

**RURAL CALIFORNIA BROADCASTING CORPORATION**

**FINANCIAL STATEMENTS**  
**September 30, 2021 and 2020**

RURAL CALIFORNIA BROADCASTING CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rural California Broadcasting Corporation  
Rohnert Park, California

We have audited the accompanying financial statements of Rural California Broadcasting Corporation, a non-profit organization, which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 Rural California Broadcasting Corporation as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Propp Christensen Caniglia LLP*

April 11, 2022  
Roseville, California

RURAL CALIFORNIA BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

September 30, 2021 and 2020

ASSETS		2021	2020
Current assets:			
Cash and cash equivalents	\$	2,749,021	\$ 461,981
Accounts receivable, net		97,376	101,105
Pledges receivable, net		47,313	39,042
FCC Repack receivable		645,011	154,157
Interest receivable		66,858	86,692
Inventory		3,674	-
Prepaid programming		48,483	89,800
Prepaid expenses		85,543	83,723
Total current assets		3,743,279	1,016,500
Cash held for other organizations		9,577	20,261
Investments		61,505,808	59,274,234
Broadcast licenses, net		13,428,900	12,000,000
Property and equipment, net		9,277,648	7,355,466
Other assets		44,705	27,483
Total assets	\$	<u>88,009,917</u>	<u>\$ 79,693,944</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$	587,258	\$ 200,630
Accrued expenses		346,420	232,622
Unearned revenue		28,000	29,682
Note payable, current portion		-	17,424
Total current liabilities		961,678	480,358
Payable to other organizations		9,577	20,261
Note payable, less current portion		-	537,958
Total liabilities		<u>971,255</u>	<u>1,038,577</u>
Net assets:			
Without donor restrictions		86,822,560	78,539,816
With donor restrictions		216,102	115,551
Total net assets		<u>87,038,662</u>	<u>78,655,367</u>
Total liabilities and net assets	\$	<u>88,009,917</u>	<u>\$ 79,693,944</u>

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

# RURAL CALIFORNIA BROADCASTING CORPORATION

## STATEMENTS OF ACTIVITIES For the Years Ended September 30, 2021 and 2020

	Without Donor Restrictions		With Donor	2021
	Television	Radio	Restrictions	Total
	Company	Company		
Revenue and support:				
Grants:				
Corporation for Public Broadcasting	\$ 708,885	\$ 228,331	\$ -	\$ 937,216
Corporate, foundation, government and other	15,000	11,850	10,000	36,850
Underwriting contributions	94,292	91,921	-	186,213
Membership contributions	900,819	253,723	-	1,154,542
Annual auction and other fundraising activities	79,184	789	-	79,973
FCC Repack reimbursements	1,126,794	-	-	1,126,794
Services and other revenues	892,788	91,965	-	984,753
Net return on investments	7,894,961	1,973,740	-	9,868,701
Donated goods and services	32,025	6,351	-	38,376
Net assets released from restriction	(551)	(90,000)	90,551	-
Total revenue and support	11,744,197	2,568,670	100,551	14,413,418
Expenditures:				
Program services:				
Programming and production	890,516	763,265	-	1,653,781
Broadcasting	1,906,883	285,214	-	2,192,097
Program information and promotion	201,307	72,514	-	273,821
Supporting services:				
Management and general	801,555	329,071	-	1,130,626
Auction and membership development	537,993	121,829	-	659,822
Underwriting and grant development	97,539	22,437	-	119,976
Total expenditures	4,435,793	1,594,330	-	6,030,123
Change in net assets	7,308,404	974,340	100,551	8,383,295
Net assets, beginning of year	80,930,690	(2,390,874)	115,551	78,655,367
Net assets, end of year	\$ 88,239,094	\$ (1,416,534)	\$ 216,102	\$ 87,038,662

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

RURAL CALIFORNIA BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES (CONTINUED)  
For the Years Ended September 30, 2021 and 2020

	Without Donor Restrictions		With Donor	2020
	Television Company	Radio Company	Restrictions	Total
Revenue and support:				
Grants:				
Corporation for Public Broadcasting	\$ 582,773	\$ 201,767	\$ -	\$ 784,540
Corporate, foundation, government and other	394,880	93,292	8,378	496,550
Underwriting contributions	37,257	44,594	-	81,851
Membership contributions	649,819	236,587	-	886,406
Annual auction and other fundraising activities	54,759	-	-	54,759
FCC Repack reimbursements	1,685,173	-	-	1,685,173
Services and other revenues	1,457,132	100,720	-	1,557,852
Net return on investments	2,893,361	723,315	-	3,616,676
Donated goods and services	90,417	4,446	-	94,863
Net assets released from restriction	6,205	39,117	(45,322)	-
Total revenue and support	7,851,776	1,443,838	(36,944)	9,258,670
Expenditures:				
Program services:				
Programming and production	829,040	556,120	-	1,385,160
Broadcasting	1,672,051	247,287	-	1,919,338
Program information and promotion	193,230	56,851	-	250,081
Supporting services:				
Management and general	685,239	181,589	-	866,828
Auction and membership development	481,474	85,852	-	567,326
Underwriting and grant development	106,514	29,842	-	136,356
Total expenditures	3,967,548	1,157,541	-	5,125,089
Change in net assets	3,884,228	286,297	(36,944)	4,133,581
Net assets, beginning of year	77,046,462	(2,677,171)	152,495	74,521,786
Net assets, end of year	\$ 80,930,690	\$ (2,390,874)	\$ 115,551	\$ 78,655,367

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

RURAL CALIFORNIA BROADCASTING CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended September 30, 2021 and 2020

	Program Services			Supporting Services			
	Programming and Production	Broadcasting	Program Information and Website	Management and General	Auction and Membership Development	Underwriting and Grant Development	2021 Total
Personnel costs	\$ 975,813	\$ 609,475	\$ 155,989	\$ 522,227	\$ 365,201	\$ 118,328	\$ 2,747,033
Depreciation	27,423	536,892	1,043	28,908	4,520	1,043	599,829
Dues, fees and subscriptions	22,397	220	1,797	39,329	38,127	-	101,870
Advertising and promotion	448	3,962	56,399	19,687	134,736	-	215,232
Insurance	-	-	-	63,443	-	-	63,443
Interest	-	-	-	11,896	-	-	11,896
Equipment rental and maintenance	8,961	58,941	-	15,896	-	-	83,798
Travel, education and training	3,081	1,637	-	9,183	1,161	-	15,062
Postage and freight	17	889	543	2,043	28,502	540	32,534
Printing and supplies	98	-	18,367	2,793	16,773	-	38,031
Production costs	6,711	-	-	-	-	-	6,711
Professional services	130,805	61,549	39,102	270,616	48,554	-	550,626
Program acquisition	454,120	58,473	-	-	-	-	512,593
Rent	-	586,448	-	5,528	-	-	591,976
Telephone	1,000	97,225	-	27,932	19,638	-	145,795
Utilities	-	166,420	-	67,836	-	-	234,256
Miscellaneous	22,907	9,966	581	43,309	2,610	65	79,438
Total functional expenses	<u>\$ 1,653,781</u>	<u>\$ 2,192,097</u>	<u>\$ 273,821</u>	<u>\$ 1,130,626</u>	<u>\$ 659,822</u>	<u>\$ 119,976</u>	<u>\$ 6,030,123</u>

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

RURAL CALIFORNIA BROADCASTING CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended September 30, 2021 and 2020

	Program Services			Supporting Services			2020 Total
	Programming and Production	Broadcasting	Program Information and Website	Management and General	Auction and Membership Development	Underwriting and Grant Development	
Personnel costs	\$ 867,447	\$ 559,407	\$ 165,968	\$ 331,918	\$ 309,609	\$ 115,080	\$ 2,349,429
Depreciation	3,815	328,844	1,043	21,934	4,520	1,043	361,199
Dues, fees and subscriptions	3,564	5,534	6,651	28,668	37,504	2,884	84,805
Advertising and promotion	150	-	27,985	959	117,720	-	146,814
Insurance	-	-	-	61,566	-	-	61,566
Interest	-	-	-	24,130	-	-	24,130
Equipment rental and maintenance	3,186	62,486	3,100	22,486	-	-	91,258
Travel, education and training	7,065	3,448	-	5,179	1,261	307	17,260
Postage and freight	531	1,220	338	1,788	30,353	-	34,230
Printing and supplies	-	-	1,838	82	19,702	-	21,622
Production costs	2,137	-	-	-	-	-	2,137
Professional services	62,953	156,606	39,622	220,722	20,460	13,691	514,054
Program acquisition	421,161	544	-	-	-	-	421,705
Rent	-	549,588	-	2,444	-	-	552,032
Telephone	11,125	65,204	2,791	21,492	22,004	-	122,616
Utilities	-	183,541	-	68,234	-	-	251,775
Bad debt expense (recovery)	-	-	-	-	-	3,335	3,335
Miscellaneous	2,026	2,916	745	55,226	4,193	16	65,122
Total functional expenses	<u>\$ 1,385,160</u>	<u>\$ 1,919,338</u>	<u>\$ 250,081</u>	<u>\$ 866,828</u>	<u>\$ 567,326</u>	<u>\$ 136,356</u>	<u>\$ 5,125,089</u>

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



RURAL CALIFORNIA BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from members, grants and other support	\$ 2,213,041	\$ 2,162,247
Cash received from other transactions	1,170,966	1,639,703
Cash paid to vendors and employees	(4,871,679)	(5,609,769)
Investment income received	1,265,815	1,473,440
Interest paid	(11,896)	(24,130)
Net cash used in operating activities	(233,753)	(358,509)
Cash flows from investing activities:		
Cash received from FCC Repack	635,940	2,757,466
Purchase of investments	(8,108,699)	(20,028,934)
Proceeds from sale of investments	14,499,845	19,895,392
Purchase of fixed assets	(2,522,011)	(3,379,478)
Purchase of KDHT licenses	(1,428,900)	-
Net cash provided by (used in) investing activities	3,076,175	(755,554)
Cash flows from financing activities:		
Principal payments on note payable	(555,382)	(16,519)
Net change in cash and cash equivalents	2,287,040	(1,130,582)
Cash and cash equivalents, beginning of year	461,981	1,592,563
Cash and cash equivalents, end of year	\$ 2,749,021	\$ 461,981

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

RURAL CALIFORNIA BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS (CONTINUED)  
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net assets to <u>net cash used in operating activities:</u>		
Change in net assets	\$ 8,383,295	\$ 4,133,581
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Cash received from FCC Repack	(635,940)	(2,757,466)
Depreciation	599,829	361,199
Unrealized gain on investments	(8,622,720)	(2,152,742)
Provision for bad debt	-	3,335
Change in operating assets and liabilities:		
Accounts receivable	3,729	(58,068)
Pledges receivable	(8,271)	36,400
Grants receivable	-	67,500
FCC Repack receivable	(490,854)	1,072,293
Interest receivable	19,834	9,506
Inventory	(3,674)	370
Prepaid programming	41,317	(38,337)
Prepaid expenses	(1,820)	(46,377)
Other assets	(17,222)	(7,424)
Accounts payable	386,628	(916,450)
Accrued expenses	113,798	23,085
Unearned revenue	(1,682)	(88,914)
	<u>\$ (233,753)</u>	<u>\$ (358,509)</u>
Net cash used in operating activities	<u>\$ (233,753)</u>	<u>\$ (358,509)</u>

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

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1: NATURE OF ORGANIZATION

Rural California Broadcasting Corporation (the Station or Northern California Public Media) (the "Station"), a California public benefit corporation, was organized in January 1981 for the purpose of operating non-commercial educational telecommunications services for all or part of Sonoma, Marin, Napa, Solano, and Mendocino Counties. In subsequent years, the Station expanded into the bay area and all surrounding cities. In 1985, the Station obtained four Instructional Television Fixed Site (ITFS), now designated as EBS licenses. The Station began ITFS operations in 1996. In 1991, the Station obtained a license to operate a non-commercial radio station. In 2018, the Station obtained a license to operate an additional non-commercial television station KCSM-TV which now operates as KPJK. In 2020, the Station obtained a license to operate an additional radio station. Support and revenues are primarily from public, private and government grants, and contracts.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Station have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Station presents its financial statements in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958, Subtopic 210 (FASB ASC 958-210), *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASC 958-210, the Station is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Station and/or the passage of time.

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Donor-restricted contributions are reported as revenues which increase net assets with donor restrictions. Expirations of donor restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

In accordance with the provisions of FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition* (FASB ASC 958-605), unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give (pledges) are recognized as revenues once a valid pledge has been received. The receivable and the corresponding revenue are recognized concurrently. Conditional contributions and pledges are recorded when the conditions have been met.

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenue for program underwriting is recorded on a pro rata basis for the period.

The guidance in FASB ASC 958-605-25 states that unconditional promises to give (pledges) are recognized as revenues in the period the pledge was received. Conditional promises to give are not recognized until the events that satisfy the conditions have occurred. Likewise, indicated donations that clearly and explicitly permit the donor to rescind the donation prior to fulfillment are considered intentions to give, not promises, and are not recognized until fulfillment by the donor.

Revenue from unearned grants and underwriting contracts is deferred and recognized over the periods to which the revenue relates.

Receivable balances are stated at unpaid balance, less an allowance for doubtful accounts. The Station provides for losses on receivable balances using the allowance method. This method is based on experience and other circumstances which may affect the collectability of the balance. Uncollectible receivables are charged off when management determines the receivable will not be collected.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08 "*Not-for-Profit Entities* (Topic 958)". The ASU provides an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Station adopted the provisions of FASB ASC 606 as revised by ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The Station's other income is recognized as revenue when earned, which is at the time services are provided. The Station has retrospectively adopted the new guidance as of September 30, 2021 with no changes to previously reported net assets.

Cash and Cash Equivalents

Cash equivalents consist of all highly liquid investments with original maturities of three months or less.

Inventory

In accordance with the provisions of FASB ASC 958-605-25-20, contributed items that are used for fundraising are held in inventory and are valued at fair value of the item received at the date of contribution. These contributed items are held in inventory until they are sold in the auction. Once sold, the Station recognizes the difference between the fair value and the amount received for those items as adjustments to the original contribution when the items are transferred to the recipient.

Investments

Marketable equity securities and debt securities which are held to maturity are valued at fair market value with realized and unrealized gains and losses reflected in the statement of activities.

Property and Equipment

Property and equipment is stated at cost or, if donated, at fair market value when it is received. The Station provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated lives of these assets range from 3 to 39 years. Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets

In accordance with the provisions of FASB ASC 958-605, donated marketable securities, artwork, and other non-cash donations received are valued at fair value at the date of contribution.

Donations of property and equipment (and other assets with explicit restrictions regarding their use) and contributions of cash that must be used to acquire such assets are reported as restricted contributions. The Station reports gifts of artwork as unrestricted because there are no donor stipulations specifying how the donated assets must be used.

Broadcast Licenses

The television and radio broadcast licenses are individually evaluated and their estimated useful lives are determined. Broadcast licenses that are determined to have an indefinite life will be evaluated for impairment at least annually.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Station. Volunteers also provide assistance in program and supporting services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 are not met.

Purchased Programming

The costs of programming purchased from the Public Broadcasting Service and other sources is expensed over the term of the agreements because the estimated number of future airings is not determinable.

Concentration of Credit Risk

The Station maintains its cash and cash equivalents in bank deposit accounts. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution for each category of legal ownership. At September 30, 2021, the Station's uninsured cash and cash equivalent balances totaled \$2,123,907. At September 30, 2020, there were no uninsured cash amounts. For investments held by a broker who is a member of the Securities Investor Protection Corporation, the cash equivalents and securities are insured up to \$500,000 in the event the brokerage firm goes out of business. The Station has not experienced any losses on these accounts, and management believes the Station is not exposed to any significant risk on cash accounts.

Functional Expenses

Functional expenses are allocated to program and supporting services based on direct expenditures incurred. Expenses not directly chargeable to a particular functional category are allocated based on an analysis of personnel time and space or other resources utilized for the related activities.

Income Taxes

The Station is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and from franchise taxes under the provisions of California Revenue and Taxation Code Section 23701d, except as they may be levied for unrelated business income. The Internal Revenue Service has determined the Station is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Station's current accounting policy is to evaluate uncertain tax positions. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Management evaluated the Station's tax position and concluded that the Station had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. After they are filed, the Station's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures at the date of the financial statements and that also affect reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising

The Station expenses advertising costs as they are incurred. Advertising expense for the years ended September 30, 2021 and 2020, was \$79,186 and \$17,052, respectively.

Fair Value Measurements

The Station has implemented the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Station determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value, (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Station has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Station's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Station's own data.

The fair values of investments are based on unadjusted quoted market prices within active markets and are therefore valued at Level 1 of the fair value hierarchy.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. Under ASU 2016-02, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The amendments in the update are effective for annual reporting periods beginning after December 15, 2021. Early application is permitted. The Station is currently evaluating the impact the adoption of this ASU will have on its financial statements.

# RURAL CALIFORNIA BROADCASTING CORPORATION

## NOTES TO FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Upcoming Accounting Pronouncements (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is meant to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities ("NFP"), including additional disclosure requirements for recognized contributed services.

This ASU requires that all NFP receiving nonfinancial assets must present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires further disclosure on the contributed nonfinancial assets in the notes to the financial statements. The ASU will be applied retrospectively and is effective for fiscal years beginning after June 15, 2021, and interim periods beginning after June 15, 2022. Early adoption is permitted. The Station is currently evaluating the impact the adoption of this ASU will have on its financial statements.

#### Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through April 11, 2022, the date that the financial statements were available to be issued.

### NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Station's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Station's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2021	2020
Cash and cash equivalents	\$ 2,749,021	\$ 461,981
Accounts receivable, net	97,376	98,105
Pledges receivable, net	47,313	39,042
FCC Repack receivable	645,011	157,157
Interest receivable	66,858	86,692
Financial assets	3,605,579	842,977
Less those unavailable for general expenditure within one year, due to purpose and time restrictions stipulated by donors	(216,102)	(115,551)
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 3,389,477</u>	<u>\$ 727,426</u>

### NOTE 4: CASH HELD FOR OTHER ORGANIZATIONS

The Station acts as the fiscal agent for various other organizations from which administrative fees are earned. Funds are disbursed as directed by the respective entities and are not available for use by the Station.

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

NOTE 5: INVESTMENTS

Investments consist of the following at September 30:

	2021		2020	
	Cost	Market Value	Cost	Market Value
Money market accounts	\$ -	\$ -	\$ 4,012,992	\$ 4,012,992
Bond funds	9,754,678	10,237,348	8,487,095	9,270,841
Equity funds	17,571,943	25,227,913	19,929,108	22,032,650
Fixed income	8,806,033	9,404,974	12,053,438	12,921,746
Exchange-traded and closed-end funds	14,743,384	16,635,573	11,436,774	11,036,005
Total Investments	<u>\$50,876,038</u>	<u>\$61,505,808</u>	<u>\$55,919,407</u>	<u>\$59,274,234</u>

The following is a summary of net return on investments for the years ended September 30:

	2021	2020
Interest and dividends	\$ 1,331,392	\$ 1,539,089
Net realized/unrealized gain	8,622,720	2,152,742
Investment fees	<u>(85,411)</u>	<u>(75,155)</u>
Net return on investments	<u>\$ 9,868,701</u>	<u>\$ 3,616,676</u>

NOTE 6: ACCOUNTS RECEIVABLE AND PLEDGES RECEIVABLE

Accounts receivable consist of the following at September 30:

	2021	2020
Accounts receivable - underwriting	\$ 93,726	\$ 19,935
Accounts receivable - service	<u>3,650</u>	<u>81,170</u>
Accounts receivable	<u>\$ 97,376</u>	<u>\$ 101,105</u>

Pledges receivable expected to be received in one year or less consist of the following at September 30:

	2021	2020
Pledges receivable	\$ 57,354	\$ 49,083
Less allowance for doubtful accounts	<u>(10,041)</u>	<u>(10,041)</u>
Pledges receivable, net	<u>\$ 47,313</u>	<u>\$ 39,042</u>



# RURAL CALIFORNIA BROADCASTING CORPORATION

## NOTES TO FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 7: FAIR VALUE MEASUREMENTS

The following table set forth by level, within the fair value hierarchy, the Station's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2021 and 2020:

	Fair Values as of September 30, 2021			
	Level 1	Level 2	Level 3	Level 4
Bond funds	\$10,237,348	\$ -	\$ -	\$10,237,348
Equity funds	25,227,913	-	-	25,227,913
Fixed income	9,404,974	-	-	9,404,974
Exchange-traded and closed-end funds	16,635,573	-	-	16,635,573
Total Investments	<u>\$61,505,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$61,505,808</u>

  

	Fair Values as of September 30, 2020			
	Level 1	Level 2	Level 3	Level 4
Money market accounts	\$ 4,012,992	\$ -	\$ -	\$ 4,012,992
Bond funds	9,270,841	-	-	9,270,841
Equity funds	22,032,650	-	-	22,032,650
Fixed income	12,921,746	-	-	12,921,746
Exchange-traded and closed-end funds	11,036,005	-	-	11,036,005
Total Investments	<u>\$59,274,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$59,274,234</u>

### NOTE 8: BROADCAST LICENSES

The KRCB television and radio broadcast licenses were recorded at cost when obtained from the Federal Communications Commission (FCC) and amortized over their renewal period. These licenses were fully amortized as of September 30, 2021 and 2020.

During the year ended September 30, 2018, the Station purchased a broadcast license for KCSM-TV, now KPJK, from San Mateo County Community College District for \$12 million dollars. This license is determined to have an indefinite life and will be evaluated for impairment in subsequent years. These licenses may not be transferred or sold without the express written permission of the Federal Communications Commission (FCC).

During the year ended September 30, 2021, the Station purchased two radio broadcast licenses for KDHT(FM) and KDHT-FM2, now KDHT, from Amaturio Sonoma Media Group, LLC for \$1,428,900. This licenses are determined to have an indefinite lives and will be evaluated for impairment in subsequent years. These licenses may not be transferred or sold without the express written permission of the Federal Communications Commission (FCC).

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

NOTE 8: BROADCAST LICENSES (CONTINUED)

Broadcast licenses consist of the following at September 30:

	2021	2020
KPJK television broadcast license	\$ 12,000,000	\$ 12,000,000
KRCB television broadcast license	60,987	60,987
KRCB radio broadcast license	7,470	7,470
KDHT radio broadcast license	1,428,900	-
	13,497,357	12,068,457
Less accumulated amortization	(68,457)	(68,457)
Total broadcast licenses	<u>\$ 13,428,900</u>	<u>\$ 12,000,000</u>

NOTE 9: PROPERTY AND EQUIPMENT

At September 30, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Land	\$ 359,542	\$ 359,542
Building and improvements	1,080,082	999,027
Broadcasting equipment	13,202,164	9,275,775
Satellite dishes and equipment	792,984	782,331
Furniture and equipment	435,309	422,824
Vehicles	21,731	-
Software	337,973	323,498
Construction in progress	-	1,544,777
	16,229,785	13,707,774
Less accumulated depreciation	(6,952,137)	(6,352,308)
Total property and equipment, net	<u>\$ 9,277,648</u>	<u>\$ 7,355,466</u>

Depreciation expense totaled \$599,829 and \$361,199 for the years ended September 30, 2021 and 2020, respectively.

The satellite dishes and certain other equipment were acquired through grants from the National Telecommunications and Information Administration, the Public Broadcasting Service, and in-kind donations. Equipment with a cost of approximately \$1,200,000 has been purchased during the past thirty years with proceeds of the grants and matching funds and is subject to priority liens for a period of ten years from the date of purchase.

NOTE 10: ACCRUED VACATION AND SICK BENEFITS

Accrued vacation totaled \$110,568 and \$115,799 as of September 30, 2021 and 2020, respectively.

Sick leave benefits are accumulated for each eligible employee. Employees do not gain a vested right to accumulated sick leave, therefore accumulated employee sick leave benefits are not recognized as liabilities of the Station because payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period the sick leave is taken.

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

NOTE 11: NOTE PAYABLE

The Station had a note payable to Exchange Bank bearing interest at 5.75%. The loan was payable in monthly installments of \$3,902, including interest, secured by land and building, and the balance was due in April 2016 in the form of a balloon payment.

The Station refinanced the loan through Exchange Bank in February 2016. The new loan was payable in monthly installments of \$3,390, bearing interest at 4.25%, and was scheduled to mature in March 2026. During the year ended September 30, 2021, the Station paid off remaining loan balance in full.

NOTE 12: LEASE COMMITMENTS

The Station leases land in Geyserville from a private party on which it has constructed a small building to house a radio transmitter and associated equipment. The original lease agreement, which expired in June 2003, provided for annual rent of \$1,800 payable in two equal installments in December and June. During 2003, the lease was renewed for an additional 10-year term expiring December 2014, with rent of \$2,150 per year for the initial four years, \$2,210 for years five through seven, and \$2,225 for years eight through ten. During 2014, the lease was renewed for an additional term of 10 years expiring December 31, 2024, with an annual rent of \$2,310 with increase of \$10 per annum.

The Station leases space on a tower in Santa Rosa for the radio station transmission for \$200 per month with annual CPI adjustments (current rent is \$252 per month). The original lease term expired in April 2004, and the Station has since exercised the second of two five-year renewal options, which expired in April 2019. The Station continues to pay for this space on a month-to-month basis at the same rate. Subsequent to year-end, the on-site transmitter was destroyed by the Kincade Fire. The Station continues to be on a month-to-month lease with the site.

The Station leases space on a tower in San Francisco for the transmission equipment for KRCB and KPJK in the amount of \$44,548 per month. The lease term was extended during 2020, using one of the two five-year renewal options and will expire in 2025. During the year ended September 30, 2021 and 2020, the amounts increased to \$48,184 and \$46,330 per month, respectively.

The Station's television transmission equipment for KRCB is located on Sonoma Mountain. The site is leased from the County of Sonoma and rent costs are considered to be an in-kind donation. The value attributed to the monthly in-kind rent is \$5,500. The original lease term expired in September 2004 and was extended for an additional 10 year term to September 2014. The lease was renewed in January 2016 and the term was extended through January 2021. During the 2020 fiscal year, the lease was terminated and during the 2021 fiscal year, the site was decommissioned.

During the 2021 fiscal year, the Station was assigned right, title and interest to the lease of antenna site for KDHT(FM) radio station. The site is leased from SBA Towers V, LLC in the amount of \$2,000 per month with a 3% rent increase per annum. The lease commenced on May 1, 2021, and expires on April 30, 2026. The lease agreement allows for four additional 5-year renewal options.

# RURAL CALIFORNIA BROADCASTING CORPORATION

## NOTES TO FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 12: LEASE COMMITMENTS (CONTINUED)

Rent expense totaled \$585,905 and \$549,588, respectively, for the years ended September 30, 2021 and 2020. Future minimum lease payments at September 30, 2021, under agreements classified as operating leases with noncancelable terms, are as follows:

#### Year ending September 30:

2022	\$ 604,578
2023	604,588
2024	602,805
2025	602,208
2026	<u>216,828</u>

Total minimum lease payments	<u>\$ 2,631,007</u>
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### NOTE 13: COMMITMENTS AND CONTINGENCIES

The Station entered into an agreement during 2019 with Health Information Technology Care, LLC ("HITCare"), continuing until November 2021. HITCare will provide information technology ("IT") services for the Station for a duration of thirty-six months. The contract will automatically renew for additional term unless a cancellation notice is given within 90 days prior to renewal date.

Fees for services are variable upon the number and types of services used. Expenses for HITCare IT services for years ended on September 30, 2021 and 2020, totaled \$59,540 and \$20,384, respectively.

### NOTE 14: SPECTRUM AND TOWER LEASE INCOME

FCC regulations provide the Station opportunities to lease certain of its bandwidth rights to commercial service providers interested in deploying wireless broadband services. In December 2006, the Station signed a 30-year lease with scheduled payments which commenced in that year.

The Station also sub-leases a portion of its land for telecommunications use under an agreement which most recently expired in April 2019 that was subsequently renewed from May 2019 until April 2024. The agreement provides for three additional five-year renewal options to be held by the lessor.

The Station sub-leases part of its land to a third-party under an agreement which most recently expired in July 2016 that was subsequently renewed from August 2016 until July 2026. The agreement provides for six additional five-year renewal options.

Rental income on such leases totaled \$450,244 and \$462,106, respectively, for the years ended September 30, 2021 and 2020.

# RURAL CALIFORNIA BROADCASTING CORPORATION

## NOTES TO FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 14: SPECTRUM AND TOWER LEASE INCOME (CONTINUED)

Annual lease payments expected for the next five years and thereafter are as follows:

Year ending September 30:

2022	\$ 556,500
2023	602,946
2024	616,464
2025	630,054
2026	643,734
Thereafter	<u>8,757,591</u>
Total minimum rental income	<u>\$ 11,807,289</u>

### NOTE 15: GRANTS

The following is a summary of the grant revenues recognized during the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Corporation for Public Broadcasting:		
Community service grant	\$ 471,738	\$ 472,404
American Rescue Plan Act	465,478	-
CARES Act	-	312,136
Paycheck Protection Program	-	391,000
Other grants	<u>36,850</u>	<u>105,550</u>
Total	<u>\$ 974,066</u>	<u>\$ 1,281,090</u>

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby enhance the quality of programming and expand the scope of public broadcasting services.

According to the CPB Radio CSG General Provisions and Eligibility Criteria, a certain portion of the funds may be used as specified in Section 396(k)(7) of the Communications Act of 1934, 47 U.S.C. 396(k)(7), which provides that these funds "may be used at the discretion of the Grantees for purposes related primarily to the production or acquisition of programming." This portion of the Grants may also be used to sustain activities begun with previous CPB CSG funds. The remaining portion of the funds must be used as specified in Section 396(k)(3)(A)(iii) of the Communications Act of 1934, which provides that these funds are "solely to be used for acquiring or producing programming that is to be distributed nationally and is designed to serve the needs of a national audience." Each CSG must be expended within two years of the initial grant authorization.

The CSG funds 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 the grants to maintain eligibility and compliance requirements. Their guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with FCC. The remaining portion of the radio CSG must be used as specified in Section 369(k)(3)(A)(iii) of the Communications Act of 1934, which provides that these funds are solely to be used for acquiring or producing programming that is to be distributed nationally and is designed to serve the need of a national audience.

# RURAL CALIFORNIA BROADCASTING CORPORATION

## NOTES TO FINANCIAL STATEMENTS September 30, 2021 and 2020

### NOTE 15: GRANTS (CONTINUED)

This portion of the grant is presented as an increase in temporarily restricted net assets and will be reclassified to unrestricted net assets when the "purpose" restriction is satisfied. If the restriction is satisfied in the reporting period in which the grant is recognized, it is presented as an increase in unrestricted net assets.

During the year ended June 30, 2020, the Station recognized The Coronavirus Aid, Relief, and Economic Security (CARES) Act grant as revenue in the amount of \$312,136 received from CPB.

During the year ended June 30, 2021, the Station recognize The American Rescue Plan Act grant as revenue in the amount of \$465,478 received from CPB.

In May 2020, the Station was granted a loan from Exchange Bank in the amount of \$394,100 under the Paycheck Protection Program ("PPP") as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The note and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. In August 2021, the Station received loan forgiveness if the full amount of \$394,100.

### NOTE 16: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of September 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purposes:		
Grants	\$ 216,102	\$ 115,551
Total net assets with donor restrictions	<u>\$ 216,102</u>	<u>\$ 115,551</u>

### NOTE 17: NON-CASH SUPPORT AND EXPENDITURES

#### In-kind Donations

During the years ended September 30, 2021 and 2020, the value of contributed materials, facilities, and services meeting the requirements for recognition in the financial statements amounted to \$38,376 and \$94,863, respectively. The in-kind donations are reported as revenue and expense in the accompanying statements of activities.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Station in meeting its program objectives. Annually, the Station receives approximately 20,000 volunteer hours.

### NOTE 18: RETIREMENT PLAN

The Station provides a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Service. Beginning on January 1, 2018, the Station initiated a mandatory matching contribution equal to 5% of employee deferrals up to a maximum amount of \$1,225 per year.

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

NOTE 19: UNEMPLOYMENT FUND

The Station is self-insured through 501(c) Agencies Trust for unemployment claims made to the State of California. The fund earns interest and claims are paid directly by the fund, as administered by the trustee.

NOTE 20: UNRELATED BUSINESS INCOME TAXES

While the Station is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively, net income generated by unrelated business activities is taxable as unrelated business income.

For the years ended September 30, 2021 and 2020, net income as calculated for income tax purposes was not sufficient to yield any income tax expense. In addition, the Station has been determined by the Internal Revenue Code not to be a private foundation within the meaning of Section 509(a) of the Code.

NOTE 21: SPECTRUM AUCTION

As part of the FCC spectrum auction conducted during the 2017 fiscal year, the Station sold its ultra-high frequency (UHF) spectrum position and received payment of \$71,979,802 and a new very-high frequency (VHF) spectrum position. Participation in the auction allowed the Station to repurpose underutilized broadcast spectrum, which is in demand by wireless service providers. The Station moved from its former UHF position to the new very-high frequency VHF position in May 2020. During 2020, the Station received an additional \$500,000 to complete the transition in May 2020.

NOTE 22: PURCHASE OF KDHT-FM

On September 24, 2020, the Station executed an agreement for the purchase of the licenses and equipment of the two radio broadcast stations, KDHT(FM) and KDHT-FM2, for a purchase price of \$1,450,000. The Station made the required escrow deposit of \$150,000 in September 2020, which was applied to the purchase price upon closing of the transaction. The Station purchased all transferable FCC licenses and permits and now operates as KDHT.

NOTE 23: FCC SPECTRUM REPACK

As required by the Federal Communications Commission (FCC) as part of the Spectrum Auction Repack, the Station is currently in the process of moving to a new channel assignment for KPJK. The Spectrum Act requires that the FCC reimburse costs reasonably incurred by licensees that are reassigned to new channels. KPJK is in Phase 8, out of 10, for the FCC Spectrum Repack and the completion date of Phase 8 was March 13, 2020.

During the years ended 2021 and 2020, the Station incurred costs of \$1,126,794 and \$1,531,016, respectively, that was reimbursable by the FCC as part of the Spectrum Repack. As of September 30, 2021 and 2020, the Station had accounts receivable from the FCC totaling \$645,011 and \$154,157, respectively.

NOTE 24: QUASI-ENDOWMENT

During the year ended September 30, 2018, the Station's Board of Directors established a quasi-endowment to be funded with a portion of the Station's FCC spectrum auction proceeds. The Station has appointed an investment advisory committee and has adopted an investment policy statement for the oversight of the funds.

RURAL CALIFORNIA BROADCASTING CORPORATION

NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

NOTE 25: LITIGATION

From time to time the Station is involved in various legal proceedings arising from the normal course of business activities. Although the results of litigation and claims cannot be predicted with certainty, the Station does not expect resolution of any current matters to have a material adverse impact on its statements of activities, cash flows or financial position. However, an unfavorable resolution of a matter could, depending on the amount and timing, materially affect the results of operations, cash flows, or financial position in a future period.

NOTE 26: RISKS AND UNCERTAINTIES

The COVID-19 coronavirus outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.