

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

AUDITED FINANCIAL STATEMENTS

**DECEMBER 31. 2014
AND
DECEMBER 31. 2013**

*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, 2014 and 2013, 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, 2014 and 2013, 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
May 12, 2015

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

	2014	EXHIBIT A 2013
Assets:		
Current Assets:		
Cash	\$ 2,903	\$ 60,810
Accounts Receivable - Trade - Net of \$80,000 allowance for bad debt	571,977	771,733
Grant Receivable	79,393	106,608
Prepaid Expenses and Deposits	2,731	2,031
Total Current Assets	657,004	941,182
Property and Equipment		
Land	-	192,777
Buildings and Improvements	7,500	760,637
Vehicles	249,807	249,807
Equipment and Furniture	722,987	705,500
Total Property and Equipment	980,294	1,908,721
Less: Accumulated Depreciation	945,597	1,148,025
Total Property and Equipment, net of Accumulated Depreciation	34,697	760,696
Other Assets:		
Advances	950	1,750
TOTAL ASSETS	\$ 692,651	\$ 1,703,628
Liabilities:		
Current Liabilities:		
Accounts Payable - Trade	\$ 974	\$ 266,100
Accrued Expense Payable	(84)	360
Current Portion of Long Term Debt	102,344	59,591
Total Current Liabilities	103,234	326,051
Long-Term Debt:		
Note Payable, net of current portion	-	198,873
Corporation for Public Broadcasting Payable	26,898	231,566
TOTAL LIABILITIES	130,132	756,490
NET ASSETS		
Unrestricted	562,529	947,138
Temporarily Restricted	-	-
TOTAL NET ASSETS	562,529	947,138
TOTAL LIABILITIES AND NET ASSETS	\$ 692,661	\$ 1,703,628

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, 2014 AND 2013**

EXHIBIT B

Changes in Unrestricted Net Assets:

	2014	2013
Support and Revenue:		
Support:		
Special Events - Fundraising	\$ 419,025	\$ 594,381
Underwriting Trade	186,502	93,978
Underwriting - Contributions	2,977,213	3,079,335
Network revenue	404,000	384,175
Rental	68,480	115,416
Net Assets Released from Restriction	393,877	431,567
Total Unrestricted Support and Revenue	4,449,097	4,698,852
Expenses and Losses:		
Program Services Expenses:		
Program and Production	1,133,286	1,152,574
Broadcasting and Engineering	750,614	698,461
Program Information and Promotion	90,640	87,253
Total Program Services Expenses	1,974,540	1,938,288
Supporting Services Expenses		
Underwriting and Grants	1,149,667	1,223,196
Management and General	309,368	300,491
Fundraising Costs	369,206	434,989
Total Supporting Services Expenses	1,828,241	1,958,676
Total Expenses and Losses	3,802,781	3,896,964
Increase in Unrestricted Net Assets	646,316	801,888
<u>Changes in Temporarily Restricted Net Assets:</u>		
Grant Revenue	393,877	356,310
Net Assets Released from Restriction - Satisfaction of Activity Restrictions	(393,877)	(356,310)
Change in Temporarily Restricted Net Assets	-	-
Change in Net Assets	646,316	801,888
Unrestricted Net Assets At Beginning Of Year	947,138	934,384
Transfer of Net Assets to other funds	(504,476)	-
Interfund Transfers	(526,449)	(789,134)
Unrestricted Net Assets At End Of Year	\$ 562,529	\$ 947,138

The accompanying notes are integral parts of these financial statements

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

EXHIBIT C

	Program Services				Supporting Services			
	Program & Production	Broadcasting & Engineering	Program Information & Promotion	Total Program Services	Management and General	Underwriting & Grants	Fundraising Costs	Total Expenses
Compensation	\$ 524,688	\$ 247,921	\$ 34,404	\$ 807,013	\$ 121,537	\$ 655,484	\$ -	\$ 1,584,034
Employee Benefits	119,111	56,282	7,810	183,203	27,590	148,804	-	359,597
Agency Commissions				-		222,124	-	222,124
Travel and Transportation	49,689	20,684	3,046	73,419	10,901	11,862	-	96,182
Office Facilities	94,575	103,580	10,542	208,697	34,335	24,099	-	267,131
Office Operations	193,610	258,377	25,494	477,481	81,600	51,085	-	610,166
Outside and Professional Services	151,025	62,283	9,214	222,521	33,005	36,036	369,206	660,768
Depreciation	588	1,487	130	2,204	400	173	-	2,777
				-				
TOTAL	\$ 1,133,286	\$ 750,614	\$ 90,640	\$ 1,972,334	\$ 309,368	\$ 1,149,667	\$ 369,206	\$ 3,800,002

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

EXHIBIT C

	Program Services				Supporting Services			
	Program & Production	Broadcasting & Engineering	Program Information & Promotion	Total Program Services	Management and General	Underwriting & Grants	Fundraising Costs	Total Expenses
Compensation	\$ 528,538	\$ 248,152	\$ 34,536	\$ 811,226	\$ 122,082	\$ 702,350	\$ -	\$ 1,635,658
Employee Benefits	113,865	53,460	7,440	174,765	26,301	151,310	-	352,376
Agency Commissions				-		242,880	-	242,880
Travel and Transportation	49,733	26,672	3,502	79,907	12,211	12,030	-	104,148
Office Facilities	104,601	102,380	10,878	217,859	35,764	26,523	-	280,146
Office Operations	194,300	201,047	21,033	416,380	68,801	49,555	-	534,736
Outside and Professional Services	148,079	59,522	8,916	216,517	32,025	35,293	434,989	718,824
Depreciation	13,458	7,228	948	21,634	3,307	3,255	-	28,196
TOTAL	\$ 1,152,574	\$ 698,461	\$ 87,253	\$ 1,938,288	\$ 300,491	\$ 1,223,196	\$ 434,989	\$ 3,896,964

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, 2014 AND 2013**

EXHIBIT D

	2014	2013
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets - Exhibit B	\$ 646,316	\$ 801,888
Adjustments to reconcile Increase (Decrease) in Net Assets to Net Cash provided by Operating Activities:		
Depreciation	2,777	28,196
InterFund Cash Transfers	(526,449)	(789,134)
(Increase) Decrease in:		
Accounts Receivable - Trade	199,756	(114,171)
Grant Receivable	27,215	8,228
Prepays & Deposits	(700)	-
Advances	800	-
(Decrease) Increase in:		
Accounts Payable - Trade	(265,126)	193,381
Accrued Expense Payable	(444)	(108)
Net Cash Provided by (Used in) Operating Activities	84,145	128,280
Cash Flows from Investing Activities		
Equipment Purchases	(17,487)	
Net Cash Provided by (Used in) Investing Activities	(17,487)	-
Cash Flows from Financing Activities		
Payments to Long Term Debt	(124,025)	(190,292)
Net Cash Provided by (Used in) Financing Activities	(124,025)	(190,292)
Net Increase (Decrease) in Cash	(57,367)	(62,012)
Cash at Beginning of Year	60,270	122,282
Cash at End of Year	\$ 2,903	\$ 60,270

The accompanying notes are integral parts of these financial statements

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 – ORGANIZATION AND OPERATION

The Public Broadcasting Operations of the Cesar Chavez Foundation, formerly known as the National Farm Workers Service Center, Inc. (Operation) is comprised of public service radio stations KUFW-FM and KNAI-FM. As such, the accompanying statement of financial position and the related statements of activities, cash flows and functional expenses reflects 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

The Operation is exempt from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as other than a private foundation by the Internal Revenue Service. The Operation is also exempt from State of California taxation under provisions of the California Revenue and Taxation code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Basis of Accounting

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

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.

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

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.

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.

Accounting Standards Codification

In June 2009 the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC, Codification) which became the authoritative source of Generally Accepted Accounting Principles in the United States of America. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Citations in the notes of authoritative support for accounting issues and positions are referenced as "FASB ASC".

Contributions

In accordance with FASB ASC 958-605-50-2 & 958-360-50-1, *Not-For-Profit Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. If donor restrictions are met in the same period received the support is classified as unrestricted.

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.

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Operation’s cash accounts are maintained in bank deposit accounts. The bank account is insured by the Federal Deposit Insurance Corporation. At December 31, 2014 and 2013, 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 and cash equivalents. As of December 31, 2014 & 2013, respectively the operation had no cash equivalents.

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.

Depreciation expense for the year ended December 31, 2014 was \$2,777.
Depreciation expense for the year ended December 31, 2013 was \$28,196.

NOTE 7 – SUPPLEMENTAL CASHFLOW DISCLOSURE

Supplemental Disclosure of Cash Flow Information

Cash paid during the year ended December 31, 2014 for interest was \$0.
Cash paid during the year ended December 31, 2013 for interest was \$14,403.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014 and 2013 the Operation purchased and provided services from and 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, 2014 and 2013 are as follows:

Related Organization

		<u>Services Provided</u>	<u>Receivable Balance</u>
Farmworkers Educational Radio Network, Inc.			
Satellite Network Services	2014	\$ 404,000	\$ -0-
	2013	\$ 384,000	\$ -0-

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grantmaking 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 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</u> <u>of Grant</u>	<u>Grants</u> <u>Received</u>	<u>Expended</u> <u>2014</u>	<u>Expended</u> <u>2013</u>
2014-2015	\$185,252	\$264,645	
2013-2014	106,608	106,608	
2013-2014	195,907		195,907
2012-2013	\$241,474		\$241,474

Grants receivable from the Corporation for Public Broadcasting are as follows:

December 31, 2014	\$ 79,393
December 31, 2013	\$106,608

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

**NOTE 9 – CORPORATION FOR PUBLIC BROADCASTING COMMUNITY
SERVICE GRANTS - CONTINUED**

Under CPB guidelines, certain revenues do not qualify as Nonfederal Financial Support. For the years ended December 31, 2013 and December 31, 2012, \$68,479 and \$115,416 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, 2014 and December 31, 2013, \$404,000 and \$384,000 respectively of ineligible revenues were included in Network Revenue for GAAP reporting purposes, but excluded for CPB reporting. An additional exclusion for the years ended December 31, 2013 and December 31, 2012 for ineligible In-Kind Contributions were made in the amounts of \$48,591 and \$6,040 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, 2014, the balance owed was \$129,232.

NOTE 11 – 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 May 12, 2015 (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.

**PUBLIC BROADCASTING OPERATIONS
OF THE CESAR CHAVEZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 12 – Transfer of Assets

On January 1, 2014, the Cesar Chavez Foundation moved buildings, building improvements, land and their associated depreciation accounts into the property management fund; where similar assets are held. This transfer resulted in a \$741,254 decrease in assets, a \$236,778 decrease in liabilities and a \$504,476 decrease in net assets.