



BAY AREA VIDEO COALITION MEDIA

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

DECEMBER 31, 2023

A Trusted Nonprofit Partner

Main Office: 2698 Mataro Street, Pasadena, CA 91107 Phone: 626.403.6801
www.npocpas.com

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bay Area Video Coalition Media

Opinion

We have audited the accompanying financial statements of Bay Area Video Coalition Media (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Video Coalition Media as of December 31, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bay Area Video Coalition Media and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay Area Video Coalition Media's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bay Area Video Coalition's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay Area Video Coalition's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited Bay Area Video Coalition Media's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2024, on our consideration of Bay Area Video Coalition Media'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 solely 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 effectiveness of Bay Area Video Coalition's 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 Media's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
December 9, 2024

BAY AREA VIDEO COALITION MEDIA

STATEMENT OF FINANCIAL POSITION

December 31, 2023

With comparative totals at December 31, 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 888,998	\$ 148,711
Accounts receivable	403,768	606,006
Grants receivable	427,372	726,552
Prepaid expenses and other assets	162,666	38,478
Property and equipment (Note 5)	288,259	332,452
Right-of-use assets - operating leases (Note 7)	445,234	369,607
TOTAL ASSETS	<u>\$ 2,616,297</u>	<u>\$ 2,221,806</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 22,828	\$ 214,089
Accrued liabilities (Note 6)	112,092	112,092
Deferred revenue	131,236	50,335
Lease liabilities - operating leases (Note 7)	511,911	369,607
Notes payable (Note 8)	513,670	542,734
TOTAL LIABILITIES	<u>1,291,737</u>	<u>1,288,857</u>
NET ASSETS		
Without donor restrictions	240,912	(262,124)
With donor restrictions (Note 9)	1,083,648	1,195,073
TOTAL NET ASSETS	<u>1,324,560</u>	<u>932,949</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,616,297</u>	<u>\$ 2,221,806</u>

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

BAY AREA VIDEO COALITION MEDIA

STATEMENT OF ACTIVITIES

For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
REVENUE AND SUPPORT				
Contributions and grants (Note 10)	\$ 2,360,503	\$ 1,149,986	\$ 3,510,489	\$ 3,596,317
In-kind contributions (Notes 2, 4 and 11)	224,334		224,334	265,107
Other income	159,270		159,270	31,059
Service fees and consulting	144,185		144,185	197,262
Tuition	118,707		118,707	74,990
Fiscal sponsorship fees	24,496		24,496	5,393
Membership fees	5,780		5,780	6,790
Paycheck protection program loan forgiveness			-	211,423
Net assets released from restrictions (Note 9)	1,261,411	(1,261,411)	-	-
TOTAL REVENUE AND SUPPORT	4,298,686	(111,425)	4,187,261	4,388,341
EXPENSES				
Program services	3,130,103		3,130,103	2,821,928
General and administrative	255,622		255,622	516,709
Fundraising and development	409,925		409,925	377,585
TOTAL EXPENSES	3,795,650	-	3,795,650	3,716,222
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	503,036	(111,425)	391,611	672,119
NET ASSETS, BEGINNING OF YEAR	(262,124)	1,195,073	932,949	260,830
NET ASSETS, END OF YEAR	\$ 240,912	\$ 1,083,648	\$ 1,324,560	\$ 932,949

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

BAY AREA VIDEO COALITION MEDIA

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

	Program Services			Total Program Services	General and Administrative	Fundraising and Development	Total Expenses	
	Education and Training	Preservation and Technology	Independent Media				2023	2022
Salaries	\$ 939,593	\$ 198,027	\$ 297,690	\$ 1,435,310	\$ 96,827	\$ 263,526	\$ 1,795,663	\$ 1,820,875
Payroll taxes	102,563	21,616	32,495	156,674	26,447	28,766	211,887	155,096
Employee benefits	41,223	13,198	28,448	82,869	11,936	4,658	99,463	93,269
Total personnel costs	1,083,379	232,841	358,633	1,674,853	135,210	296,950	2,107,013	2,069,240
Professional services	339,628	94,062	85,436	519,126	11,105	57,210	587,441	675,613
Occupancy	113,818	56,971	180,179	350,968	53,758	17,374	422,100	208,005
Equipment	151,667	37,158	90,781	279,606	152	24,793	304,551	251,016
Operations	25,769	8,939	7,808	42,516	60,709	1,771	104,996	244,058
Other expenses	78,585	8,260	9,828	96,673	(9,853)	3,650	90,470	38,885
Awards and stipends	86,751			86,751			86,751	140,550
Depreciation and amortization	30,535	7,084	11,843	49,462	4,104	6,477	60,043	58,280
Outreach and promotion	22,087	3,033	5,028	30,148	437	1,700	32,285	30,575
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 1,932,219	\$ 448,348	\$ 749,536	\$ 3,130,103	\$ 255,622	\$ 409,925	\$ 3,795,650	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 1,737,899	\$ 490,670	\$ 593,359	\$ 2,821,928	\$ 516,709	\$ 377,585		\$ 3,716,222

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

BAY AREA VIDEO COALITION MEDIA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 391,611	\$ 672,119
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	60,043	58,280
Paycheck protection program loan forgiveness	-	(211,423)
Amortization of right-of-use assets - operating leases	351,999	128,869
Reduction in lease liabilities - operating leases	(285,282)	(128,869)
(Increase) decrease in operating assets:		
Accounts receivable	202,238	222,691
Grants receivable	299,180	(422,656)
Prepaid expenses and other assets	(124,188)	11,292
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(191,261)	(483,218)
Deferred revenue	80,901	25,564
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	785,241	(127,351)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(15,850)	(173,697)
NET CASH (USED) BY INVESTING ACTIVITIES	(15,850)	(173,697)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(29,104)	(7,266)
NET CASH (USED) BY FINANCING ACTIVITIES	(29,104)	(7,266)
NET INCREASE (DECREASE) IN CASH	740,287	(308,314)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	148,711	457,025
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 888,998	\$ 148,711
NON-CASH OPERATING ACTIVITIES:		
Right-of-use-assets/lease liabilities - operating lease from adoption of ASC-842	\$ -	\$ 498,476
Right-of-use-assets - operating lease from new or renewal of leases	\$ 427,626	\$ -
Right-of-use lease liabilities - operating lease from new or renewal of leases	\$ 594,825	\$ -

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

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

1. Organization

Bay Area Video Coalition Media, (“BAVC Media”) 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 Media 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 Media's operations are funded by a combination of fees for service contracts and grants and contributions from private and government sources. BAVC Media'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 is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting which reflects revenue when earned and expenses as incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

BAVC Media has defined cash 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 changes in value due to interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Contributions and Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Concentration

BAVC Media maintains its bank accounts at one financial institution. Account at this institution is insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2023 and 2022, BAVC had a balance of \$651,253 and \$193,461 in excess of FDIC coverage, respectively. Following the merger with Reel Stories in 2021, another bank account was transferred to BAVC Media. The balance for this account at December 31, 2023, did not exceed the FDIC coverage of \$250,000.

BAVC Media’s government funding accounted for 42% and 36% of its total revenue for the years ended December 31, 2023 and 2022, respectively.

Fair Value Measurements

BAVC Media 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, 2023 and 2022. 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 Media. BAVC Media’s financial instruments consist principally of cash and cash equivalents, accounts receivable, grants receivable, prepaid expenses, accounts payable and accrued expenses, deferred revenue and debt. BAVC Media believes all of the financial instruments’ recorded values approximate fair value.

continued

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Leases

BAVC Media recognizes and measures its leases in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification ASC 842, *Leases*. BAVC Media has a lessee in a noncancellable operating lease for office space. BAVC Media determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. BAVC Media recognizes a lease liability and a Right-of-Use (“ROU”) asset at the commencement date of the lease.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise BAVC Media uses its incremental borrowing rate based on the information available at the commencement date for all leases. BAVC Media incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

Property and Equipment

BAVC Media 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.

In-kind Contributions

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Refer to Notes 4 and 11 for further disclosures.

Functional Allocation of Expenses

Costs of providing BAVC Media’s programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services based upon usage, employee ratios, and square footage of occupied space.

continued

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

BAVC Media recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of BAVC Media's revenue may be derived from cost-reimbursable state, county or local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when BAVC Media has incurred expenditures in compliance with specific contract or grant provisions.

Income Taxes

BAVC Media is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d and is considered by the Internal Revenue Service to be an organization other than a private foundation.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by BAVC Media in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. BAVC Media's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BAVC Media's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Reclassification

Certain amounts from the December 31, 2022 financial statements have been reclassified to conform to the December 31, 2023 presentation.

continued

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Management has evaluated subsequent events through December 9, 2024, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclose in the financial statements.

3. Liquidity and Availability of Resources

BAVC Media regularly monitors liquidity require to meet its operating needs and other contractual commitments while also striving to maximize the effectiveness of its available funds. BAVC Media has several sources of liquidity at its disposal, including cash and cash equivalents.

BAVC Media has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Cash and cash equivalents	\$ 888,998
Accounts receivable	403,768
Grants receivable	<u>427,372</u>
Total financial assets	1,720,138
Less: cash and pledges with donor restrictions	<u>(1,083,648)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 636,490</u>

4. In-kind Contributions

BAVC Media's policy requires the organization to accept gifts that are consistent with its mission. The policy requires BAVC Media to accept donations of money and in-kind services and in special circumstances may consider accepting donations of real property, personal property and stock.

For the year ended December 31, 2023, BAVC Media received a total of \$224,334 in in-kind contributions, of which, \$106,370 of donated software and \$117,964 of donated services.

Of the total \$106,370 in-kind services received by BAVC Media for the year ended December 31, 2023, a total of \$70,814 received in the form of donated equipment rental restricted for youth programming use.

BAVC Media's policy provides that from time to time, the organization receives gifts of equipment or furniture that sometime in the future, it may seek to sell to its community, rather than to donate for free or retain. In these cases, BAVC Media's policy requires that:

continued

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

4. In-kind Contributions, continued

(1) donated property must be used or sold solely for a purpose related to BAVC Media's mission and programs.

(2) donated property cannot be transferred by the donee in exchange for money, other property, or services (including marketing).

For the year ended December 31, 2023, BAVC Media utilized all the in-kind contributions of \$224,334 received. In this regard, a total of \$149,135 were utilized on general administration and \$75,199 on its Education and Training program.

In terms of valuation techniques and inputs utilized by BAVC Media to arrive at the fair value measurement BAVC Media utilized the following for the categories of in-kind contributions:

Category of in-kind contribution	Valuation techniques and inputs
Donated equipment	Cost of equipment donor purchased for BAVC Media Fair market value of equipment based on comparisons Cost of equipment if purchased new
Donated software	Value stated in service contract Cost of service
Donated services	Value Stated in service contract or correspondence with donor Cost of application reviewer's fee/speaker's fee

5. Property and Equipment and Other Non-current Assets

Property and equipment and other non-current assets at December 31, 2023 and 2022 consist of the following:

Property and Equipment

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 838,678	\$ 830,488
Video equipment and musical instruments	681,367	680,178
Computer equipment	394,647	388,176
Fiber optic infrastructure	137,409	137,409
Computer software	<u>128,590</u>	<u>128,590</u>
	2,180,691	2,164,841
Less: accumulated depreciation	<u>(1,892,432)</u>	<u>(1,832,389)</u>
	<u>\$ 288,259</u>	<u>\$ 332,452</u>

continued

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment and Other Non-current Assets, continued

Other Non-current Assets

Other non-current assets consist of website development costs which met the criteria for capitalization. These assets are carried at cost less accumulated amortization. BAVC Media amortizes the cost of these assets on a straight-line basis over the expected period of benefit, which is three years.

Website development costs and accumulated amortization consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Website development costs	\$ 193,000	\$ 193,000
Less: accumulated amortization	<u>(193,000)</u>	<u>(193,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was \$60,043 and \$58,280, respectively.

6. Accrued Liabilities

Accrued liabilities at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Accrued vacation	\$ 93,692	\$106,131
Accrued salaries	12,439	-
Other accrued liabilities	<u>5,961</u>	<u>5,961</u>
	<u>\$112,092</u>	<u>\$112,092</u>

7. Right-of-Use Assets and Lease Liabilities - Operating Leases

BAVC Media has an operating lease for its corporate offices, and has been recorded in compliance with Accounting Standards Update (“ASU”) 2016-02. The ROU assets represents BAVC Media’s right to use underlying assets for the lease term, and lease liabilities represent BAVC Media’s obligation to make lease payments arising from this lease. The ROU assets and lease liabilities, all of which arise from operating lease, were calculated based on the present value of future lease payments over the lease terms. BAVC Media has made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liabilities as of December 31, 2023, was 2.8%. The lease payments are recognized as equal to rent payments regardless of the point in time during the duration of the lease.

BAVC Media recognized ROU assets of \$445,234 and operating lease liabilities totaling \$511,911 in its Statement of Financial Position as of December, 31 2023.

continued

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

7. Right-of-Use Assets and Lease Liabilities - Operating Leases, continued

Future minimum payments, by year and in the aggregate, under this lease consists of the following:

<u>Year ending December 31,</u>	
2024	\$213,297
2025	168,610
2026	<u>157,388</u>
Total lease payments	539,295
Less: present value discount	<u>(27,384)</u>
	<u>\$511,911</u>

Rent expense related to operating lease was \$208,764 for the year ended December 31, 2023.

The underlying ROU assets related to the above liabilities are as follows:

ROU assets balance at January 1, 2023	\$ 369,607
Additions	427,626
Less: amortization of leased assets	<u>(351,999)</u>
ROU assets balance at December 31, 2023	<u>\$ 445,234</u>

8. Notes Payable

Notes payable at December 31, 2023 consist of the following:

Note payable to the Small Business Administration (“SBA”) (BAVC Media), monthly instalments of \$2,208 including annual interest of 2.75% due June 2050.	\$466,880
Note payable to the SBA (Reel Stories), monthly instalments of \$214 including interest of 2.75% due June 2050.	<u>46,790</u>
	<u>\$513,670</u>

In 2022, the SBA approved the repayment of both notes payable to be deferred to 30 months from the original dates of the notes.

Principal payments on the notes payable are as follows:

<u>Year ending December 31,</u>	
2024	\$ 12,445
2025	12,792
2026	13,148
2027	13,514
2028	13,891
Thereafter	<u>447,880</u>
	<u>\$513,670</u>

continued

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

9. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2023 and 2022 are restricted for the following programs:

	<u>2023</u>	<u>2022</u>
MediaMakers	\$ 407,346	\$ 720,000
Youth programs	217,249	216,638
Preservation and technology	290,506	90,603
Artist development	105,207	-
Independent media	33,340	100,000
Other	30,000	-
Reel stories	-	40,332
Education and training	-	27,500
Time restricted	-	-
	<u>\$1,083,648</u>	<u>\$1,195,073</u>

For the years ended December 31, 2023 and 2022, net assets released from purpose and timing restrictions were \$1,261,411 and \$734,265, respectively.

10. Contributions and Grants

Contributions and grants revenues for the year ended December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Government grants	\$1,862,987	\$2,378,978
Contributions from foundations, corporations, and individuals	<u>1,647,502</u>	<u>1,217,339</u>
	<u>\$3,510,489</u>	<u>\$3,596,317</u>

11. Fair Value Measurements

The table below presents the transactions measured at fair value on a non-recurring basis during the year ended December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
In-kind contributions	<u>\$ -</u>	<u>\$224,334</u>	<u>\$ -</u>	<u>\$224,334</u>

The fair value of in-kind contributions has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

BAY AREA VIDEO COALITION

NOTES TO FINANCIAL STATEMENTS

12. Employee Benefit Plan

BAVC Media 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 \$22,500. Matching contributions are not allowed under the plan.

ADDITIONAL INFORMATION

**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 Media

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 Media (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay Area Video Coalition Media's internal control over financial reporting (internal control) as a basis for designing 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 Media's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Area Video Coalition Media'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay Area Video Coalition Media'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 financial statements. 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*.

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Main Office: 2698 Mataro Street, Pasadena, CA 91107 Phone: 626.403.6801
www.npocpas.com

**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***
continued

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California
December 9, 2024