Deferred revenue	(10,369)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(40,255)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment in equipment	(3,637)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(3,637)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Short-term borrowings	54,449
Repayment of short-term borrowings	(31,449)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>23,000</u>

<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(20,892)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	30,234
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 9,342</u></u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid for interest	\$ 448
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See accompanying notes to financial statements and independent auditor's report

**MENDOCINO COUNTY PUBLIC BROADCASTING**  
Statement of Functional Expenses  
For the Year Ended June 30, 2015

	Programming and Production	Broadcasting	Program Information and Promotion	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General	Total
Salaries and related expenses	\$ 51,671	\$ 46,107	\$ 4,612	\$ 28,491	\$ 48,618	\$ 89,681	\$ 269,180
Legal and professional	175	175	50	358	175	16,981	17,914
Bad debt	-	-	-	-	-	29,586	29,586
Consulting	-	2,468	42,858	-	-	635	45,961
Programming	-	-	36,267	-	-	-	36,267
Dues and subscriptions	4,500	8,350	12,525	4,965	-	397	30,737
Rents	-	29,686	-	-	-	-	29,686
Fundraising	-	-	-	26,397	-	-	26,397
Printing and supplies	55	10,928	-	2,892	41	11,827	25,743
Telephone	-	12,956	-	-	-	7,214	20,170
Insurance	-	-	-	-	-	10,706	10,706
Satellite interconnect	-	-	8,607	-	-	-	8,607
Meals and lodging	289	286	-	2,909	-	4,687	8,171
Utilities	-	-	-	-	-	7,097	7,097
Miscellaneous	100	200	-	305	-	3,965	4,570
Travel	244	953	-	-	1,775	677	3,649
Board development	-	-	-	-	-	2,923	2,923
Interest expense	-	-	119	-	-	329	448
Depreciation and amortization	6,451	6,451	-	-	-	6,451	19,353
<b>Total Expenses</b>	<b>\$ 63,485</b>	<b>\$ 118,560</b>	<b>\$ 105,038</b>	<b>\$ 66,317</b>	<b>\$ 50,609</b>	<b>\$ 193,156</b>	<b>\$ 597,165</b>

See accompanying notes to financial statements and independent auditor's report

## MEDOCINO COUNTY PUBLIC BROADCASTING

Notes to Financial Statements

June 30, 2015

### **NOTE 1 - Summary of Significant Accounting Policies**

This summary of significant accounting policies of Mendocino County Public Broadcasting is presented to assist in understanding the Station's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been applied in the preparation of the financial statements.

#### Nature of Activities

Mendocino County Public Broadcasting is a non-profit public benefit corporation. Its primary purpose is to own and operate an educational, non-profit, community supported broadcast system, including, but not necessarily limited to radio broadcasting.

#### Basis of Accounting

The financial statements of the Station have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recorded when earned and expenditures are recorded when incurred.

#### Tax Status

The Station is a qualified non-profit organization that is exempt from federal income taxes, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d). The Station is considered to be a publicly supported corporation under Section 509(a)(1) and 170(b)(A)(vi) of the Internal Revenue Code.

The Station is subject to income taxes on any net income that is derived from a trade or business and not in furtherance of the purposes for which it was granted exemption. In the opinion of management, no income has been derived from unrelated sources. The Station's federal *Return of Organization Exempt from Income Tax* (Form 990) for the tax years ending in 2013, 2014, 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

#### Basis of Presentation

The Station 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.

#### Cash and Cash Equivalents

Management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

#### Functional Expenses

The Station allocates its expenses on a functional basis among its various programs including fundraising activities and support services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.



## MEDOCINO COUNTY PUBLIC BROADCASTING

Notes to Financial Statements

June 30, 2015

### Classification of Revenues, Expense, Gains and Losses

Support and revenue are recognized when earned. Support is considered as unrestricted revenue in the absence of a donor's explicit stipulation or circumstances surrounding the receipt of a contribution that evidence the donor's implicit restriction on use. Barter revenue is recognized at time of broadcast. Merchandise or services are recognized when received or used.

Expenses are functionally classified as program services or supporting activities. Program services are activities such as production, programming and broadcasting. Supporting activities are all activities other than program services. They include management and general, fundraising and membership development activities.

Gains and losses are recognized on investments and other assets (or liabilities) as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

### Property and Equipment

The Station's policy requires capitalizing acquired property and equipment at cost, when purchased, or estimated fair value, when donated, of \$3,000 or more. Lesser amounts are expensed as incurred. Repairs and maintenance, which are not considered betterments and do not extend the useful life of property and equipment, are charged to expense as incurred. The Station reports donated property and equipment as unrestricted contributions unless the donor has restricted the asset for a specific purpose.

Depreciation of assets is computed using the straight-line method over the estimated useful lives of assets, which range from five to thirty years.

### Contributed Services

Donated services are recorded as contributions if the services (a) create or enhance non-financial assets or (b) required specialized skills, are performed by people with those skills and would otherwise be purchased by the Station.

### Pledges Receivable

The Station engages in on-air and mail fundraising appeals. These appeals encourage supporters to provide financial contributions for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges. All pledges receivable are promises to give within one year. Pledges receivable as on June 30, 2015 are reported net of an allowance based on an analysis of actual subsequent pledges received through October 31, 2015.

### Underwriting Receivable (Prepaid Underwriting)

Revenue for program underwriting is recorded on a pro-rata basis for the period covered. Underwriting revenue receivables have been recorded for spots aired but not paid for. Amounts received in advance for underwriting spots are recorded as deferred revenues.

**MEDOCINO COUNTY PUBLIC BROADCASTING**

Notes to Financial Statements

June 30, 2015

**Note 2 – Property and Equipment**

The following is a summary of property and equipment less accumulated depreciation at June 30, 2015:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Leasehold improvements	\$ 34,765	\$ -	\$ -	\$ 34,765
Office equipment	5,812	-	-	5,812
Broadcast and other equipment	278,639	3,639	-	282,278
Recorded material	119,898	-	-	119,898
	439,114	-	-	442,753
Less accumulated depreciation	(317,251)	(19,032)	-	(336,283)
Net	<u>\$ 121,863</u>	<u>\$ (15,393)</u>	<u>\$ -</u>	<u>\$ 106,470</u>

Depreciation expense for the year ended June 30, 2015 was \$19,032.

**Note 3 – Line of Credit**

The Station 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 5.5%. Repayment terms include monthly installments of interest due. The loan is to be paid in full in one payment of all outstanding principal plus accrued unpaid interest on March 27, 2016. As of June 30, 2015 the outstanding principal amount due is \$23,000.

**Note 4 – Cash and Cash Equivalents**

Included in the computation of cash and cash equivalents are the following balances:

Mendocino Savings Bank Checking	\$9,342
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All cash and cash equivalents are fully covered by federal depository insurance.

**Note 5 – Community Service Grants – Concentrations of Risk**

The Corporation for Public Broadcasting is a private, non-profit grant making organization responsible for funding more than 1,000 television and radio stations. The Corporation for Public Broadcasting distributes annual Community Service Grants to qualifying public telecommunications entities. Community Service Grants are used to augment the financial resources of public broadcasting stations, thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each Community Service Grant may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplemental. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. Mendocino County Public Broadcasting uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

**MEDOCINO COUNTY PUBLIC BROADCASTING**

Notes to Financial Statements

June 30, 2015

**Note 5 – Community Service Grants – Concentrations of Risk (Continued)**

The grants are reported in the accompanying financial statements as unrestricted operating funds, however, certain guidelines must be satisfied in connection with application for and use of grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

**Note 6 – Station License**

The Station license consisted of the following at June 30, 2015:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Station license	2,239	-	-	2,239
Accumulated amortization	(160)	(320)	-	(480)
Station license, net	2,079	(320)	-	1,759

Amortization expense for June 30, 2015 was \$320.

**Note 7 – Leases**

The Station 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.

The lease agreement for the office facilities was renewed for an additional one year term on December 30, 2014, which extended the lease until October 31, 2015. The monthly lease payments are \$852 per month. The future minimum lease payments under this lease are as follows:

Year Ending June 30:	
2016	\$ 3,408

The Station leases certain office equipment. The Station entered into a 60 month lease agreement with Xerox on March 29, 2006 for a monthly base charge of \$101.03. This lease expired on March 29, 2011, however, the Station is still leasing the copy machine on a monthly basis.

On February 18, 2015 the Station entered into a lease agreement with Pitney Bowes for a postage meter. The base monthly fee is \$341.15. The future minimum lease payments under this lease are as follows:

Year Ending June 30:	
2016	\$ 4,094
2017	4,094
2018	4,091
2019	682
	\$ 12,961

Rent expense related to these leases was \$32,547 for the year ended June 30, 2015.

**MEDOCINO COUNTY PUBLIC BROADCASTING**

Notes to Financial Statements

June 30, 2015

**Note 8 - Accrued Vacation Pay**

Accrued vacation pay at June 30, 2015 was \$16,116.

**Note 9 – Date of Management’s Review**

In preparing the financial statements, management has evaluated events and transactions subsequent to June 30, 2015 for potential recognition or disclosure through November 30, 2015, which presents the date the financial statements were available to be issued.