

MENDOCINO COUNTY
PUBLIC BROADCASTING

FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017

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, 2018, and the related statements of activities 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2017, 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, CPAs
St. Louis, Missouri
January 25, 2019

MENDOCINO COUNTY PUBLIC BROADCASTING
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,051	\$ 3,481
Pledges receivable, net of allowance	42,155	50,444
Underwriting receivable	4,637	7,561
Grants receivable	2,713	-
Prepaid expenses	25,004	23,412
Total current assets	79,560	84,898
NONCURRENT ASSETS		
Depreciable assets, net of accumulated depreciation	47,064	63,653
Station license, net of accumulated amortization	799	1,119
Deposits	1,599	2,305
Total noncurrent assets	49,462	67,077
Total assets	\$ 129,022	\$ 151,975
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 149,902	\$ 108,305
Compensated absences	12,922	8,309
Deferred revenue	8,350	7,499
Other liabilities	-	818
Line of credit	-	13,500
Total current liabilities	171,174	138,431
NONCURRENT LIABILITIES		
None	-	-
Total noncurrent liabilities	-	-
NET ASSETS		
Unrestricted	(42,152)	13,544
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	(42,152)	13,544
Total liabilities and net assets	\$ 129,022	\$ 151,975

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING
STATEMENT OF ACTIVITIES
FOR FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
SUPPORT AND REVENUE					
Memberships and contributions	\$ 325,657	\$ -	\$ -	\$ 325,657	\$ 331,914
Grant income	136,713	-	-	136,713	134,996
Underwriting	63,602	-	-	63,602	72,655
Special events	29,705	-	-	29,705	20,554
Total support and revenue	555,677	-	-	555,677	560,119
Net assets released from restrictions	-	-	-	-	-
Total	555,677	-	-	555,677	560,119
EXPENSES					
Program services					
Programming and production	62,617	-	-	62,617	49,129
Broadcasting	107,984	-	-	107,984	126,792
Program information and promotion	121,427	-	-	121,427	127,069
Total program services	292,028	-	-	292,028	302,990
Support services					
Fundraising and membership development	96,365	-	-	96,365	80,971
Underwriting and grant solicitation	51,554	-	-	51,554	52,175
Management and general	171,591	-	-	171,591	170,956
Total support services	319,510	-	-	319,510	304,102
Total expenses	611,538	-	-	611,538	607,092
Changes in net assets from operations	(55,861)	-	-	(55,861)	(46,973)
INVESTMENT ACTIVITIES					
Gain on sale of assets	165	-	-	165	-
Total investment activities	165	-	-	165	-
Changes in net assets	(55,696)	-	-	(55,696)	(46,973)
Net assets - beginning of period	13,544	-	-	13,544	60,517
Net assets - end of period	<u>\$ (42,152)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,152)</u>	<u>\$ 13,544</u>

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING
STATEMENT OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets from operations	\$ (55,861)	\$ (46,973)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,141	26,424
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable, net of allowance	8,289	(6,402)
(Increase) decrease in underwriting receivable	2,924	3,280
(Increase) decrease in grants receivable	(2,713)	-
(Increase) decrease in prepaid expenses	(1,592)	8,906
(Increase) decrease in deposits	706	(1,630)
Increase (decrease) in accounts payable	41,597	60,710
Increase (decrease) in compensated absences	4,613	3,035
Increase (decrease) in deferred revenue	851	(13,444)
Increase (decrease) in other liabilities	(818)	818
Net cash provided by (used in) operating activities	<u>16,137</u>	<u>34,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	165	-
Purchase of depreciable assets	(1,232)	(2,443)
Net cash provided by (used in) investing activities	<u>(1,067)</u>	<u>(2,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	(13,500)	(31,939)
Net cash provided by (used in) financing activities	<u>(13,500)</u>	<u>(31,939)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,570</u>	<u>342</u>
Cash and cash equivalents - beginning of the year	<u>3,481</u>	<u>3,139</u>
Cash and cash equivalents - end of the year	<u>\$ 5,051</u>	<u>\$ 3,481</u>
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 1,882	\$ 2,883

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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.

Financial Statement Presentation

The Organization'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

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, 2018 and 2017, there was an allowance for doubtful accounts against pledges receivable in the amounts of \$2,000 and \$1,500, 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.

MENDOCINO COUNTY PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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. 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, 2018 and 2017, 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.

Depreciable assets

Depreciable 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 depreciable assets 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.

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.

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.

Comparative Data

The amounts shown for the fiscal year ended June 30, 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, the 2017 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 year ended June 30, 2017, from which the summarized information was derived.

MENDOCINO COUNTY PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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.

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, 8.75% at June 30, 2018 and 7.5% at June 30, 2017. Repayment terms include monthly installments of interest due with principal payments due in one lump sum at maturity date. The outstanding balance as of June 30, 2018 and 2017 was \$0 and \$13,500, respectively.

Note 4 - DEPRECIABLE ASSETS

A summary of depreciable assets follows:

	2018	2017
Broadcasting and other equipment	\$ 273,303	\$ 272,071
Office equipment	5,812	5,812
Recorded material	119,898	119,898
Leasehold improvements	<u>34,765</u>	<u>34,765</u>
Total depreciable assets	433,778	432,546
Less: accumulated depreciation	<u>(386,714)</u>	<u>(368,893)</u>
Depreciable assets, net	<u>\$ 47,064</u>	<u>\$ 63,653</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the fiscal years ended June 30, 2018 and 2017 was \$17,821 and \$19,156, respectively.

Note 5 - STATION LICENSE

A summary of the station license intangible asset follows:

	2018	2017
Station license	\$ 2,239	\$ 2,239
Less: accumulated amortization	<u>(1,440)</u>	<u>(1,120)</u>
Station license, net	<u>\$ 799</u>	<u>\$ 1,119</u>

Amortization policies are disclosed in Note 1. Amortization expense for the fiscal years ended June 30, 2018 and 2017 was \$320 per year.

MENDOCINO COUNTY PUBLIC BROADCASTING
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 AND 2017

Note 6 - COMPENSATED ABSENCES

Full time employees of the Organization are entitled to paid vacation and personal days off depending on length of service. Upon separation, all accumulated time is paid out at the employee's current pay rate. Accordingly, the balances at June 30, 2018 and 2017 were \$12,922 and \$8,309, 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 office facilities, was renewed for an additional term on November 1, 2017, which extended the lease until October 31, 2020. The lease payments are \$881 per month until February 1, 2018 then increase to \$902 per month.
- B. The organization has a month to month lease agreement with Bald Hill Tower Co, LLC 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 quarter. The lease expires in March 2019.

At June 30, 2018 future minimum lease payments were as follows:

Year ending June 30, 2019	\$	12,942
2020		12,180
2021		4,851
Total future minimum lease payments	<u>\$</u>	<u>29,973</u>

Operating lease payments totaled \$31,919 and \$34,290 for the fiscal years ended June 30, 2018 and 2017, respectively.

Note 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2019, 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 FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	Program Services			Support Services			2017 Total
	Programming and production	Broadcasting	Program information and promotion	Fundraising and membership development	Underwriting and grant solicitation	Management and general	
Salaries and related expenses	\$ 50,792	\$ 54,905	\$ 27,220	\$ 51,028	\$ 50,723	\$ 94,382	\$ 276,311
Legal and professional	292	193	243	240	252	7,041	10,958
Consulting	-	2,270	31,247	-	-	-	50,158
Programming	-	-	38,959	-	-	-	49,574
Dues and subscriptions	5,469	7,406	13,350	6,620	-	1,325	33,615
Rents	-	-	-	-	-	27,328	32,993
Fundraising	-	-	-	29,152	-	-	25,025
Printing and supplies	-	4,563	-	6,821	98	5,916	18,137
Telephone	-	23,724	-	-	-	2,447	27,575
Insurance	-	-	-	-	-	12,508	11,857
Satellite interconnect	-	-	10,408	-	-	-	9,926
Meals and lodging	-	20	-	2,183	-	1,391	10,594
Utilities	-	10	-	-	-	7,966	7,865
Miscellaneous	-	2,231	-	321	-	5,172	10,474
Travel	-	585	-	-	481	342	1,012
Board development	-	-	-	-	-	3,891	1,711
Interest	-	-	-	-	-	1,882	2,883
Depreciation and amortization	6,064	12,077	-	-	-	-	26,424
Total	\$ 62,617	\$ 107,984	\$ 121,427	\$ 96,365	\$ 51,554	\$ 171,591	\$ 607,092