

Financial Statements
with Report of Independent Auditors
and Reports on Federal Award Programs in
Accordance with OMB Circular A-133

Bay Area Video Coalition

For the Years Ended
December 31, 2014 and 2013



BAY AREA VIDEO COALITION

December 31, 2014 and 2013

INDEX

	<u>Page</u>
Report of Independent Auditors	1-2
Statements of Financial Position as of December 31, 2014 and 2013	3
Statements of Activities for the years ended December 31, 2014 and 2013	4
Statements of Cash Flows for the years ended December 31, 2014 and 2013	5
Statement of Functional Expenses for the year ended December 31, 2014 (with Comparative Totals for the year ended December 31, 2013)	6
Statement of Functional Expenses for the year ended December 31, 2013	7
Notes to Financial Statements	8-15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	18-19
Schedule of Expenditures of Federal Awards	I 20
Notes to Schedule of Expenditures of Federal Awards	I 21
Schedule of Findings and Questioned Costs	II 22-23

REPORT OF INDEPENDENT AUDITORS

Board of Directors,
Bay Area Video Coalition
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Bay Area Video Coalition (BAVC) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014, and 2013, and the related statements of activities, cash flows and functional expenses 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.

Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditor 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 Bay Area Video Coalition as of December 31, 2014, and 2013 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards (Schedule I), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2015, on our consideration of Bay Area Video Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay Area Video Coalition's internal control over financial reporting and compliance.

PMB Helin Donovan, LLP



San Francisco, California
April 29, 2015

BAY AREA VIDEO COALITION
Statements of Financial Position
As of December 31, 2014 and 2013

		ASSETS	
		<u>2014</u>	<u>2013</u>
Assets:			
Cash and cash equivalents	\$	309,131	\$ 381,951
Accounts receivable, net of allowance for doubtful accounts of \$4,502 and \$4,502 at December 31, 2014 and 2013, respectively		439,687	524,746
Grants receivable		274,948	232,575
Inventory		2,437	2,856
Prepaid expenses and other current assets		29,239	56,028
Deposits		10,294	10,281
Property and equipment, net of accumulated depreciation		86,354	58,479
Total assets	\$	<u>1,152,090</u>	<u>\$ 1,266,916</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	\$	346,529	\$ 396,495
Debt		-	118,502
Deferred rent		175,483	158,322
Deferred revenue		106,411	182,180
Total liabilities		<u>628,423</u>	<u>855,499</u>
Net assets:			
Unrestricted net assets		76,145	68,137
Temporarily restricted net assets		447,522	343,280
Total net assets		<u>523,667</u>	<u>411,417</u>
Total liabilities and net assets	\$	<u>1,152,090</u>	<u>\$ 1,266,916</u>

See notes to financial statements.

BAY AREA VIDEO COALITION
Statements of Activities
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contracts	\$ 2,805,779	\$ -	\$ 2,805,779	\$ 2,023,666	\$ -	\$ 2,023,666
Tuition	636,097	-	636,097	867,486	-	867,486
Service fees and consulting	168,426	-	168,426	257,539	-	257,539
Fiscal sponsorship fees	15,163	-	15,163	16,256	-	16,256
Suite rental	-	-	-	435	-	435
Total revenue	<u>3,625,465</u>	<u>-</u>	<u>3,625,465</u>	<u>3,165,382</u>	<u>-</u>	<u>3,165,382</u>
Contributions and grants	57,021	912,448	969,469	32,380	634,575	666,955
Membership fees	24,488	-	24,488	29,183	-	29,183
Other income	25,596	-	25,596	41,774	-	41,774
In-kind contributions	183,864	-	183,864	351,425	-	351,425
Total support	<u>290,969</u>	<u>912,448</u>	<u>1,203,417</u>	<u>454,762</u>	<u>634,575</u>	<u>1,089,337</u>
Net assets released from restriction	<u>808,206</u>	<u>(808,206)</u>	<u>-</u>	<u>709,333</u>	<u>(709,333)</u>	<u>-</u>
Total revenue and support	<u>4,724,640</u>	<u>104,242</u>	<u>4,828,882</u>	<u>4,329,477</u>	<u>(74,758)</u>	<u>4,254,719</u>
Expenses:						
Program services						
Preservation and Technology	687,424	-	687,424	425,815	-	425,815
Creative Programming	-	-	-	17,724	-	17,724
Youth Programs	748,056	-	748,056	732,628	-	732,628
Adult Training and Workforce Development	1,917,716	-	1,917,716	1,307,140	-	1,307,140
Independent Media	549,742	-	549,742	599,994	-	599,994
Total program services	<u>3,902,938</u>	<u>-</u>	<u>3,902,938</u>	<u>3,083,301</u>	<u>-</u>	<u>3,083,301</u>
Support services						
General administration	370,589	-	370,589	711,312	-	711,312
Fundraising	443,105	-	443,105	414,690	-	414,690
Total expenses	<u>4,716,632</u>	<u>-</u>	<u>4,716,632</u>	<u>4,209,303</u>	<u>-</u>	<u>4,209,303</u>
Change in net assets	8,008	104,242	112,250	120,174	(74,758)	45,416
Net assets/(deficit) at beginning of year	<u>68,137</u>	<u>343,280</u>	<u>411,417</u>	<u>(52,037)</u>	<u>418,038</u>	<u>366,001</u>
Net assets at end of year	<u>\$ 76,145</u>	<u>\$ 447,522</u>	<u>\$ 523,667</u>	<u>\$ 68,137</u>	<u>\$ 343,280</u>	<u>\$ 411,417</u>

See notes to financial statements

BAY AREA VIDEO COALITION
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 112,250	\$ 45,416
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization expense	28,969	15,208
Gain on disposal of property and equipment	-	(500)
(Increase) decrease in		
Accounts receivable	85,059	(43,277)
Grants receivable	(42,373)	(81,513)
Inventory	419	838
Prepaid expenses and other current assets	26,789	2,487
Deposits	(13)	(153)
Increase (decrease) in		
Accounts payable and accrued expenses	(49,966)	156,863
Deferred rent	17,161	39,634
Deferred revenue	(75,769)	(213,357)
Net cash used provided by/(used in) operating activities	<u>102,526</u>	<u>(78,354)</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(56,844)	(61,072)
Proceeds from the sale of property and equipment	-	500
Net cash used in investing activities	<u>(56,844)</u>	<u>(60,572)</u>
Cash Flows from Financing Activities:		
Repayments of long-term debt	(118,502)	(105,396)
Net cash used in financing activities	<u>(118,502)</u>	<u>(105,396)</u>
Net decrease in cash and cash equivalents	(72,820)	(244,322)
Cash and cash equivalents, beginning of year	381,951	626,273
Cash and cash equivalents, end of year	<u>\$ 309,131</u>	<u>\$ 381,951</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 2,522	\$ 6,871
Donated goods and services	<u>\$ 183,864</u>	<u>\$ 351,425</u>

See notes to financial statements

BAY AREA VIDEO COALITION
Statement of Functional Expenses
For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013

	Program Services					Supporting Services		2014 Total	2013 Total
	Preservation and Technology	Youth Programs	Adult Training and Workforce Development	Independent Media	Total Programs	General Administration	Fundraising		
Salaries and benefits	\$ 154,821	\$ 394,207	\$ 722,254	\$ 285,143	\$ 1,556,425	\$ 169,893	\$ 335,640	\$ 2,061,958	\$ 1,925,280
Professional services	187,725	109,639	916,246	117,422	1,331,032	97,770	25,002	1,453,804	1,038,675
Occupancy	90,597	81,699	140,653	63,094	376,043	26,229	59,420	461,692	441,654
Depreciation and amortization	1,957	3,426	8,787	11,075	25,245	1,686	2,038	28,969	15,208
Equipment	144,169	23,567	48,361	4,720	220,817	926	816	222,559	389,408
Operations	104,155	28,729	23,078	49,768	205,730	74,085	11,819	291,634	273,292
Outreach and promotion	-	10,518	20,837	70	31,425	-	8,370	39,795	20,120
Awards and stipends	4,000	96,271	37,500	18,450	156,221	-	-	156,221	105,666
Total expenses	<u>\$ 687,424</u>	<u>\$ 748,056</u>	<u>\$ 1,917,716</u>	<u>\$ 549,742</u>	<u>\$ 3,902,938</u>	<u>\$ 370,589</u>	<u>\$ 443,105</u>	<u>\$ 4,716,632</u>	<u>\$ 4,209,303</u>

See notes to financial statements

BAY AREA VIDEO COALITION
Statement of Functional Expenses
For the Year Ended December 31, 2013

	Program Services						Supporting Services		2013 Total
	Preservation and Technology	Creative Programming	Youth Programs	Adult Training and Workforce Development	Independent Media	Total Programs	General Administration	Fundraising	
Salaries and benefits	\$ 224,380	\$ 11,591	\$ 307,245	\$ 478,645	\$ 299,879	\$ 1,321,740	\$ 318,840	\$ 284,700	\$ 1,925,280
Professional services	85,602	459	134,513	528,336	60,248	809,158	189,178	40,339	1,038,675
Occupancy	37,139	1,088	76,030	101,436	178,108	393,801	29,157	18,696	441,654
Depreciation and amortization	1,136	2	1,960	2,822	6,540	12,460	1,341	1,407	15,208
Equipment	37,653	56	84,787	114,787	33,145	270,428	86,855	32,125	389,408
Operations	36,002	4,528	42,952	61,684	17,860	163,026	85,908	24,358	273,292
Outreach and promotion	303	-	6,365	240	214	7,122	33	12,965	20,120
Awards and stipends	3,600	-	78,776	19,190	4,000	105,566	-	100	105,666
Total expenses	<u>\$ 425,815</u>	<u>\$ 17,724</u>	<u>\$ 732,628</u>	<u>\$ 1,307,140</u>	<u>\$ 599,994</u>	<u>\$ 3,083,301</u>	<u>\$ 711,312</u>	<u>\$ 414,690</u>	<u>\$ 4,209,303</u>

See notes to financial statements

BAY AREA VIDEO COALITION

Notes to Financial Statements

December 31, 2014 and 2013

1. ORGANIZATION

Bay Area Video Coalition ("BAVC") is a California not-for-profit corporation with the primary purpose of operating a center for educational and artistic work in digital media in San Francisco, California. Since its founding in 1976, BAVC has connected diverse communities and individuals to the tools and training necessary to create and share innovative media and develop new storytelling technologies.

BAVC's operations are funded by a combination of fees for service and grants and contributions from private and government sources. BAVC's current programs provide access to industry-certified media training, pathways to higher education and workforce development, state of the art media labs, preservation of video and audio recordings, and assistance in engaging technology to support creative expression.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

BASIS OF PRESENTATION

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. BAVC follows the guidance of Accounting Standards Codification (ASC) 958, "*Financial Statements of Not-for-Profit Organizations.*" Accordingly, the net assets of BAVC and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions, but may be designated for specific purposes by action of the Board of Directors, or otherwise limited by contractual arrangements with outside parties.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that can be fulfilled either by actions of BAVC pursuant to those stipulations and/or expire with the passage of time.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that BAVC maintains. Generally, the donors of these assets permit BAVC to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2014 and 2013.

BAY AREA VIDEO COALITION
Notes to Financial Statements
December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, and investments so near their maturity that the risk of change in value due to changes in interest rates is negligible. These are generally investments with maturity dates of three months or less at the purchase date.

INVENTORY

Inventory is comprised of textbooks and manuals for workshops and clinics, and media stock. Inventory is recorded at the lower of cost or market, with cost determined using the weighted-average method. Market value is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value.

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 disclosures. Significant estimates include estimated useful lives, functional allocation of expenses and allowances for doubtful accounts. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

BAVC capitalizes all property and equipment acquisitions of \$5,000 and greater. Expenditures that increase the life of existing assets are capitalized; maintenance and repairs are charged to operations as incurred. Purchased or constructed assets are recorded at cost. Donated assets are recorded as contributions at their estimated fair values at the date of acquisition. Depreciation is provided using the straight-line method over three to fifteen years for equipment and furnishings and three to five years for software. Leasehold improvements are amortized over the related remaining lease term or the estimated useful lives of the assets, whichever is shorter.

BAY AREA VIDEO COALITION
Notes to Financial Statements
December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

BAVC accrues a liability for vested vacations to which employees are entitled depending on the length of service and other factors. The accompanying financial statements include accrued vacation benefits of \$64,488 and \$62,985 as of December 31, 2014 and 2013, respectively.

REVENUE RECOGNITION: TUITION AND CONTRACTS

Tuition revenue is recognized when the related class is provided. Contract revenue is derived from contracts with the City and County of San Francisco and various private companies, governmental entities, and other not-for-profit organizations. Contract revenue is recognized when the terms of the contract have been satisfied. Cash received in advance of providing the service is classified as deferred revenue.

REVENUE RECOGNITION: CONTRIBUTIONS

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

REVENUE RECOGNITION: CONTRIBUTED ASSETS, SERVICES AND FACILITIES

Contributions of non-cash assets are recorded at their fair value in the period received. Donated services are recognized as contributions in accordance with Accounting Standards Codification 958, "*Accounting for Contributions Received and Contributions Made*," 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 BAVC.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted, based on management's estimates.

BAY AREA VIDEO COALITION
Notes to Financial Statements
December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS

BAVC reviews its long-lived assets for impairment whenever events or changes indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying cost amount or fair value less estimated costs to sell.

ADVERTISING

Advertising costs are expensed as incurred and amounted to \$13,171 and \$11,969 for the years ended December 31, 2014 and 2013, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

BAVC is required to disclose the estimated fair value of its financial instruments. The fair value estimates presented herein are based on relevant information available to management as of December 31, 2014 and 2013. Because the reporting requirements exclude certain financial instruments and all non-financial instruments, the aggregate fair value amounts presented herein do not represent management's estimate of the underlying value of BAVC.

BAVC's financial instruments consist principally of cash and cash equivalents, accounts receivable, grants receivable, inventory, prepaid expenses, accounts payable and accrued expenses, deferred revenue and debt. BAVC believes all of the financial instruments' recorded values approximate fair value.

3. CONCENTRATION OF CREDIT RISK

BAVC maintains its bank accounts at one financial institution. Accounts at this institution are insured by the FDIC up to \$250,000. At December 31, 2014 and 2013, BAVC had a balance of \$163,720 and \$186,936 in excess of FDIC coverage, respectively.

BAY AREA VIDEO COALITION
Notes to Financial Statements
December 31, 2014 and 2013

4. GRANTS RECEIVABLE

Grants receivable are recorded at their net realizable value with no allowance for uncollectible balances, as management expects all amounts will be received from grantors as promised. Grants receivable were \$274,948 and \$232,575 as of December 31, 2014 and 2013, respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2014	2013
Video and musical equipment	\$ 556,385	\$ 514,429
Computer equipment	361,164	391,050
Computer software	128,590	138,698
Leasehold improvements	548,956	548,956
Fiber optic infrastructure	137,409	137,409
	<u>1,732,504</u>	<u>1,730,542</u>
Less: accumulated depreciation and amortization	<u>(1,646,150)</u>	<u>(1,672,063)</u>
Property and equipment, net	<u>\$ 86,354</u>	<u>\$ 58,479</u>

Depreciation and amortization expense amounted to \$28,969 and \$15,208 for the years ended December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and 2013, BAVC disposed of property and equipment with a cost basis of \$54,882 and \$7,250 and a net book value of \$0 and \$0, respectively.

6. EMPLOYEE BENEFIT PLAN

BAVC has a defined contribution 403(b) plan for its employees. Employees may elect to participate at any time after employment and can contribute up to a maximum of 20% of their salaries, not to exceed \$16,500 each year. Matching contributions are not allowed under the plan.

BAY AREA VIDEO COALITION
Notes to Financial Statements
December 31, 2014 and 2013

7. IN-KIND CONTRIBUTIONS

BAVC recognized contribution revenue for in-kind donations received at their estimated fair values for the following:

	<u>2014</u>	<u>2013</u>
Software and supplies	\$ 105,706	\$ 227,379
Services	68,172	110,752
Facilities	2,935	-
Travel	1,107	7,984
Expendable furniture, property and equipment	5,944	5,310
Total	<u>\$ 183,864</u>	<u>\$ 351,425</u>

8. DEBT

Catholic Healthcare West Loan:

On November 1, 2009, BAVC entered into a \$500,000 loan agreement with Catholic Healthcare West secured by BAVC's receivables from performance-based government or private grants and contracts. The interest rate was 4% per annum. The loan matured on November 5, 2014 and BAVC paid off the remaining balance of \$118,502. The outstanding balance of the loan was \$118,502 at December 31, 2013.

On January 1, 2015, BAVC obtained a \$225,000 line of credit from Dignity Health, with an interest rate of 4.0% per annum. The line of credit will mature on December 31, 2017. Dignity Health has a security interest in short and long receivables from performance based government or private grants and contracts.

Interest expense on long-term debt amounted to \$2,522 and \$6,871 for the years ended December 31, 2014 and 2013, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes at December 31,

	<u>2014</u>	<u>2013</u>
Time restriction	\$ 308,310	\$ -
Youth Programs	20,000	134,946
Independent Media	19,212	133,334
Adult Training and Workforce Development	30,000	75,000
Preservation and Technology	70,000	-
Total	<u>\$ 447,522</u>	<u>\$ 343,280</u>

BAY AREA VIDEO COALITION
Notes to Financial Statements
December 31, 2014 and 2013

9. TEMPORARILY RESTRICTED NET ASSETS – (CONTINUED)

Net assets released from restriction by incurring expenses that satisfied the restricted purpose were as follows for the years ended December 31,

	<u>2014</u>	<u>2013</u>
Time restriction	\$ 69,191	\$ 1,903
Youth Programs	244,945	258,015
Independent Media	174,122	100,487
Adult Training and Workforce Development	214,948	195,000
Preservation and Technology	105,000	40,000
Creative Programming	-	38,928
Other	-	75,000
Total	<u>\$ 808,206</u>	<u>\$ 709,333</u>

10. LEASE COMMITMENTS

BAVC leases its facilities under non-cancelable operating lease agreements which expire in November 2021. Under the terms of the main facility lease in San Francisco, BAVC is responsible for maintaining liability and property damage insurance and paying certain allocable operating expenses. These agreements provide for rent increases over the lives of the leases. BAVC recognizes facility rent on a straight-line basis over the lease term, and accordingly, BAVC recognizes deferred rent for the difference between the payments required and the related expense recognized.

Rent expense for these leases amounted to \$352,669 in each of the years ended December 31, 2014 and 2013.

BAVC also leases certain office equipment under an operating lease agreement that expires in 2016. Rent expense for this lease was \$10,964 and \$9,927 for the years ended December 31, 2014 and 2013, respectively.

BAY AREA VIDEO COALITION
Notes to Financial Statements
December 31, 2014 and 2013

10. LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments required under these two operating lease agreements at December 31, 2014 are as follows:

<u>Year ending December 31,</u>	
2015	\$ 337,551
2016	360,024
2017	362,067
2018	384,540
2019	386,583
Thereafter	<u>784,024</u>
Total	\$ <u><u>2,614,789</u></u>

11. INCOME TAXES

BAVC is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the U.S Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code. BAVC is also exempt from California income tax under Section 23701d of Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in these financial statements.

BAVC has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a “publicly supported” organization under Section 170(b)(1)(A)(vi) of the Code.

Accounting principles generally accepted in the United States of America require BAVC management to evaluate tax positions taken by BAVC and recognize a tax liability (or asset) if BAVC has taken an uncertain position that more likely than not would not be sustained upon examination by Internal Revenue Service. BAVC has analyzed its tax positions and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. BAVC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. BAVC believes it is no longer subject to income tax examinations for years prior to its fiscal year beginning January 1, 2010.

12. SUBSEQUENT EVENTS

Bay Area Video Coalition has evaluated all subsequent events through April 29, 2015, the date of this report, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Bay Area Video Coalition
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bay Area Video Coalition, which comprise the statements of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay Area Video Coalition's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Area Video Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Area Video Coalition's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay Area Video Coalition's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bay Area Video Coalition's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay Area Video Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PMB Helin Donovan, LLP

PMB Helin Donovan, LLP

San Francisco, California
April 29, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors,
Bay Area Video Coalition
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited Bay Area Video Coalition's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bay Area Video Coalition's major federal programs for the year ended December 31, 2014. Bay Area Video Coalition's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bay Area Video Coalition's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bay Area Video Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bay Area Video Coalition's compliance.

Opinion on Each Major Federal Program

In our opinion, Bay Area Video Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Bay Area Video Coalition is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bay Area Video Coalition's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of its internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bay Area Video Coalition's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PMB Helin Donovan, LLP



San Francisco, California
April 29, 2015

BAY AREA VIDEO COALITION
Schedule of Expenditures of Federal Awards
for the year ended December 31, 2014

				Schedule I
Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Grant Identification Number	Federal Expenditures
National Endowment for the Arts				
Media Maker Fellows Program	45.024	1/1/14-12/31/14	14-3400-7040	\$ 50,000
Preservation	45.024	6/1/13-5/31/14	13-3400-7067	72,372
Preservation	45.024	6/1/14-5/31/15	13-3400-7095	22,143
Total National Endowment for the Arts				<u>144,515</u>
National Endowment for the Humanities				
NEH	45.149	1/1/13-1/31/15	PR-50188-13	<u>153,106</u>
National Science Foundation				
Digital Pathways ATE	47.076	9/15/07-3/31/15	1104303	<u>189,177</u>
Department of Labor				
Passthrough City and County of San Francisco/ Office of Economic and Workforce Development				
Workforce Innovation Fund	17.283	1/1/2013-6/30/2015	DPBE13000177	268,550
H1B VISA	17.268	7/1/2012-6/30/2016	DPBE13000076	367,540
Workforce Investment Act Cluster				
Passthrough City and County of San Francisco/ Office of Economic and Workforce Development				
WIA Adult	17.258	7/1/13-6/30/14	DPBE14000085	108,468
WIA Adult	17.258	7/1/14-6/30/15	DPBE14000085	74,942
WIA Dislocated Worker	17.278	7/1/13-6/30/14	DPBE14000085	118,256
WIA Dislocated Worker	17.278	7/1/14-6/30/15	DPBE14000085	111,849
WIA Dislocated Worker Additional Funds	17.278	7/1/14-3/31/15	DPBE15000046	379,395
WIA Youth Out of School	17.259	7/1/13-6/30/14	DPBE14000085	107,594
WIA Youth Out of School	17.259	7/1/14-6/30/15	DPBE14000085	25,764
Total Workforce Investment Act Cluster				<u>926,268</u>
Total Department of Labor				<u>1,562,358</u>
Total federal award expenditures				<u>\$ 2,049,156</u>

See notes to the schedule of expenditures of federal awards.

BAY AREA VIDEO COALITION
Notes to Schedule of Expenditures of Federal Awards
December 31, 2014

Schedule I

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the activity of all federal programs administered by Bay Area Video Coalition. Bay Area Video Coalition is defined in Note 1 of Bay Area Video Coalition’s basic financial statements.

(b) *Basis of Presentation*

The Schedule presents total awards expended for each individual program in accordance with the OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(c) *Basis of Accounting*

The expenditures for the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 2 of Bay Area Video Coalition basic financial statements.

(2) Relationship to Financial Reports

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 2 of the basic financial statements.

BAY AREA VIDEO COALITION
Schedule of Findings and Questioned Costs
December 31, 2014

Schedule II

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
• Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Cluster	Workforce Investment Act Cluster

BAY AREA VIDEO COALITION
Schedule of Findings and Questioned Costs
December 31, 2014

Schedule II

Dollar threshold used to distinguish between type A
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

X Yes No

Section II - Financial Statement Findings

No findings.

Section III – Federal Award Findings and Questioned Costs

No findings.

Section IV – Summary Schedule of Prior Year Audit Findings

No findings.