

Financial Statements
with Report of Independent Auditors
and Reports on Federal Award Programs in Accordance with
*Government Auditing Standards and Uniform Administrative
Requirements, Cost Principles, and Audit Requirements for
Federal Awards (Uniform Guidance) in a single audit*

Bay Area Video Coalition

For the Years Ended December 31, 2015
and 2014



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

BAY AREA VIDEO COALITION

Financial Statements

For the Years Ended December 31, 2015 and 2014

With

Report of Independent Auditors Thereon

And

Federal Uniform Guidance Compliance Reports

BAY AREA VIDEO COALITION

December 31, 2015 and 2014

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bay Area Video Coalition, a non profit organization (BAVC or Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 Bay Area Video Coalition as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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REPORT OF INDEPENDENT AUDITORS - Continued

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements as a whole.

2014 Financial Statements

The financial statements of Bay Area Video Coalition as of December 31, 2014, were audited by other auditors whose report dated April 29, 2015, expressed an unqualified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2016, 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 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.

S D Mayer & Associates, LLP

S D Mayer & Associates, LLP

San Francisco, CA
June 1, 2016

BAY AREA VIDEO COALITION
Statements of Financial Position
As of December 31, 2015 and 2014

| | ASSETS | |
|--|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Assets: | | |
| Cash and cash equivalents | \$ 617,311 | \$ 309,131 |
| Accounts receivable, net of allowance for doubtful accounts of \$27,792 and \$4,502 at December 31, 2015 and 2014, respectively | 341,479 | 439,687 |
| Grants receivable | 90,850 | 274,948 |
| Inventory | 1,548 | 2,437 |
| Prepaid expenses and other current assets | 61,332 | 29,239 |
| Deposits | 10,198 | 10,294 |
| Property and equipment, net of accumulated depreciation | 96,661 | 86,354 |
| Website Development Costs | 163,000 | - |
| Total assets | <u>\$ 1,382,379</u> | <u>\$ 1,152,090</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 392,954 | \$ 346,523 |
| Line of Credit | 225,000 | - |
| Deferred rent | 190,601 | 175,483 |
| Deferred revenue | 180,815 | 106,411 |
| Total liabilities | <u>989,370</u> | <u>628,417</u> |
| Net assets: | | |
| Unrestricted net assets | 105,544 | 76,148 |
| Temporarily restricted net assets | 287,465 | 447,525 |
| Total net assets | <u>393,009</u> | <u>523,673</u> |
| Total liabilities and net assets | <u>\$ 1,382,379</u> | <u>\$ 1,152,090</u> |

See accompanying Auditors' report and notes to these financial statements

BAY AREA VIDEO COALITION
Statements of Activities
For the Years Ended December 31, 2015 and 2014

| | 2015 | | | 2014 | | |
|--|-------------------|------------------------|-------------------|------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenue and support: | | | | | | |
| Contracts | \$ 2,931,447 | \$ - | \$ 2,931,447 | \$ 2,805,779 | \$ - | \$ 2,805,779 |
| Tuition | 570,466 | - | 570,466 | 636,097 | - | 636,097 |
| Service fees and consulting | 240,040 | - | 240,040 | 168,426 | - | 168,426 |
| Fiscal sponsorship fees | 21,725 | - | 21,725 | 15,163 | - | 15,163 |
| Suite rental | 3,683 | - | 3,683 | - | - | - |
| Total revenue | <u>3,767,361</u> | <u>-</u> | <u>3,767,361</u> | <u>3,625,465</u> | <u>-</u> | <u>3,625,465</u> |
| Contributions and grants | 35,432 | 656,070 | 691,502 | 57,021 | 912,448 | 969,469 |
| Membership fees | 24,870 | - | 24,870 | 24,488 | - | 24,488 |
| Other income | 20,965 | - | 20,965 | 25,596 | - | 25,596 |
| In-kind contributions | 347,566 | - | 347,566 | 183,864 | - | 183,864 |
| Total support | <u>428,833</u> | <u>656,070</u> | <u>1,084,903</u> | <u>290,969</u> | <u>912,448</u> | <u>1,203,417</u> |
| Net assets released from restriction | 816,130 | (816,130) | - | 808,206 | (808,206) | - |
| Total revenue and support | <u>5,012,324</u> | <u>(160,060)</u> | <u>4,852,264</u> | <u>4,724,640</u> | <u>104,242</u> | <u>4,828,882</u> |
| Expenses: | | | | | | |
| Program services | | | | | | |
| Preservation and Technology | 567,130 | - | 567,130 | 687,424 | - | 687,424 |
| Youth Programs | 698,356 | - | 698,356 | 748,056 | - | 748,056 |
| Adult Training and Workforce Development | 2,392,744 | - | 2,392,744 | 1,917,716 | - | 1,917,716 |
| Independent Media | 826,931 | - | 826,931 | 549,742 | - | 549,742 |
| Total program services | <u>4,485,161</u> | <u>-</u> | <u>4,485,161</u> | <u>3,902,938</u> | <u>-</u> | <u>3,902,938</u> |
| Support services | | | | | | |
| General administration | 280,890 | - | 280,890 | 370,589 | - | 370,589 |
| Fundraising | 216,877 | - | 216,877 | 443,105 | - | 443,105 |
| Total expenses | <u>4,982,928</u> | <u>-</u> | <u>4,982,928</u> | <u>4,716,632</u> | <u>-</u> | <u>4,716,632</u> |
| Change in net assets | 29,396 | (160,060) | (130,664) | 8,008 | 104,242 | 112,250 |
| Net assets at beginning of year | 76,148 | 447,525 | 523,673 | 68,140 | 343,283 | 411,423 |
| Net assets at end of year | <u>\$ 105,544</u> | <u>\$ 287,465</u> | <u>\$ 393,009</u> | <u>\$ 76,148</u> | <u>\$ 447,525</u> | <u>\$ 523,673</u> |

See accompanying Auditors' report and notes to these financial statements

BAY AREA VIDEO COALITION
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ (130,664) | \$ 112,250 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization expense | 36,733 | 28,969 |
| (Increase)/decrease in: | | |
| Accounts receivable | 98,208 | 85,059 |
| Grants receivable | 184,098 | (42,373) |
| Inventory | 889 | 419 |
| Prepaid expenses and other current assets | (32,093) | 26,789 |
| Deposits | 96 | (13) |
| Increase/(decrease) in: | | |
| Accounts payable and accrued expenses | 46,431 | (49,966) |
| Deferred rent | 15,118 | 17,161 |
| Deferred revenue | 74,404 | (75,769) |
| Net cash provided by operating activities | <u>293,220</u> | <u>102,526</u> |
| Cash Flows from Investing Activities: | | |
| Purchases of property and equipment | (47,040) | (56,844) |
| Website development costs | (163,000) | - |
| Net cash used in investing activities | <u>(210,040)</u> | <u>(56,844)</u> |
| Cash Flows from Financing Activities: | | |
| Proceeds from lines of credit | 550,000 | - |
| Repayments of lines of credit | (325,000) | - |
| Repayments of long-term debt | - | (118,502) |
| Net cash provided by/(used in) financing activities | <u>225,000</u> | <u>(118,502)</u> |
| Net increase/(decrease) in cash and cash equivalents | 308,180 | (72,820) |
| Cash and cash equivalents, beginning of year | 309,131 | 381,951 |
| Cash and cash equivalents, end of year | <u>\$ 617,311</u> | <u>\$ 309,131</u> |
| SUPPLEMENTAL INFORMATION: | | |
| Interest paid | \$ 3,825 | \$ 2,522 |
| Donated goods and services | <u>\$ 347,566</u> | <u>\$ 183,864</u> |

See accompanying Auditors' report and notes to these financial statements

BAY AREA VIDEO COALITION
Statement of Functional Expenses
For the Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

| | Program Services | | | | Total Programs | Supporting Services | | 2015 Total | 2014 Total |
|-------------------------------|-----------------------------------|-------------------|--|----------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | Preservation and Technology | Youth Programs | Adult Training and Workforce Development | Independent Media | | General Administration | Fundraising | | |
| Salaries and benefits | \$ 162,008 | \$ 414,704 | \$ 839,296 | \$ 433,374 | \$ 1,849,382 | \$ 196,835 | \$ 134,596 | \$ 2,180,813 | \$ 2,061,958 |
| Professional services | 136,103 | 56,621 | 1,098,967 | 169,702 | 1,461,393 | 10,029 | 18,419 | 1,489,841 | 1,453,804 |
| Occupancy | 43,889 | 109,903 | 194,030 | 115,276 | 463,098 | 37,257 | 36,367 | 536,722 | 461,692 |
| Depreciation and amortization | 30,030 | - | - | 6,703 | 36,733 | - | - | 36,733 | 28,969 |
| Equipment | 168,779 | 9,010 | 121,966 | 7,809 | 307,564 | - | - | 307,564 | 222,559 |
| Operations | 26,180 | 39,496 | 99,659 | 71,301 | 236,636 | 36,699 | 23,009 | 296,344 | 291,634 |
| Outreach and promotion | 141 | 24,466 | 9,474 | 11,016 | 45,097 | 70 | 3,086 | 48,253 | 39,795 |
| Awards and stipends | - | 44,156 | 29,352 | 11,750 | 85,258 | - | 1,400 | 86,658 | 156,221 |
| Total expenses | <u>\$ 567,130</u> | <u>\$ 698,356</u> | <u>\$ 2,392,744</u> | <u>\$ 826,931</u> | <u>\$ 4,485,161</u> | <u>\$ 280,890</u> | <u>\$ 216,877</u> | <u>\$ 4,982,928</u> | <u>\$ 4,716,632</u> |

See accompanying Auditors' report and notes to these financial statements

BAY AREA VIDEO COALITION
Statement of Functional Expenses
For the Year Ended December 31, 2014

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

See accompanying Auditors' report and notes to these financial statements

BAY AREA VIDEO COALITION
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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, share and preserve innovative media and develop new storytelling technologies.

BAVC's operations are funded by a combination of fees for service contracts, 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, public access television channels, 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, 2015 and 2014.

BAY AREA VIDEO COALITION
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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 (purchased or donated) of \$5,000 and greater, unless a granting agency specifies otherwise in their contract. 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
For the Years Ended December 31, 2015 and 2014

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 \$63,254 and \$64,488 as of December 31, 2015 and 2014, 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. Contributions that contain conditional provisions are not recognized until the conditions have been met.

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
For the Years Ended December 31, 2015 and 2014

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 exceeds 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 \$3,918 and \$13,171 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014. 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.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued an accounting pronouncement (FASB ASU 2016-02) related to the accounting for leases. This pronouncement requires lessees to record most leases on their balance sheet, while expense recognition on the income statement remains similar to current lease accounting guidance. The guidance also eliminates real estate-specific provisions and modifies certain aspects of lessor accounting. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

BAY AREA VIDEO COALITION
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS - CONTINUED

Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Institution is currently evaluating the effect of ASU 2016-02 on its financial statements.

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, 2015 and 2014, BAVC had a balance of \$168,610 and \$163,720 in excess of FDIC coverage, respectively.

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 \$90,850 and \$274,948 as of December 31, 2015 and 2014, respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | 2015 | | 2014 |
|---|-------------|----|-------------|
| Video and musical equipment | \$ 591,921 | \$ | 556,385 |
| Computer equipment | 361,164 | | 361,164 |
| Computer software | 128,590 | | 128,590 |
| Leasehold improvements | 560,460 | | 548,956 |
| Fiber optic infrastructure | 137,409 | | 137,409 |
| | 1,779,544 | | 1,732,504 |
| Less: accumulated depreciation and amortization | (1,682,883) | | (1,646,150) |
| Property and equipment, net | \$ 96,661 | \$ | 86,354 |

Depreciation and amortization expense amounted to \$36,733 and \$28,969 for the years ended December 31, 2015 and 2014, respectively. During 2014, BAVC wrote off certain fully depreciated property and equipment with a cost basis of \$54,882 and \$0 net book value.

BAY AREA VIDEO COALITION
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

6. WEBSITE DEVELOPMENT COSTS

Intangible assets consist of website development costs which met the criteria for capitalization. These assets are carried at cost less accumulated amortization. The Organization amortizes the cost of these intangible assets on a straight-line basis over the expected period of benefit, which is five years

7. EMPLOYEE BENEFIT PLAN

BAVC has a defined contribution 403(b) plan for its employees. Full-time 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. Matching contributions are not allowed under the plan.

8. IN-KIND CONTRIBUTIONS

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

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Software and supplies | \$ 189,293 | \$ 105,706 |
| Services | 104,151 | 68,172 |
| Facilities | 13,016 | 2,935 |
| Travel | 17,190 | 1,107 |
| Expendable furniture, property and equipment | <u>23,916</u> | <u>5,944</u> |
| Total | <u>\$ 347,566</u> | <u>\$ 183,864</u> |

9. DEBT

On November 1, 2009, BAVC entered into a \$500,000 loan agreement (the loan) 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 \$0 at December 31, 2015 and 2014.

On January 1, 2015, BAVC obtained a \$225,000 line of credit (the line) 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-term receivables from performance based government or private grants and contracts. The outstanding balance of the line was \$225,000 at December 31, 2015.

Interest expense on debt amounted to \$4,200 and \$2,522 for the years ended December 31, 2015 and 2014, respectively.

BAY AREA VIDEO COALITION
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

10. TEMPORARILY RESTRICTED NET ASSETS

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

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Time restriction | \$ 148,314 | \$ 308,310 |
| Youth programs | 63,001 | 20,000 |
| Independent media | 43,750 | 19,215 |
| Special projects | 32,400 | - |
| Adult training and workforce development | - | 30,000 |
| Preservation and technology | - | 70,000 |
| Total | <u>\$ 287,465</u> | <u>\$ 447,525</u> |

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

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Time restriction | \$ 79,998 | \$ 69,191 |
| Youth programs | 177,858 | 244,945 |
| Independent media | 149,074 | 174,122 |
| Adult training and workforce development | - | 214,948 |
| Preservation and technology | 150,000 | 105,000 |
| General operations | 250,000 | - |
| Special projects | 9,200 | - |
| Total | <u>\$ 816,130</u> | <u>\$ 808,206</u> |

11. 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.

BAY AREA VIDEO COALITION
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

11. LEASE COMMITMENTS (CONTINUED)

Rent expense for these leases amounted to \$354,689 in each of the years ended December 31, 2015 and 2014.

BAVC also leases certain office equipment under an operating lease agreement that expires in 2016. Rent expense for this lease was \$12,462 and \$10,964 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments required under these two operating lease agreements at December 31, 2015 are as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|----------------------------|
| 2016 | \$ 363,535 |
| 2017 | 362,067 |
| 2018 | 384,540 |
| 2019 | 386,583 |
| 2020 | 409,056 |
| Thereafter | <u>374,968</u> |
| Total | \$ <u><u>2,280,749</u></u> |

12. 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 the 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, 2015 and 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.

BAY AREA VIDEO COALITION
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

13. CONCENTRATIONS

BAVC has one funding source that provided 75% and 45% of total grant and contract revenue for the years ended December 31, 2015 and 2014, respectively. Those revenues are included in overall government funding, which made up 60% and 59% of total revenue for the years ended December 31, 2015 and 2014, respectively.

There were two vendors that totaled 30% of the total accounts payable balance at December 31, 2015. One vendor totaled 10% of the total accounts payable balance at December 31, 2014.

14. SUBSEQUENT EVENTS

Bay Area Video Coalition has evaluated all subsequent events through June 1, 2016, the date of this report, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

**INDEPENDENT AUDITOR'S 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 Trustees,
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 (“the Institute”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 June 1, 2016.

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 the 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 a 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. 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.



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay Area Video Coalition's financial statements are free from 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

S D Mayer & Associates, LLP

S D Mayer & Associates, LLP

San Francisco, CA

June 1, 2016



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees,
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 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, 2015. Bay Area Video Coalition's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE-Continued

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, 2015.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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.



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

S D Mayer & Associates, LLP

S D Mayer & Associates, LLP

San Francisco, CA

June 1, 2016

BAY AREA VIDEO COALITION
Schedule of Expenditures of Federal Awards
for the year ended December 31, 2015

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 | 1/1/15-12/31/15 | 15-3400-7056 | \$ 85,000 |
| Preservation | 45.024 | 7/1/15-6/30/16 | 15-3400-7125 | 50,000 |
| Preservation | 45.024 | 6/1/14-5/31/15 | 14-3400-7095 | 77,857 |
| Total National Endowment for the Arts | | | | 212,857 |
| National Endowment for the Humanities | | | | |
| NEH | 45.149 | 1/1/13-1/31/15 | PR-50188-13 | 35,429 |
| Total National Endowment for the Humanities | | | | 35,429 |
| Pass-through from City of San Francisco: | | | | |
| Department of Labor | | | | |
| Workforce Innovation Fund | 17.283 | 1/1/13-6/30/15 | DPBE13000177 | 236,038 |
| H1B VISA | 17.268 | 7/1/12-3/31/16 | DPBE13000076 | 1,028,430 |
| Ready To Work | 17.268 | 6/1/15-10/31/18 | DPBE15000251 | 145,989 |
| | | | | 1,174,419 |
| Workforce Investment Act Cluster | | | | |
| WIA Adult | 17.258 | 7/1/14-6/30/15 | DPBE14000085 | 66,979 |
| Workforce Accelerator Fund | 17.258 | 6/1/15-6/1/16 | K-599610 | 11,440 |
| WIA Youth Out of School | 17.259 | 7/01/15-6/30/16 | DPBE14000085 | 73,222 |
| WIA Youth Out of School | 17.259 | 7/1/14-6/30/15 | DPBE14000085 | 102,345 |
| WIA Dislocated Worker | 17.278 | 7/1/15-6/30/16 | DPBE14000085 | 69,869 |
| WIA Dislocated Worker | 17.278 | 7/1/14-6/30/15 | DPBE14000085 | 81,090 |
| WIA Dislocated Worker Additional Funds | 17.278 | 1/1/14-3/31/15 | DPBE15000046 | 140,687 |
| Total Workforce Investment Act Cluster | | | | 545,632 |
| Total Department of Labor | | | | 1,956,089 |
| Total federal award expenditures | | | | \$ 2,204,375 |

See notes to the schedule of expenditures of federal awards.

BAY AREA VIDEO COALITION
Notes to Schedule of Expenditures of Federal Awards
December 31, 2015

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 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. The Schedule presents total awards expended for each individual program in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only selected portion of the activities of the Institute, it is not intended to, and does not, present either the financial position, changes in net assets, or cash flows of the Institute. The Institute has not elected to use the 10-percent de minimus indirect cost rate

BAY AREA VIDEO COALITION
Schedule of Findings and Questioned Costs
December 31, 2015

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 2 CFR 200.516(a)? | No |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 17.268 | H-1B Job Training Grants |
| 45.024 | Promotion of the Arts – Grants to Organizations and Individuals |

BAY AREA VIDEO COALITION
Schedule of Findings and Questioned Costs
December 31, 2015

Schedule II

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

\$750,000

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.