

# **MENDOCINO COUNTY PUBLIC BROADCASTING**

## **FINANCIAL STATEMENTS**

June 30, 2011 and 2010

# MENDOCINO COUNTY PUBLIC BROADCASTING

## FINANCIAL STATEMENTS

June 30, 2011 and 2010

### TABLE OF CONTENTS

	<b>PAGE</b>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10
Additional Information	11
Statements of Functional Expenses	12- 13

# Frank X. Gloeggler

Certified Public Accountant

2020 Main Street  
Fortuna, California 95540  
Phone (707) 725-8750  
Fax (707) 725-9145

784 Redwood Drive  
Garberville, California 95542  
Phone (707) 923-2768  
Fax (707) 923-4841

August 30, 2011

## INDEPENDENT AUDITOR'S REPORT

Board of Directors

**MENDOCINO COUNTY PUBLIC BROADCASTING**

P O Box 135

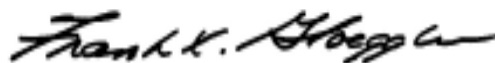
Philo, CA 95466-0135

I have audited the accompanying statements of financial position of **MENDOCINO COUNTY PUBLIC BROADCASTING** (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of **MENDOCINO COUNTY PUBLIC BROADCASTING** as of June 30, 2011 and 2010, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements of functional expenses are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



# MENDOCINO COUNTY PUBLIC BROADCASTING

## STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$ 6,234	\$ 2,346
Grants Receivable	34,937	34,125
Accounts receivable, net of allowance of \$2,675 and \$666, respectively	26,440	6,959
Pledges receivable, net of allowance of \$531 and \$14,175 respectively	5,239	30,366
Prepays	<u>29,565</u>	<u>29,489</u>
Total Current Assets	<u>\$102,415</u>	<u>\$103,285</u>
Property and Equipment, net	\$162,466	\$184,583
Station License, net	1,257	2,143
Deposits	<u>891</u>	<u>835</u>
TOTAL ASSETS	<u>\$267,029</u>	<u>\$290,846</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable & accrued liabilities	\$113,847	\$132,446
Deferred revenues	7,725	8,306
Line of credit	<u>64,075</u>	<u>58,432</u>
Total Current Liabilities	<u>\$185,647</u>	<u>\$199,184</u>
Net Assets:		
Unrestricted Net Assets	\$ <u>81,382</u>	\$ <u>91,662</u>
Total Net Assets	\$ <u>81,382</u>	\$ <u>91,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$267,029</u>	<u>\$290,846</u>

The accompanying notes are an integral part of these financial statements.

# MENDOCINO COUNTY PUBLIC BROADCASTING

## STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2011 and 2010

		<u>2011</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Memberships/Contributions	\$271,844	\$ -	\$271,844
Underwriting	82,825	-	82,825
Special Events	35,824	-	35,824
Grant Income	<u>136,584</u>	<u>-</u>	<u>136,584</u>
TOTAL SUPPORT AND REVENUE	<u>\$527,077</u>	<u>\$ -</u>	<u>\$527,077</u>
EXPENSES AND LOSSES			
Program Services:			
Programming and production	\$133,158	\$ -	\$133,158
Broadcasting	74,958	-	74,958
Program information and promotion	15,658	-	15,658
Supporting Services:			
Management and general	170,047	-	170,047
Fundraising and membership development	81,803	-	81,803
Underwriting and grant solicitation	<u>61,733</u>	<u>-</u>	<u>61,733</u>
TOTAL EXPENSES	<u>\$537,357</u>	<u>\$ -</u>	<u>\$537,357</u>
CHANGE IN NET ASSETS	\$ (10,280)	\$ -	\$ (10,280)
NET ASSETS, BEGINNING OF YEAR	<u>91,662</u>	<u>-</u>	<u>91,662</u>
NET ASSETS, END OF YEAR	<u>\$ 81,382</u>	<u>\$ -</u>	<u>\$ 81,382</u>

The accompanying notes are an integral part of these financial statements.

# MENDOCINO COUNTY PUBLIC BROADCASTING

## STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2011 and 2010

		<u>2010</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Memberships/Contributions	\$340,371	\$ -	\$340,371
Underwriting	77,915	-	77,915
Special Events	50,598	-	50,598
Grant Income	<u>142,587</u>	<u>-</u>	<u>142,587</u>
TOTAL SUPPORT AND REVENUE	<u>\$611,471</u>	<u>\$ -</u>	<u>\$611,471</u>
EXPENSES AND LOSSES			
Program Services:			
Programming and production	\$121,046	\$ -	\$121,046
Broadcasting	101,474	-	101,474
Program information and promotion	38,365	-	38,365
Supporting Services:			
Management and general	190,425	-	190,425
Fundraising and membership development	91,027	-	91,027
Underwriting and grant solicitation	<u>15,981</u>	<u>-</u>	<u>15,981</u>
TOTAL EXPENSES	<u>\$558,318</u>	<u>\$ -</u>	<u>\$558,318</u>
CHANGE IN NET ASSETS	\$ 53,153	\$ -	\$ 53,153
NET ASSETS, BEGINNING OF YEAR	<u>38,509</u>	<u>-</u>	<u>38,509</u>
NET ASSETS, END OF YEAR	<u>\$ 91,662</u>	<u>\$ -</u>	<u>\$ 91,662</u>

The accompanying notes are an integral part of these financial statements.

# MENDOCINO COUNTY PUBLIC BROADCASTING

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (10,280)	\$ 53,153
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation & Amortization	20,003	23,590
(Increase) decrease in operating assets		
Receivables	4,834	(17,338)
Deposits	(56)	1,806
Prepaid Expenses	(76)	(7,762)
Increase (decrease) in operating liabilities		
Accounts payable & Accrued expenses	(19,180)	(23,146)
Bank Overdraft	<u>-</u>	<u>(7,133)</u>
NET CASH FROM OPERATING ACTIVITIES	\$ <u>(1,755)</u>	\$ <u>23,170</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in equipment	\$ <u>-</u>	\$ <u>(4,872)</u>
NET CASH FROM INVESTING ACTIVITIES	\$ <u>-</u>	\$ <u>(4,872)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit - New Borrowing	\$ 196,200	\$ 128,514
Line of credit - Repayments	<u>(190,557)</u>	<u>(144,673)</u>
NET CASH FROM FINANCING ACTIVITIES	\$ <u>5,643</u>	\$ <u>(16,159)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 3,888	\$ 2,139
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>2,346</u>	<u>207</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u><u>6,234</u></u>	\$ <u><u>2,346</u></u>

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ 4,252	\$ 3,840
Taxes	\$ 10	\$ 10

The accompanying notes are an integral part of these financial statements.

# MENDOCINO COUNTY PUBLIC BROADCASTING

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **MENDOCINO COUNTY PUBLIC BROADCASTING** is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

#### **Nature of Activities**

**MENDOCINO COUNTY PUBLIC BROADCASTING** is a non-profit public benefit corporation. Its primary purpose is to own and operate an educational, non-profit, community supported broadcast system, including, but not necessarily limited to radio broadcasting.

#### **Basis of Accounting**

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

#### **Tax Status**

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

#### **Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) no. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, **MENDOCINO COUNTY PUBLIC BROADCASTING** 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.



# MENDOCINO COUNTY PUBLIC BROADCASTING

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, **MENDOCINO COUNTY PUBLIC BROADCASTING's** management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Estimates**

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

#### **Functional Allocation of Expenses**

**MENDOCINO COUNTY PUBLIC BROADCASTING** allocates its expenses on a functional basis among its various programs including fund-raising activities and support services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

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

**MENDOCINO COUNTY PUBLIC BROADCASTING** classifies its revenues, expenses, gains and losses according to the provisions of SFAS No. 116.

Support and revenue are recognized when earned. Support is considered as unrestricted revenue in the absence of a donor's explicit stipulation or circumstances surrounding the receipt of a contribution that evidence the donor's implicit restriction on use. **MENDOCINO COUNTY PUBLIC BROADCASTING**, records barter transactions in accordance with SFAS 63. Barter revenue is recognized at time of broadcast. Merchandise or services are recognized when received or used.

Expenses are functionally classified as program services or supporting activities. Program services are activities such as production, programming, support, and community affairs. Supporting activities are all activities other than program services. They include management and general, fund-raising, and membership development activities.

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

# MENDOCINO COUNTY PUBLIC BROADCASTING

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and Equipment

Property and equipment are stated at cost. It is the policy of **MENDOCINO COUNTY PUBLIC BROADCASTING** to capitalize assets which cost over \$3,000. Depreciation is based on estimated useful lives which range from five to thirty years using the straight-line method of depreciation. Donated assets are carried at the estimated fair market value on the date of donation if the cost is not known.

#### Contributed Services

**MENDOCINO COUNTY PUBLIC BROADCASTING** recognizes contributed services in accordance with SFAS No. 116. SFAS No. 116 requires the recognition, as revenue, of contributed services received that (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

#### Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2011, all promises to give are receivable in less than one year.

### NOTE 2 - PROPERTY AND EQUIPMENT

At June 30, 2011 and 2010, Property and Equipment was composed of the following:

	<u>2011</u>	<u>2010</u>
Leasehold Improvements	\$ 34,765	\$ 34,765
Office Equipment	5,812	5,812
Broadcast & Other Equipment	260,182	260,182
Recorded Material	<u>119,898</u>	<u>119,898</u>
	\$420,657	\$420,657
Less Accumulated Depreciation	<u>258,191</u>	<u>236,074</u>
Net	<u>\$162,466</u>	<u>\$184,583</u>

Depreciation expense for 2011 and 2010 was \$22,117 and \$22,704, respectively.

# MENDOCINO COUNTY PUBLIC BROADCASTING

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### NOTE 3 - CASH AND CASH EQUIVALENTS

Included in the computation of Cash and Cash Equivalents are the following balances:

	<u>2011</u>	<u>2010</u>
Cash in Checking	\$6,234	\$2,266
Cash on Hand (Petty Cash)	-	-
Cash in Savings	<u>-</u>	<u>80</u>
Total	<u>\$6,234</u>	<u>\$2,346</u>

All of **MENDOCINO COUNTY PUBLIC BROADCASTING's** cash is fully insured.

### NOTE 4 - COMMUNITY SERVICE GRANTS - CONCENTRATION OF RISK

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

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

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

### NOTE 5 - STATION LICENSE

The Station license consisted of the following at June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Station license	\$6,206	\$6,206
Less accumulated amortization	<u>4,949</u>	<u>4,063</u>
Station License, net	<u>\$1,257</u>	<u>\$2,143</u>

Amortization expenses for 2011 and 2010 was \$886 and \$886, respectively.

# MENDOCINO COUNTY PUBLIC BROADCASTING

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### NOTE 6 - LINE OF CREDIT

During the year ended June 30, 2011 the station had available a \$75,000 revolving line of credit with a bank. The line of credit is unsecured. Advances on the line of credit bear interest at three and one quarter percentage point above the Wall Street Journal prime rate. There was \$64,075 outstanding on the line of credit at June 30, 2011.

### NOTE 7 - LEASES

The Station leases its office facilities and transmitter sites under various operating lease agreements with original terms ranging from 5 to 15 years and with renewal options ranging from monthly to 10 years. Payments under certain leases are subject to annual increases to reflect inflation. Future minimum lease payments under operating lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2012	\$6,900
2013	<u>2,300</u>
Total	<u>\$9,200</u>

For the years ended June 30, 2011 and 2010, rent expenses related to these leases was \$28,587 and \$30,974 respectively.

### NOTE 8 - DONATED SUPPLIES AND MATERIALS

Donated supplies and materials are recorded at their fair market value when donated.

### NOTE 9 - MANAGEMENT REVIEW

The date to which events occurring after June 30, 2011 the date of the most recent balance sheet, have been evaluated for possible adjustments to the financial statements or disclosure is December 21, 2011 which is the date on which the financial statements were available to be issued.

### NOTE 10 - RECLASSIFICATIONS - SUPPORT and REVIEW

In the June 30, 2011 statement of activities, memberships and contributions have been combined. Therefore the amounts have been combined for 2010.

## **ADDITIONAL INFORMATION**

# MENDOCINO COUNTY PUBLIC BROADCASTING

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

	<u>Programming and Production</u>	<u>Broadcasting</u>	<u>Program Information and Promotion</u>	<u>Fundraising and Membership Development</u>	<u>Underwriting and Grant Solicitation</u>	<u>Management and General</u>	<u>Total</u>
Wages, salaries and related expenses	\$ 76,476	\$44,630	\$ -	\$47,694	\$45,821	\$ 70,502	\$285,123
Office expenses	-	1,331	-	34,109	15,912	63,644	114,996
Legal and professional	-	-	-	-	-	8,198	8,198
Utilities	-	111	-	-	-	7,015	7,126
Rents	6,760	20,278	-	-	-	1,549	28,587
Insurance	-	5,174	-	-	-	5,175	10,349
Programming and production	42,254	-	15,658	-	-	-	57,912
Maintenance	-	940	-	-	-	1,123	2,063
Depreciation and amortization	<u>7,668</u>	<u>7,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,667</u>	<u>23,003</u>
Total Expenses	<u>\$133,158</u>	<u>\$80,132</u>	<u>\$15,658</u>	<u>\$81,803</u>	<u>\$61,733</u>	<u>\$164,873</u>	<u>\$537,357</u>

# MENDOCINO COUNTY PUBLIC BROADCASTING

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	Programming and <u>Production</u>	Broadcasting	Program Information and <u>Promotion</u>	Fundraising and Membership <u>Development</u>	Underwriting and Grant <u>Solicitation</u>	Management and <u>General</u>	<u>Total</u>
Wages, salaries and related expenses	\$ 67,374	\$ 46,373	\$ -	\$53,763	\$14,395	\$121,941	\$303,846
Office expenses	23,313	23,314	-	16,220	1,586	25,033	89,466
Legal and professional	-	-	-	-	-	17,677	17,677
Utilities	-	815	-	-	-	6,134	6,949
Rents	5,695	19,368	-	-	-	5,911	30,974
Insurance	-	3,560	-	-	-	3,559	7,119
Programming and production	16,801	-	38,365	21,044	-	-	76,210
Maintenance	-	181	-	-	-	2,306	2,487
Depreciation and amortization	<u>7,863</u>	<u>7,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,864</u>	<u>23,590</u>
Total Expenses	<u>\$121,046</u>	<u>\$101,474</u>	<u>\$38,365</u>	<u>\$91,027</u>	<u>\$15,981</u>	<u>\$190,425</u>	<u>\$558,318</u>