

MENDOCINO COUNTY  
PUBLIC BROADCASTING

FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2024 AND 2023

# MENDOCINO COUNTY PUBLIC BROADCASTING

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Mendocino County Public Broadcasting - KZYX (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mendocino County Public Broadcasting – KZYX as of June 30, 2024, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mendocino County Public Broadcasting – KZYX and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mendocino County Public Broadcasting's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mendocino County Public Broadcasting - KZYX's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mendocino County Public Broadcasting - KZYX's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Mendocino County Public Broadcasting's fiscal year 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*F.E.W. CPAs*

F.E.W. CPAs  
Saint Louis, Missouri  
December 4, 2024

MENDOCINO COUNTY PUBLIC BROADCASTING  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2024 AND 2023

ASSETS

CURRENT ASSETS	2024	2023
Cash and cash equivalents	\$ 495,399	\$ 432,938
Pledges receivable, net of allowance	15,125	23,902
Underwriting receivables	10,665	10,121
Grant receivables	10,200	1,250
Deposits	15,244	17,144
Prepaid expenses	40,857	30,667
 Total current assets	 <u>587,490</u>	 <u>516,022</u>
 NONCURRENT ASSETS		
Right of use assets	260,581	306,044
Investments	12,345	6,530
Property and equipment, net of accumulated depreciation	712,373	688,769
Non-tangible property, net of accumulated amortization	6,351	6,351
 Total noncurrent assets	 <u>991,650</u>	 <u>1,007,694</u>
 Total assets	 <u><u>\$ 1,579,140</u></u>	 <u><u>\$ 1,523,716</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 14,212	\$ 26,809
Programming fees payable	-	9,230
Compensated absences	16,394	17,233
Other liabilities	56,382	20,477
Future minimum lease payments	32,289	45,087
Note payable	8,603	8,180
 Total current liabilities	 <u>127,880</u>	 <u>127,016</u>
 NONCURRENT LIABILITIES		
Future minimum lease payments, less current portion	234,634	260,957
Note payable, less current position	314,875	323,482
 Total noncurrent liabilities	 <u>549,509</u>	 <u>584,439</u>
 Total liabilities	 <u>677,389</u>	 <u>711,455</u>
 NET ASSETS		
Without donor restriction	639,068	561,653
With donor restriction	262,683	250,608
 Total net assets	 <u>901,751</u>	 <u>812,261</u>
 Total liabilities and net assets	 <u><u>\$ 1,579,140</u></u>	 <u><u>\$ 1,523,716</u></u>

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING  
STATEMENT OF ACTIVITIES  
FOR FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	Without Donor restriction	With Donor restriction	2024 Total	2023 Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 364,756	\$ 104,915	\$ 469,671	\$ 434,822
Grants	274,934	-	274,934	261,501
Underwriting Fees	109,008	-	109,008	91,024
Forgiveness of programming payable	4,259	-	4,259	10,000
Special events	27,162	-	27,162	9,082
Total support and revenue	780,119	104,915	885,034	806,429
Net assets released from restrictions				
Satisfaction of restriction	92,840	(92,840)	-	-
Total	872,959	12,075	885,034	806,429
<b>EXPENSES</b>				
Programs				
Programming and production	85,834	-	85,834	104,914
Broadcasting	200,751	-	200,751	190,767
Program information and promotion	188,938	-	188,938	171,176
Total program services	475,523	-	475,523	466,857
Support services				
Fundraising and membership development	95,327	-	95,327	96,739
Underwriting and grant solicitation	33,744	-	33,744	42,351
Management and general	196,893	-	196,893	193,030
Total support services	325,964	-	325,964	332,120
Total expenses	801,487	-	801,487	798,977
Changes in net assets from operations	71,472	12,075	83,547	7,452
<b>INVESTMENT ACTIVITIES</b>				
Interest income	5,943	-	5,943	2,124
Total Investment Activities	5,943	-	5,943	2,124
Changes in net assets	77,415	12,075	89,490	9,576
Net assets - beginning of year	561,653	250,608	812,261	802,685
Net assets - end of year	\$ 639,068	\$ 262,683	\$ 901,751	\$ 812,261

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	Programs			Support Services			2024 Total	2023 Total
	Programming and production	Broadcasting	Program information and promotion	Fundraising and membership development	Underwriting and grant solicitation	Management and general		
Salaries and related expenses	\$ 71,471	\$ 77,670	\$ 112,480	\$ 35,761	\$ 32,548	\$ 121,758	\$ 451,688	\$ 467,796
Legal and professional	226	226	451	8,931	936	9,912	20,682	18,384
Consulting	-	2,548	3,300	-	-	-	5,848	13,562
Programming	-	-	59,276	-	-	-	59,276	56,202
Dues and subscriptions	6,278	10,171	-	5,793	-	2,951	25,193	27,288
Rents	-	60,298	-	-	-	-	60,298	48,829
Fundraising	-	-	-	27,422	-	-	27,422	13,288
Advertising	-	-	-	5,700	-	-	5,700	6,325
Printing and supplies	-	7,259	1,916	11,177	260	2,318	22,930	26,800
Telephone	-	20,565	-	-	-	402	20,967	18,556
Insurance	-	-	-	-	-	16,286	16,286	15,836
Satellite interconnect	-	-	11,315	-	-	-	11,315	11,206
Professional development	400	950	200	-	-	-	1,550	2,299
Meals and lodging	-	-	-	-	-	1,287	1,287	3,357
Utilities	-	927	-	-	-	11,770	12,697	12,056
Travel	2,159	955	-	-	-	-	3,114	3,956
Interest	-	-	-	-	-	21,344	21,344	15,327
Depreciation and amortization	5,300	12,250	-	-	-	-	17,550	22,815
Other	-	6,932	-	543	-	8,865	16,340	15,095
Total	<u>\$ 85,834</u>	<u>\$ 200,751</u>	<u>\$ 188,938</u>	<u>\$ 95,327</u>	<u>\$ 33,744</u>	<u>\$ 196,893</u>	<u>\$ 801,487</u>	<u>\$ 798,977</u>

See accompanying notes and independent auditors' report

MENDOCINO COUNTY PUBLIC BROADCASTING  
STATEMENT OF CASH FLOWS  
FOR FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 43,455	\$ 9,576
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,550	22,815
Amortization of right-of-use assets	45,463	-
Donated investments	(4,925)	(6,530)
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable, net of allowance	8,777	(1,629)
(Increase) decrease in underwriting receivables	(544)	(8,153)
(Increase) decrease in grant receivables	(8,950)	1,750
(Increase) decrease in deposits	1,900	(1,900)
(Increase) decrease in prepaid expenses	(10,190)	(10,471)
(Increase) decrease in right of use assets	-	(306,044)
Increase (decrease) in accounts payable	(12,597)	(7,222)
Increase (decrease) in programming fees payable	(9,230)	(20,000)
Increase (decrease) in compensated absences	(839)	3,397
Increase (decrease) in other liabilities	35,905	276
Increase (decrease) in future minimum lease payments	6,914	306,044
Net cash provided by (used in) operating activities	<u>112,689</u>	<u>(18,091)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(41,155)	(114,957)
Net cash provided by (used in) investing activities	<u>(41,155)</u>	<u>(114,957)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on note payable	(8,184)	(7,858)
Principal payments on future minimum lease payments	(889)	-
Net cash provided by (used in) financing activities	<u>(9,073)</u>	<u>(7,858)</u>
Net increase (decrease) in cash and cash equivalents	62,461	(140,906)
Cash and cash equivalents - beginning of the year	<u>432,938</u>	<u>573,844</u>
Cash and cash equivalents - end of the year	<u><u>\$ 495,399</u></u>	<u><u>\$ 432,938</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 15,002	\$ 15,327

See accompanying notes and independent auditors' report



MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Mendocino County Public Broadcasting (the “Organization”) is a nonprofit public benefit corporation. The Organization’s primary purpose is to own and operate an educational, nonprofit, community-supported broadcast system, including, but not necessarily limited to radio broadcasting. The broadcast system consists of KZYG, KZYX, 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 (“U.S. 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 that are 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.

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. Allowance for doubtful accounts for the fiscal years ended June 30, 2024 and 2023 was \$5,000 and \$5,000, respectively.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

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

Programming Fees Payable

The Organization entered into a structured settlement for programming fees payable, in equal installments over five years. The last payment in this settlement was paid in December 2023. As of June 30, 2024, there are no programming fees payable.

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, depending on the nature of the 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, 2024, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed for fiscal 2020 and prior 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.

Comparative Data

The amounts shown for the fiscal year ended June 30, 2023, in the accompanying financial statements are included to provide a basis for comparison with fiscal 2024 and present summarized totals only. Accordingly, the fiscal 2023 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 statements for the fiscal year ended June 30, 2023, from which the summarized information was derived.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

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

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. Assets above \$3,000 are capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Buildings have been depreciated over 39 years, 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, 2024 and 2023 was \$17,550 and \$22,815, respectively.

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, 2024 and 2023 was \$5,700 and \$6,325, 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, 2024 and 2023 were \$16,394 and \$17,233, 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.

Leases

During fiscal year 2023, the Organization adopted ASU2016-02 *Leases (Topic 842)*, which superseded existing guidance for accounting for leases under *Topic 840, Leases*. The adoption of this guidance requires the recognition of the remaining value of operating leases as assets and liabilities on the statement of financial position as right-of-use assets and future minimum lease obligations, respectively. Leases recognized in the financial statements are described in the operating leases note.

Use of Estimates in Financial Statements

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.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

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

Revenue from Contracts with Customers

The Organization recognizes revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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 2 - PROPERTY AND EQUIPMENT**

A summary of property and equipment for the fiscal year end June 30, 2024 and 2023 are as follows:

	2024	2023
Buildings	\$ 238,735	\$ 238,735
Broadcasting and other equipment	302,386	302,386
Leasehold improvements	63,900	63,900
Recording material	19,898	19,898
Total depreciable assets	624,919	624,919
Land	221,265	221,265
Construction in progress	241,409	200,255
Accumulated depreciation	(375,221)	(357,670)
Property and equipment, net	<u>\$ 712,373</u>	<u>\$ 688,769</u>

**NOTE 3 - INTANGIBLE ASSETS**

A summary of the station license intangible assets are as follows:

	2024	2023
Station license	\$ 2,239	\$ 2,239
Loan and closing costs	6,866	6,866
Total intangible assets	9,105	9,105
Accumulated amortization	(2,754)	(2,754)
Intangible assets, net	<u>\$ 6,351</u>	<u>\$ 6,351</u>

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**NOTE 4 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at June 30, 2024 and 2023.

Financial assets at fiscal year-end	2024	2023
Cash and cash equivalents	\$ 495,399	\$ 432,938
Pledges receivable, net of allowance	15,125	23,902
Underwriting receivables	10,665	10,121
Grants receivable	10,200	1,250
Investments	12,345	6,530
Total financial assets at fiscal year-end	<u>543,734</u>	<u>474,741</u>
Less amounts not available for general expenditures within one year:		
Net assets with period restrictions in excess of one year	-	-
Net assets with purpose restrictions	<u>262,683</u>	<u>250,608</u>
Total amounts not available to meet general expenditures within one year	<u>262,683</u>	<u>250,608</u>
Financial assets available to meet general expenditures within one year	<u>\$ 281,051</u>	<u>\$ 224,133</u>

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2024 and 2023 are restricted as follows:

	Purpose		Period	
	2024	2023	2024	2023
Building Fund	<u>262,683</u>	<u>250,608</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 262,683</u>	<u>\$ 250,608</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 6 - CONCENTRATION OF CREDIT RISK**

The Organization maintains deposit accounts at the Savings Bank of Mendocino County. Each depositor is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2024, the Organizations' cash deposits had a total carrying balance of \$495,399 and a total bank balance of \$500,920. Of the total bank balance, \$250,920 was unsecured.

As of June 30, 2023, the Organizations' cash deposits had a total carrying balance of \$432,909 and a total bank balance of \$434,735. Of the total bank balance, \$184,735 was unsecured.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**NOTE 7 - REVENUE RECOGNITION**

Contracts with Customers

The Organization recognized \$109,008 and \$91,024 of revenue from fees received from underwriting during fiscal years 2024 and 2023 respectively. Impairment losses of \$0 and \$5,000 were recognized on receivables or contract assets during fiscal years 2024 and 2023 respectively.

Disaggregated Revenue

Underwriting revenue is recognized when the Organization provides air time to the customer. Hence, economic factors can materially affect the nature, timing, and uncertainty of revenues and cash flows from underwriting revenue.

Contract Balances

The beginning and ending contract balances were as follows:

	2024	2023	2022
Underwriting receivable	\$ 10,665	\$ 10,121	\$ 1,968

Underwriting revenue is recognized when the Organization provides air time to the customer. Hence, economic factors can materially affect the nature, timing, and uncertainty of revenues and cash flows from underwriting revenue.

Performance Obligations

- Performance obligations for contract revenue are satisfied when goods or services are provided, and details are shown on the Statement of Activities.
- The Organization does not charge interest on accounts receivable.
- The Organization has no formal obligation for refunds.

Significant Judgments

There were no significant judgments used for the recognition of revenue for fiscal year 2024. Also, during fiscal year 2024 there were no changes in the judgments utilized for determining the timing of the satisfaction of performance obligations or transaction prices allocated to performance obligations.

The Organization bills for services using an agreed-upon rate. Adjusting consideration for the effects of the time value of money is not necessary for the Organization's contract receivables. The financial statements include no estimates of variable consideration or noncash consideration.

Practical Expedients Used for Financing Components

There is no financing component to the Organization's recognition of revenue.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**NOTE 8 - 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, 2024 and 8.75% at June 30, 2023. 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, 2024 and 2023 were \$0 and \$0 respectively.

**NOTE 9 - 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 month to month, to 15 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 February 13, 2024, which extended the lease until October 31, 2025. The lease payments are \$1,051 per month.
- B. The Organization has a 10-year lease agreement with Bald Hill Tower Co, LLC for a transmitting site. The lease includes 3 extensions of 5 years each that automatically extend unless the lessee requests termination 90 days prior to the conclusion of the current term. The lease payments were \$407 per month until November 1, 2023 then increased to \$432 per month. The lease increases 6% each year on November 1<sup>st</sup>.
- C. The Organization has a 10-year lease agreement with the State of California for a transmitting site in Cold Springs. The lease includes 3 extensions of 5 years each that extend at the discretion of the lessor. The lease payment was \$12,884 for fiscal year 2024. The lease increases 6% each year on July 1<sup>st</sup> during the 10-year lease term.
- D. The Organization has a 10-year lease agreement with the State of California for a transmitting site at Laughlin Ridge. The lease includes 3 extensions of 5 years each that extend at the discretion of the lessor. The lease payment was \$7,942 for fiscal year 2024. The lease increases 6% each year on July 1<sup>st</sup> during the 10-year lease term.
- E. The Organization entered into a month-to-month lease agreement with the Mendocino County Office of Education for the use of facilities in July 2022. The lease payments are \$450 per month.
- F. The Organization entered into a 5-year lease agreement with Advanced Xero Graphics for a copier in July 2022. The lease payments are \$104 per month.

MENDOCINO COUNTY PUBLIC BROADCASTING  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**NOTE 9 - OPERATING LEASES** (Continued)

Right-of-use assets for the fiscal years ended June 30, 2024 and 2023 was \$260,581 and \$306,044, respectively as shown in noncurrent assets on the statement of financial position; the lease liability is included in current liabilities for the fiscal year ended June 30, 2024 and 2023 of \$32,289 and \$45,087, respectively and non-current liabilities of \$234,634 and \$260,957, respectively. The lease asset and lease liability were calculated utilizing the risk-free discount rate of 2.82% according to the Organization's selected policy.

For the fiscal year ending June 30:

2025	\$ 32,289
2026	29,051
2027	30,056
2028	31,103
2029	30,944
2030 and Beyond	<u>159,515</u>
Total	312,958
Interest	<u>(46,035)</u>
Present value of lease liabilities	<u>\$ 266,923</u>

Operating lease payments totaled \$45,168 and \$43,726 for the fiscal years ended June 30, 2024 and 2023, respectively.

**NOTE 10 - 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 each year 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, 2024 and 2023, the balance of programming fees payable was \$0 and \$9,230, respectively.

**NOTE 11 - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below:



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**NOTE 11 - FAIR VALUE MEASUREMENTS (Continued)**

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

Level 2- Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes during 2024 in the methodologies used to value the investments as of June 30, 2024.

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	<u>\$ 12,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,345</u>
Total	<u><u>\$ 12,345</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,345</u></u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	<u>\$ 6,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,529</u>
Total	<u><u>\$ 6,529</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,529</u></u>

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**NOTE 12 - NOTE PAYABLE**

In September 2021, the Organization received loan proceeds in the amount of \$345,000 from SBMC Bank for the purpose of purchasing a new facility. The loan has an interest rate of 4.5%. During fiscal year 2024, loan payments totaling \$21,254 were made. The balance as of June 30, 2024 and 2023 was \$323,478 and \$331,662, respectively.

Future minimum loan payments are as follows:

For the fiscal year ending June 30:

2025	\$ 8,603
2026	9,003
2027	9,423
2028	10,320
2029	10,801
2030 and Beyond	<u>275,328</u>
Total	<u><u>\$ 323,478</u></u>

**NOTE 13 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 4, 2024, the date which the financial statements were available for issue, and noted no reportable events.