

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION**

AUDITED FINANCIAL STATEMENTS

**DECEMBER 31. 2016
AND
DECEMBER 31. 2015**

*Mendez Petty Moreno LLP
Certified Public Accountants*

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION**

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MENDEZ PETTY MORENO LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Public Broadcasting Operations
of the Cesar Chavez Foundation

We have audited the accompanying financial statements of the Public Broadcasting Operations of the Cesar Chavez Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Broadcasting Operations of the Cesar Chavez Foundation as of December 31, 2016 and 2015, 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.



Bakersfield, California
July 11, 2017

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	EXHIBIT A 2015
Assets:		
Current Assets:		
Cash	\$ 13,405	\$ 31,368
Accounts Receivable - Trade - Net of \$80,000 allowance for bad debt	328,369	564,205
Grant Receivable	392,242	231,246
Prepaid Expenses and Deposits	2,031	2,031
Total Current Assets	736,047	828,850
Property and Equipment		
Land	-	-
Buildings and Improvements	7,500	7,500
Vehicles	263,357	263,357
Equipment and Furniture	730,142	722,987
Total Property and Equipment	1,000,999	993,844
Less: Accumulated Depreciation	962,890	950,042
Total Property and Equipment, net of Accumulated Depreciation	38,109	43,802
Other Assets:		
Advances		
TOTAL ASSETS	\$ 774,156	\$ 872,652
Liabilities:		
Current Liabilities:		
Accounts Payable - Trade	\$ 110,390	\$ 20,933
Accrued Expense Payable	-	-
Current Portion of Long Term Debt	-	-
Total Current Liabilities	110,390	20,933
Long-Term Debt:		
Note Payable, net of current portion	-	-
Corporation for Public Broadcasting Payable	-	-
TOTAL LIABILITIES	110,390	20,933
NET ASSETS		
Unrestricted	663,766	851,719
Temporarily Restricted	-	-
TOTAL NET ASSETS	663,766	851,719
TOTAL LIABILITIES AND NET ASSETS	\$ 774,156	\$ 872,652

The accompanying notes are integral parts of these financial statements

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

EXHIBIT B

Changes in Unrestricted Net Assets:

	<u>2016</u>	<u>2014</u>
Support and Revenue:		
Support:		
Special Events - Fundraising	\$ 275,055	\$ 327,481
Underwriting Trade	139,675	21,414
Underwriting - Contributions	2,982,130	3,475,279
Network revenue	473,117	444,000
Rental	66,853	71,091
Net Assets Released from Restriction	392,242	360,478
Total Unrestricted Support and Revenue	<u>4,329,072</u>	<u>4,699,743</u>
Expenses and Losses:		
Program Services Expenses:		
Program and Production	1,152,451	1,125,460
Broadcasting and Engineering	731,180	634,830
Program Information and Promotion	210,898	81,619
Total Program Services Expenses	<u>2,094,529</u>	<u>1,841,909</u>
Supporting Services Expenses		
Underwriting and Grants	985,669	1,313,737
Management and General	320,102	283,141
Fundraising Costs	205,551	210,222
Total Supporting Services Expenses	<u>1,511,322</u>	<u>1,807,100</u>
Total Expenses and Losses	<u>3,605,851</u>	<u>3,649,009</u>
Increase in Unrestricted Net Assets	<u>723,221</u>	<u>1,050,734</u>
<u>Changes in Temporarily Restricted Net Assets:</u>		
Grant Revenue	392,242	360,478
Net Assets Released from Restriction - Satisfaction of Activity Restrictions	(392,242)	(360,478)
Change in Temporarily Restricted Net Assets	<u>-</u>	<u>-</u>
Change in Net Assets	723,221	1,050,734
Unrestricted Net Assets At Beginning Of Year	851,719	562,529
Transfer of Net Assets to other funds		
Interfund Transfers	<u>(911,174)</u>	<u>(761,544)</u>
Unrestricted Net Assets At End Of Year	<u>\$ 663,766</u>	<u>\$ 851,719</u>

The accompanying notes are integral parts of these financial statements

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

EXHIBIT D

	2016	2015
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets - Exhibit B	\$ 723,221	\$ 1,050,734
Adjustments to reconcile Increase (Decrease) in Net Assets to Net Cash provided by Operating Activities:		
Depreciation	12,848	4,444
InterFund Cash Transfers	(911,174)	(761,544)
(Increase) Decrease in:		
Accounts Receivable - Trade	235,836	7,772
Grant Receivable	(160,996)	(151,853)
Prepays & Deposits	-	700
Advances	-	950
(Decrease) Increase in:		
Accounts Payable - Trade	89,457	20,043
Accrued Expense Payable		11
Net Cash Provided by (Used in) Operating Activities	(10,808)	171,257
Cash Flows from Investing Activities		
Equipment Purchases	(7,155)	(13,550)
Net Cash Provided by (Used in) Investing Activities	(7,155)	(13,550)
Cash Flows from Financing Activities		
Payments to Long Term Debt		(129,242)
Net Cash Provided by (Used in) Financing Activities	-	(129,242)
Net Increase (Decrease) in Cash	(17,963)	28,465
Cash at Beginning of Year	31,368	2,903
Cash at End of Year	\$ 13,405	\$ 31,368

The accompanying notes are integral parts of these financial statements

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – ORGANIZATION AND OPERATION

The Public Broadcasting Operations of the Cesar Chavez Foundation (“Organization”), formerly known as the National Farm Workers Service Center, Inc. is comprised of public service radio stations KUFW-FM , KNAI-FM and the Network Fund (“Operation”, “Component”). As such, the accompanying statement of financial position and the related statements of activities and cash flows reflect assets, liabilities, net assets, revenues, expenses and gains and losses of this specific component of the Cesar Chavez Foundation and are not intended to be a complete presentation of the Cesar Chavez Foundation’s financial statements.

The Cesar Chavez Foundation was organized exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. The activities of the Operation as a component are also exempt from paying federal and state income taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Non-Profit Status

Non-Profit Status & Income Taxes

The Organization and its nonprofit entities are exempt from federal income tax under Section 501 (c) (3) of the U.S. Internal Revenue Code and Section 23701e of the State of California Revenue and Taxation Code, except on net income derived from unrelated business activities. The Organization generates parking revenue which is subject to tax on unrelated business income. During 2016 the Organization recorded a tax expense of \$840 on this unrelated business activity. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization’s federal Exempt Organization Business Income Tax Returns (Form 990T) for 2016 (not filed at the time of financial statement issuance), 2015, 2014 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Basis of Accounting

The operation prepares its financial statements on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America. Revenues, including underwriting contributions, are recognized when earned. Expenses are recognized when incurred.

**PUBLIC BROADCASTING OPERATIONS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Grant Revenue Recognition

Unrestricted grants received for general or non-specific purposes are recorded as support in the period awarded. Amounts restricted to specific purposes remain in the temporarily restricted fund until the specific purposes are performed.

In-Kind Contributions

Organizations have contributed materials, supplies, and property to the Operation in support of its programs and services. These amounts have been reflected in the accompanying financial statements at their estimated fair value at the date of donation. These contributions are reported as unrestricted revenues. Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and discloses. Accordingly, actual results could differ from those estimates.

Contributions

In accordance with FASB ASC 958-605-50-2 & 958-360-50-1, *Not-For-Profit Entities*, contributions received are recorded as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. This category includes unrestricted assets, uncollected pledges and property.

Temporarily Restricted Net

Assets Net assets subject to donor-imposed stipulations that will be met either by actions of the communication fund and/or the passage of time. This category includes grants received by the communications fund and endowment pledges.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the communications fund. The donors of these assets permit the fund to use the income earned on related investments for general or specific purposes.

**PUBLIC BROADCASTING OPERATIONS
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As of December 31 2016 and December 31, 2015 the operations had no temporarily or permanently restricted net assets.

Advertising

The Operations has incurred advertising and promotion expense to attract donors and people to the station. Advertising and promotion costs are expensed as incurred. Advertising and promotions expense for the years ended December 31, 2016 and 2015 were \$125,648 and \$20,563. No advertising costs were capitalized for the year ended December 31, 2016 or 2015.

Commissions

The Operations has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for payment of commissions to the consultants based on varying percentages of funds received.

NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services on the basis of benefits received.

NOTE 4 - CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Operation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of December 31, 2016 and December 31, 2015 the Operation had no cash equivalents.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Operation's cash accounts are maintained in bank deposit accounts. The bank accounts are insured by the Federal Deposit Insurance Corporation. At December 31, 2016 and 2015, the operation had no uninsured bank balances. The operation has not experienced any losses in such accounts. The Operation's management believes it is not exposed to any significant credit risk on cash.

**PUBLIC BROADCASTING OPERATIONS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – PROPERTY AND EQUIPMENT

Purchased property and equipment are stated at cost. Donated property and equipment are recorded as contributions and at their estimated fair value. Property and equipment are depreciated using the straight-line method over estimated useful lives.

Asset Category (in years)

Improvements- 15
Furniture and fixtures 5-10
Automobiles 5
Equipment 3-10

Depreciation expense for the year ended December 31, 2016 was \$12,848.
Depreciation expense for the year ended December 31, 2015 was \$4,444.

NOTE 7 – SUPPLEMENTAL CASHFLOW DISCLOSURE

Supplemental Disclosure of Cash Flow Information

Cash paid during the years ended December 31, 2016 and 2015 for interest was \$0 for both years.
Interest capitalized during the years ended December 31, 2016 and 2015 was \$0 for both years.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016 and 2015 the Operation provided services to Organizations which are related to the Operation by virtue of management and affiliations. A summary of the transactions and the outstanding balances as of December 31, 2016 and 2015 are as follows:

	<u>Services Provided</u>	<u>Receivable Balance</u>
Related Organization:		
Farmworkers Educational Radio Network, Inc.		
Satellite Network Services		
2016	\$ 473,177	\$ -
2015	\$ 444,000	\$ -

**PUBLIC BROADCASTING OPERATIONS
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**NOTE 9 – CORPORATION FOR PUBLIC BROADCASTING COMMUNITY
SERVICE GRANTS**

The Corporation for Public Broadcasting (“CPB”) is a private, nonprofit grant making organization. CPB distributes annual Community Service Grants (“CSGs”) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years (ending September 30) as described in the Communication Act, 47 United States Code Annotated, Section 396(k)(7). 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 for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

The Community Service Grants received and expended during the most recent fiscal years were as follows:

<u>Fiscal Year of Grant</u>	<u>Grants Received</u>	<u>Expended 2016</u>	<u>Expended 2015</u>
2016-2017	\$ -	\$ 392,242	
2015-2016	\$ 231,246	\$ 231,242	
2014-2015	\$ 264,645		\$ 264,645
2015-2015	\$ 185,252		264,645

Under CPB guidelines, certain revenues do not qualify as Nonfederal Financial Support. For the years ended December 31, 2016 and December 31, 2015, \$68,479 and \$71,091 respectively of these revenues were included in Rental Income for GAAP reporting purposes, but excluded for CPB reporting on their ISIS filing. In addition, for the years ended December 31, 2016 and December 31, 2015, \$473,117 and \$444,000 respectively of ineligible revenues were included in Network Revenue for GAAP reporting purposes, but excluded for CPB reporting. An additional

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exclusion for the years ended December 31, 2016 and December 31, 2015 for ineligible In-Kind Contributions were made in the amounts of \$121,165 and \$15,539 respectively.

NOTE 10 – LONG TERM DEBT

CPB Note Payable

In April 2013 the Operation agreed to repay the Corporation for Public Broadcasting (“CPB”) \$387,696 of community service grant funds received during 2008, 2009 and 2010. This payable amount resulted from overpayments and disallowed grant expenses determined by an audit by the CPB’s Office of Inspector General. The funds will be repaid over a three year period beginning with fiscal year 2014 through reductions in future community service grants awarded to the organization by the Corporation for Public Broadcasting.

This repayment is recognized as a reduction in unrestricted net assets and as a payable to CPB.

As of December 31, 2015, the balance owed was repaid in full.

NOTE 11 – Pension Plan

The Operation contributed to one multiemployer pension plan, Juan De La Cruz Farmworkers Pension Plan (the “Plan”), which enrolls farmworker movement employees. The Participating Entities are not subject to a collective bargaining agreement. Approximately 75% of the Operations total employees were participants in the multiemployer plan. The Plan generally provides retirement benefits to participants based on their service to contributing employers. The Participating Entities do not administer the Plan. In general, the Plan is managed by a board of trustees with the United Farm Workers appointing certain trustees and other contributing employers of the plan appointing certain members. The Participating Entities generally are not represented on the board of trustees. Contributions of \$9,802 and 10,045 were charged to pension expense for ongoing participation in the Plan for 2016 and 2015, respectively. The Cesar Chavez Foundation as a whole contributed greater than 5% of the total Plan contributions for 2016.

The risks of participating in this multiemployer defined benefit pension plan is different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Participating Entities choose to stop participating in the Plan, it may be required to pay a withdrawal liability to the Plan. In connection with ongoing renegotiation of collective bargaining agreements, the Participating Entities may discuss and negotiate for the complete or partial withdrawal from one or more multiemployer pension plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Organization’s consolidated change in net assets in the period of the withdrawal. The Participating Entities have no plans to withdraw from the Plan.

Furthermore, under current law regarding multiemployer benefit plans, a plan’s termination, the

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corporation's voluntary withdrawal, or the mass withdrawal of all contributing employers from any under-funded, multiemployer pension plan would require the corporation to make payments to the plan for its proportionate share of the multi-employer plan's unfunded vested liabilities. It is possible that there may be a mass withdrawal of employers contributing to these plans or may terminate in the near future. The Participating Entities could have adjustments to its estimates for these matters in the near term that could have a material effect on the corporation's consolidated financial condition, results of operations or cash flows. The following presents information about the Operation's participation in the multiemployer pension plan as of December 31, 2016 and 2015.

<u>Name of Pension Fund</u>	<u>EIN</u>	<u>Pension Protection Act Zone Status</u> <u>2016</u>	<u>FIP/RP Status</u>	<u>Contributions</u> <u>2016</u>	<u>Surcharge Imposed</u>	<u>Expiration Date Collective Bargaining Agreement</u>
Juan De La Cruz Farm Workers Pension Plan	95-6454441	Green-12/31/16	N/A	\$ 9,802	No	N/A

<u>Name of Pension Fund</u>	<u>EIN</u>	<u>Pension Protection Act Zone Status</u> <u>2015</u>	<u>FIP/RP Status</u>	<u>Contributions</u> <u>2015</u>	<u>Surcharge Imposed</u>	<u>Expiration Date Collective Bargaining Agreement</u>
Juan De La Cruz Farm Workers Pension Plan	95-6454441	Green-12/31/15	N/A	\$ 10,045	No	N/A

NOTE 13 – Subsequent Events

Evaluation of Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the foundation through July 11, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.