

**MENDOCINO COUNTY  
PUBLIC BROADCASTING**

**FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2020 AND 2019**

# 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

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, 2020, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 auditors' 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 opinion.

## **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, 2020, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Mendocino County Public Broadcasting's fiscal year 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Fick, Eggemeyer & Williamson*

Fick, Eggemeyer & Williamson, CPAs  
Saint Louis, Missouri  
December 9, 2020

MENDOCINO COUNTY PUBLIC BROADCASTING  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 244,700	\$ 6,686
Pledges receivable, net of allowance	21,391	50,335
Underwriting receivable	1,982	4,674
Grants receivable	-	2,558
Deposits	945	4,412
Prepaid expenses	<u>29,608</u>	<u>27,460</u>
Total current assets	<u>298,626</u>	<u>96,125</u>
<b>NONCURRENT ASSETS</b>		
Property and equipment, net of accumulated depreciation	56,688	42,881
Station license, net of accumulated amortization	<u>159</u>	<u>479</u>
Total noncurrent assets	<u>56,847</u>	<u>43,360</u>
Total assets	<u>\$ 355,473</u>	<u>\$ 139,485</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 56,511	\$ 79,720
Credit card payable	6,249	4,369
Programming fees payable	10,000	10,000
Compensated absences	3,979	2,766
Deferred revenue	17,130	14,210
Note payable	<u>70,063</u>	<u>-</u>
Total current liabilities	<u>163,932</u>	<u>111,065</u>
<b>NONCURRENT LIABILITIES</b>		
Programming fees payable, less current	<u>59,230</u>	<u>79,230</u>
Total noncurrent liabilities	<u>59,230</u>	<u>79,230</u>
Total liabilities	<u>223,162</u>	<u>190,295</u>
<b>NET ASSETS</b>		
Without donor restriction	132,311	(50,810)
With donor restriction	<u>-</u>	<u>-</u>
Total net assets	<u>132,311</u>	<u>(50,810)</u>
Total liabilities and net assets	<u>\$ 355,473</u>	<u>\$ 139,485</u>

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING  
STATEMENT OF ACTIVITIES  
FOR FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	Without Donor restriction	With Donor restriction	2020 Total	2019 Total
<b>SUPPORT AND REVENUE</b>				
Memberships and contributions	\$ 281,394	\$ -	\$ 281,394	\$ 313,700
Grant income	442,212	-	442,212	184,142
Underwriting	50,946	-	50,946	55,850
Forgiveness of programming payable	10,000	-	10,000	-
Special events	41,613	-	41,613	41,010
Total support and revenue	826,165	-	826,165	594,702
Net assets released from restrictions				
Satisfaction of restriction	-	-	-	-
Total	826,165	-	826,165	594,702
<b>EXPENSES</b>				
Program services				
Programming and production	108,242	-	108,242	81,594
Broadcasting	129,624	-	129,624	124,964
Program information and promotion	107,471	-	107,471	115,261
Total program services	345,337	-	345,337	321,819
Support services				
Fundraising and membership development	108,737	-	108,737	94,060
Underwriting and grant solicitation	34,341	-	34,341	48,413
Management and general	154,629	-	154,629	139,068
Total support services	297,707	-	297,707	281,541
Total expenses	643,044	-	643,044	603,360
Changes in net assets from operations	183,121	-	183,121	(8,658)
Changes in net assets	183,121	-	183,121	(8,658)
Net assets - beginning of year	(50,810)	-	(50,810)	(42,152)
Net assets - end of year	\$ 132,311	\$ -	\$ 132,311	\$ (50,810)

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR FISCAL YEARS ENDED JUNE 30, 20120 AND 2019

	Program Services			Support Services			2020 Total	2019 Total
	Programming and production	Broadcasting	Program information and promotion	Fundraising and membership development	Underwriting and grant solicitation	Management and general		
Salaries and related expenses	\$ 95,807	\$ 58,620	\$ 38,339	\$ 44,512	\$ 33,242	\$ 84,789	\$ 355,309	\$ 291,783
Legal and professional	342	165	282	1,825	271	9,875	12,760	14,005
Consulting	-	7,275	4,860	-	-	-	12,135	34,063
Programming	-	-	37,866	-	-	-	37,866	40,599
Dues and subscriptions	5,393	7,941	13,703	4,798	-	2,143	33,978	33,655
Rents	-	34,654	-	1,460	-	-	36,114	35,920
Fundraising	-	-	-	30,413	-	-	30,413	30,323
Printing and supplies	-	7,456	1,665	17,306	-	7,356	33,783	22,714
Telephone	-	-	-	-	-	20,241	20,241	21,609
Insurance	-	-	-	1,050	-	14,887	15,937	14,108
Satellite interconnect	-	-	10,256	-	-	-	10,256	10,219
Program development	1,700	-	500	-	-	-	2,200	1,725
Meals and lodging	-	165	-	4,315	-	496	4,976	3,205
Utilities	-	1,749	-	-	-	2,148	3,897	7,502
Miscellaneous	-	2,095	-	75	-	876	3,046	11,360
Travel	-	481	-	-	828	-	1,309	1,337
Board development	-	-	-	-	-	100	100	8,813
Advertising	-	-	-	2,983	-	3,670	6,653	675
Bad debt	-	-	-	-	-	8,000	8,000	-
Interest	-	-	-	-	-	48	48	1,443
Depreciation and amortization	5,000	9,023	-	-	-	-	14,023	18,302
Total	<u>\$ 108,242</u>	<u>\$ 129,624</u>	<u>\$ 107,471</u>	<u>\$ 108,737</u>	<u>\$ 34,341</u>	<u>\$ 154,629</u>	<u>\$ 643,044</u>	<u>\$ 603,360</u>

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING  
STATEMENT OF CASH FLOWS  
FOR FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets from operations	\$ 183,121	\$ (8,658)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,703	17,982
Amortization	320	320
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable, net of allowance	28,944	(8,180)
(Increase) decrease in underwriting receivable	2,692	(37)
(Increase) decrease in grants receivable	2,558	155
(Increase) decrease in deposits	3,467	(2,813)
(Increase) decrease in prepaid expenses	(2,148)	(2,456)
Increase (decrease) in accounts payable	(23,209)	(70,182)
Increase (decrease) in credit card payable	1,880	4,369
Increase (decrease) in programming fees payable	(20,000)	89,230
Increase (decrease) in compensated absences	1,213	(10,156)
Increase (decrease) in deferred revenue	2,921	5,860
Net cash provided by (used in) operating activities	<u>195,462</u>	<u>15,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(27,511)</u>	<u>(13,799)</u>
Net cash provided by (used in) investing activities	<u>(27,511)</u>	<u>(13,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	<u>70,063</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>70,063</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	238,014	1,635
Cash and cash equivalents - beginning of the year	<u>6,686</u>	<u>5,051</u>
Cash and cash equivalents - end of the year	<u><u>\$ 244,700</u></u>	<u><u>\$ 6,686</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 48	\$ 1,443

See accompanying notes and independent auditors' report



MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**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.

Basis of Accounting

The financial statements of the Organization 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.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with the U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restriction - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. The Organization presently has no net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the statement of activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables

Pledges, grants, 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, 2020, and 2019, there was an allowance for doubtful accounts against pledges receivable in the amount of \$10,000 and \$2,000, respectively.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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. The Organization 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, 2020, and 2019, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed prior to fiscal 2017 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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property and Equipment

Property and equipment 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 property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements have been depreciated over periods ranging from 5 to 20 years. All other depreciable property has been depreciated over periods ranging from 5 to 20 years. Expenditures for repairs and maintenance are charged to operating expense as incurred. Depreciation expense for the fiscal years ended June 30, 2020 and 2019 was \$13,702 and \$17,982, respectively.

Programming Fees Payable

The Organization has entered into a structured settlement for programming fees payable, in equal installments over five years.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Station License

The Organization capitalized the costs of its station license. The station license is being amortized on a straight-line basis over the estimated useful life of 7 years. Amortization expense for the fiscal years ended June 30, 2020 and 2019 was \$320.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the fiscal years ended June 30, 2020 and 2019 was \$6,653 and \$675, respectively.

Deferred Revenue

Deferred revenues consist of underwriting revenue received in advance for services that will be provided in the next fiscal year. Deferred revenues as of June 30, 2020 and 2019 were \$17,130 and \$14,210, respectively.

Compensated Absences

Full-time employees of the Organization are entitled to paid vacation and personal days off depending on the length of service. Upon separation, all accumulated time is paid out at the employee's current pay rate. Accordingly, the balances at June 30, 2020 and 2019 were \$3,979 and \$2,766, respectively.

Contributed Services

Several 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.

Comparative Data

The amounts shown for the fiscal year ended June 30, 2019, in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, the 2019 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statement for the fiscal year ended June 30, 2019, from which the summarized information was derived.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**NOTE 2 - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between fundraising, administration or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

**NOTE 3 - PROPERTY AND EQUIPMENT**

A summary of property and equipment follows:

	2020	2019
Broadcasting and other equipment	\$ 295,396	\$ 277,000
Office equipment	5,812	5,812
Recording material	119,898	119,898
Leasehold improvements	53,982	44,868
Total depreciable assets	475,088	447,578
Accumulated depreciation	(418,400)	(404,697)
Property and equipment, net	<u>\$ 56,688</u>	<u>\$ 42,881</u>

**NOTE 4 - STATION LICENSE**

A summary of the station license intangible asset follows:

	2020	2019
Station license	\$ 2,239	\$ 2,239
Accumulated amortization	(2,080)	(1,760)
Station license, net	<u>\$ 159</u>	<u>\$ 479</u>

**NOTE 5 - 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 office facilities, was renewed for an additional term on November 1, 2017, which extended the lease until October 31, 2020. The lease payments were \$881 per month until February 1, 2018 then increased to \$902 per month.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**NOTE 5 - OPERATING LEASES (Continued)**

- B. The Organization has a month-to-month lease agreement with Bald Hill Tower Co, LLC for a transmitting site. The lease payments are \$342 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 24-month lease agreement with the Mendocino County Office of Education for use of facilities. The lease payments are \$450 per month and the lease expires May 31, 2022.

At June 30, 2020 future minimum lease payments follow:

Year ending June 30	
2021	\$ 10,251
2022	<u>5,400</u>
Total	<u>\$ 15,651</u>

Operating lease payments totaled \$36,114 and \$35,920 for the fiscal years ended June 30, 2020 and 2019, respectively.

**NOTE 6 - LINE OF CREDIT**

The Organization has an unsecured line of credit with the Savings Bank of Mendocino County. The interest rate is variable, 8.75% at June 30, 2020 and 8.75% at June 30, 2019. Repayment terms include monthly installments of interest due with principal payments due in one lump sum at maturity. The outstanding balance as of June 30, 2020 and 2019 was \$0.

**NOTE 7 – PROGRAMMING FEES PAYABLE**

In July 2019, the Organization entered into a settlement agreement with National Public Radio (NPR). The purpose of the agreement was to fulfill its payment obligations under previous agreements with NPR for unpaid programming fees. The Organization agreed to pay an additional \$10,000 by December 31 in addition to staying up to date with current programming fees. NPR will forgive \$10,000 annually if the Organization maintains compliance with the agreement. The Organization intends to and is currently in compliance with the settlement agreement. The agreement is expected to be fully forgiven by December 31, 2023. As of June 30, 2020 and 2019, the balance of programming fees payable was \$69,230 and \$89,230, respectively.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**NOTE 8 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at June 30, 2020 and 2019.

Financial assets at year-end	2020	2019
Cash and cash equivalents	\$ 244,700	\$ 6,686
Pledges receivable, net of allowance	21,391	50,335
Underwriting receivable	1,982	4,674
Grants receivable	-	2,558
Total financial assets at year-end	<u>268,073</u>	<u>64,253</u>
Less amounts not available for general expenditures to be used within one year:		
Net assets with period restrictions in excess of one year	-	-
Net assets with purpose restrictions	<u>-</u>	<u>-</u>
Total amounts not available to meet general expenditures to be used within one year	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 268,073</u>	<u>\$ 64,253</u>

**NOTE 9 - NOTE PAYABLE**

In April 2020, the Organization received loan proceeds in the amount of \$70,063 under the Paycheck Protection Program ("PPP"). The PPP is administered by the Small Business Administration. The loan and accrued interest are forgivable after eight to twenty-four weeks as long as the Organization uses the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities. The amount of loan forgiveness may be reduced if the Organization reduces payroll during the eight to twenty-four week period. The unforgiven portion of the PPP loan is payable over a two-year period at an interest rate of 1%, with a deferral of payments for the first six months. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. As of June 30, 2020, the loan balance was \$70,063. Subsequent to year-end, the Organization applied for and received loan forgiveness in the amount of \$70,063.

**NOTE 10 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 9, 2020, the date which the financial statements were available for issue, and noted one reportable event. Per the agreement with the Paycheck Protection Program, the entire loan balance was forgiven on November 24, 2020 as noted in note 9.