

KVCR EDUCATIONAL FOUNDATION, INC.

(A California Nonprofit Corporation)

**ANNUAL FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2015

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

June 30, 2015

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position June 30, 2015.....	3
Statement of Activities For the Year Ended June 30, 2015.....	4
Statement of Cash Flows For the Year Ended June 30, 2015.....	5
Statement of Functional Expenses For the Year Ended June 30, 2015.....	6
NOTES TO FINANCIAL STATEMENTS.....	7



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
KVCR Educational Foundation, Inc.
San Bernardino, California

We have audited the accompanying financial statements of KVCR Educational Foundation, Inc. (a California nonprofit corporation) (the Foundation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows, and functional expenses 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

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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KVCR Educational Foundation, Inc. as of June 30, 2015, and the changes in its net assets, cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Vaurinik, Fine, Day & Co. LLP

Rancho Cucamonga, California
January 6, 2016

KVCR EDUCATIONAL FOUNDATION, INC.
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Unrestricted cash and cash equivalents	\$ 635,934
Restricted cash and cash equivalents	40,871
Accounts receivable	513
Inventory	62,698
Due from related party	230,379
TOTAL ASSETS	<u><u>\$ 970,395</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 126,602
Due to related party	87,510
Unearned income	13,126
Total Liabilities	<u><u>227,238</u></u>

NET ASSETS

Unrestricted	702,286
Temporarily restricted	40,871
Total Net Assets	<u><u>743,157</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 970,395</u></u>

See the accompanying notes to financial statements.

KVCR EDUCATIONAL FOUNDATION, INC.
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STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Contributions - FM Station	\$ -	\$ 541,596	\$ 541,596
Contributions - TV Station	-	989,056	989,056
Underwriting - FM Station	-	286,658	286,658
Underwriting - TV Station	-	115,491	115,491
Special events	100,954	-	100,954
Net assets released from restrictions	2,064,662	(2,064,662)	-
Total Support and Revenues	<u>2,165,616</u>	<u>(131,861)</u>	<u>2,033,755</u>
Expenses			
Program services	1,177,573	-	1,177,573
Management and general	93,911	-	93,911
Fundraising	1,203,802	-	1,203,802
Total Expenses	<u>2,475,286</u>	<u>-</u>	<u>2,475,286</u>
Other Income			
Interest	905	-	905
CHANGE IN NET ASSETS	(308,765)	(131,861)	(440,626)
NET ASSETS, BEGINNING OF YEAR	1,011,051	172,732	1,183,783
NET ASSETS, END OF YEAR	<u>\$ 702,286</u>	<u>\$ 40,871</u>	<u>\$ 743,157</u>

See the accompanying notes to financial statements.

KVCR EDUCATIONAL FOUNDATION, INC.
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (440,626)
Adjustments to reconcile change in net assets to net cash provided by operations	
Change in operating assets and liabilities	
Decrease in accounts receivable	42,147
Increase in due from related party	(230,379)
Decrease in accounts payable	(4,739)
Increase in due to related party	87,510
Increase in unearned income	13,126
Net Cash Flows From Operating Activities	<u>(532,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in restricted cash	<u>131,861</u>
Net Cash Flows From Investing Activities	<u>131,861</u>
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(401,100)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,037,034</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 635,934</u></u>

See the accompanying notes to financial statements.

KVCR EDUCATIONAL FOUNDATION, INC.
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Radio	TV	Program Services	Management and General	Fundraising	Total Expenses
Supplies	\$ 1,249	\$ 989	\$ 2,238	\$ -	\$ 1,910	\$ 4,148
Consultants	-	-	-	-	467,140	467,140
Travel	1,662	5,341	7,003	377	-	7,380
Postage	-	-	-	-	54,220	54,220
Leases and rents	7,110	13,930	21,040	1,856	3,028	25,924
Professional services	-	-	-	59,213	229,450	288,663
Program support services	389,542	589,845	979,387	-	-	979,387
Broadcast program rights	-	-	-	-	49,497	49,497
Advertising	83,773	84,132	167,905	-	-	167,905
Other development	-	-	-	29,705	-	29,705
Promotional giveaways	-	-	-	-	398,557	398,557
Repairs and maintenance	-	-	-	2,760	-	2,760
Total Expenses	<u>\$ 483,336</u>	<u>\$ 694,237</u>	<u>\$ 1,177,573</u>	<u>\$ 93,911</u>	<u>\$ 1,203,802</u>	<u>\$ 2,475,286</u>

See the accompanying notes to financial statements.

KVCR EDUCATIONAL FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

KVCR Educational Foundation, Inc. (the Foundation) was formed as a California nonprofit public benefit corporation on July 15, 1999. The Foundation was formed as an auxiliary Foundation of the San Bernardino Community College District (the District) under the provision of the California Education Code, Title V of the California Code of Regulations, and the Implementing Regulation of the District. Per the Foundation's Master Agreement with the District and its Bylaws, the Foundation was formed for the purpose of raising funds and receiving gifts to be used for the benefit of the District's TV and Radio stations known as KVCR-TV and KVCR-FM (the Stations). The Foundation will engage only in those activities that are in support of and consistent with State and Federal laws and with the policies, rules, regulations, and program goals of the District. The Foundation is funded primarily through program underwriting fees, production income, and grants and contributions from the public.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted: Unrestricted resources received with no donor-imposed stipulations and available to support the Foundation's operations.
- Temporarily restricted: Resources received with donor imposed restrictions as to the time or purpose to support the Stations. As the restrictions expire due to passage of time or use, the assets are released to the unrestricted net assets.
- Permanently restricted: Net assets that are subject to donor-imposed restrictions that the original gift be maintained in perpetuity as an endowment. As of June 30, 2015, the Foundation had received no permanently restricted gifts.

In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Revenue Recognition

Revenues are recognized when earned, and expenses are recognized when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in the San Bernardino County Treasury.

KVCR EDUCATIONAL FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Inventory

Inventory consists of merchandise to be used as promotional items to be sold and/or given to donors in exchange for programming pledges exceeding specific dollar thresholds. Merchandise is recorded at cost when purchased and expensed as a supply when sold or given away.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Foundation is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified by the Internal Revenue Service (IRS) as other than a private organization. Contributions received qualify as tax deductible gifts as provided in Section 170(b)(1)(A)(vi). The Foundation is also exempt from California State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal Form 990, *Return of Organization Exempt From Income Tax*, and State Form 109, *California Exempt Organization Business Income Tax Return*, are subject to examination by the IRS for three years, and by the State Franchise Tax Board for four years, after they were filed. The Foundation is not aware of any such examinations at this time.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, general and administrative, and fundraising activities benefited.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable represent unrestricted contributions, pledges, and subscriptions. Management has reviewed the balance outstanding and has noted all are current and fully collectable.

NOTE 3 - DUE FROM AND TO RELATED PARTY

As of June 30, 2015, the Foundation is owed \$230,379 from the San Bernardino Community College District's KVCR FM and TV Station Fund for operational expenses. The Foundation owes the San Bernardino Community College District \$87,510 for expenses related to employee costs and supplies.

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable are categorized as follows:

Various vendors	<u><u>\$ 126,602</u></u>
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NOTE 5 - NET ASSETS

Temporarily restricted net assets consisted of program funds restricted for TV and Radio station programming and expenses by donors. Balances are held in separate sub-program accounts and monitored by management to ensure the use is appropriate.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Foundation has an ongoing relationship with the District. The District provides payroll and benefit services to individuals who are working for the Foundation. The Foundation reimburses the District for these services. During the 2014-2015 year, the costs related to District employees was \$267,644 and is included within the professional services expenses of the Foundation. Additionally, contributions and program underwriting received for the benefit of the District's TV and Radio stations during the year were \$1,530,562 and \$402,149, respectively. These funds will be held by the Foundation until needed for programming and services of the Stations. During the 2014-2015 fiscal year, the Foundation provided a total of \$2,064,662 in direct and indirect program support to support the TV and Radio stations.

NOTE 7 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through January 6, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.