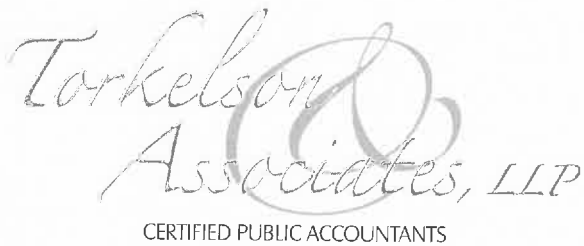


**PETALUMA COMMUNITY ACCESS, INC.**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2017**  
(With Summarized Comparative Totals for 2016)

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Rick R. Torkelson, CPA  
Lori A. Enochs, CPA, MS Tax, CFE, CVA  
Jill G. Laird, CPA  
David H. Storum, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Petaluma Community Access, Inc.

We have audited the accompanying financial statements of Petaluma Community Access, Inc. (a California non-profit corporation) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Managements 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 Petaluma Community Access, Inc. as of June 30, 2017, 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.

## Report on Summarized Comparative Information

The June 30, 2016 financial statements were reviewed by us and our report thereon, dated September 9, 2016, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

  
Torkelson & Associates, LLP  
Certified Public Accountants  
Petaluma, California  
November 20, 2017

**PETALUMA COMMUNITY ACCESS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**  
(With Summarized Comparative Totals for 2016)

<b>ASSETS</b>				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 146,224	\$ -	\$ 146,224	\$ 162,699
Cash, restricted for capital expenditures	-	20,296	20,296	20,296
Access fees receivable	62,154	-	62,154	63,160
Prepaid rent deposit/expenses	4,838	-	4,838	4,200
Total current assets	213,216	20,296	233,512	250,355
 Property and equipment, net	 27,997	 52,128	 80,125	 87,237
Total assets	\$ 241,213	\$ 72,424	\$ 313,637	\$ 337,592

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>				
Accounts payable	\$ 597	\$ -	\$ 597	\$ 4,352
Accrued expenses	4,706	-	4,706	5,064
Payroll taxes payable	-	-	-	3,408
Total current liabilities	5,303	-	5,303	12,824
 <b>NET ASSETS</b>	 235,910	 72,424	 308,334	 324,768
Total liabilities and net assets	\$ 241,213	\$ 72,424	\$ 313,637	\$ 337,592

See accompanying notes and independent accountants' audit report.

**PETALUMA COMMUNITY ACCESS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With Summarized Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>REVENUE AND SUPPORT</b>				
Access fees	\$ 252,672	\$ -	\$ 252,672	\$ 255,821
Membership fees	4,126	-	4,126	3,185
Taping fees	15,851	-	15,851	16,179
Tape income	3	-	3	8
Interest income	6	-	6	-
Contributions	1,401	-	1,401	-
Miscellaneous income	105	-	105	20
Capital fund income	-	-	-	41,810
Production services income	225	-	225	460
DVD sales	292	-	292	507
Workshop fees	478	-	478	570
Radio event income	6,688	-	6,688	8,685
	<u>281,847</u>	<u>-</u>	<u>281,847</u>	<u>327,245</u>
<b>EXPENSES</b>				
Program services	209,342	18,300	227,642	200,955
Supporting services	70,639	-	70,639	71,921
	<u>279,981</u>	<u>18,300</u>	<u>298,281</u>	<u>272,876</u>
<b>CHANGE IN NET ASSETS</b>	1,866	(18,300)	(16,434)	54,369
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>234,044</u>	<u>90,724</u>	<u>324,768</u>	<u>270,399</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 235,910</u>	<u>\$ 72,424</u>	<u>\$ 308,334</u>	<u>\$ 324,768</u>

See accompanying notes and independent accountants' audit report.

**PETALUMA COMMUNITY ACCESS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With Summarized Comparative Totals for 2016)

	Program Services	Supporting Services	Total 2017	Total 2016
Salaries and wages	\$ 104,282	\$ 59,105	\$ 163,387	\$ 162,492
Payroll taxes	15,107	-	15,107	15,509
Accounting	-	8,395	8,395	12,384
Advertising	425	-	425	500
Bank charges	87	-	87	164
Charitable contributions	-	-	-	80
Computer expense	-	366	366	277
Depreciation expense	24,092	-	24,092	16,574
Dues and subscriptions	1,614	-	1,614	942
Equipment rental	900	-	900	1,099
Insurance	5,403	-	5,403	5,276
Insurance - workers' comp	2,138	-	2,138	2,077
Meals and entertainment	528	-	528	93
Meetings	-	-	-	874
Miscellaneous	-	-	-	1,536
Outside services	21,046	-	21,046	3,091
Postage and shipping	590	-	590	401
Printing and reproduction	1,510	-	1,510	1,003
Promotional	2,364	-	2,364	481
Rent	25,200	-	25,200	25,200
Repairs and maintenance	1,378	-	1,378	1,464
Satellite expenses	440	-	440	532
Security	1,072	-	1,072	1,021
Storage	540	-	540	540
Supplies	5,621	2,773	8,394	9,570
Taxes, licenses and permits	112	-	112	132
Telephone and internet	5,296	-	5,296	5,423
Training and development	514	-	514	10
Travel and conferences	4,072	-	4,072	897
Utilities	2,572	-	2,572	2,841
Web expenses	739	-	739	393
<b>Total expenses</b>	<b>\$ 227,642</b>	<b>\$ 70,639</b>	<b>\$ 298,281</b>	<b>\$ 272,876</b>

See accompanying notes and independent accountants' audit report.

**PETALUMA COMMUNITY ACCESS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With Summarized Comparative Totals for 2016)

	2017	2016
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Increase/(decrease) in net assets	\$ (16,434)	\$ 54,369
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	24,092	16,574
(Increase)/decrease in:		
Access fees receivable	1,006	146
Taping fees receivable	-	324
Prepaid rent deposit/expenses	(638)	(1,463)
Increase/(decrease) in:		
Accounts payable	(3,754)	2,938
Accrued expenses	(358)	3,693
Payroll liabilities	(3,408)	87
Total cash flows provided by operating activities	506	76,668
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(16,981)	(58,943)
Total cash flows used by investing activities	(16,981)	(58,943)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(16,475)	17,725
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>BEGINNING OF YEAR</b>	182,995	165,270
<b>END OF YEAR</b>	\$ 166,520	\$ 182,995
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ -	\$ -

See accompanying notes and independent accountants' audit report.



**PETALUMA COMMUNITY ACCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. ORGANIZATION**

Petaluma Community Access, Inc. (PCA) was formed in 1995 as a Nonprofit Public Benefit Corporation under Corporation Laws of the State of California. PCA is currently under contract with the City of Petaluma to provide public, educational, and governmental access programming and services.

The City initially contracted with PCA for the management of access channels for a period of five years starting May 17, 2001. Since then, the agreement has been extended for additional periods, and the most recent extension ends December 19, 2020. The new agreement provides for the operation of a community radio station to serve the communication needs of the City of Petaluma, the Petaluma Emergency Operations Center, the Petaluma School District, and the Santa Rosa Junior College Petaluma campus. PCA possesses a current FCC license to operate a radio station and on August 22, 2016 PCA was contracted by the Santa Rosa Junior College Petaluma Campus to construct, install, and operate a radio station transmitter and antenna.

Primary funding is by a community access fee collected from cable subscribers and remitted by the cable operator to the City. Other funding is provided by memberships, grants, contributions, and miscellaneous sales.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

PCA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Classification of Net Assets

Accounting principles generally accepted in the United States of America require that PCA report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Upon expiration of a donor stipulation, or accomplishment of a donor's intended purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. PCA has no permanently restricted net assets as of June 30, 2017.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

See accompanying independent accountants' audit report

**PETALUMA COMMUNITY ACCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Cash and Cash Equivalents

PCA considers all highly liquid investments with an initial maturity of nine months or less to be cash equivalents. If the initial maturity is between three to nine months, there must be no penalty for early withdrawal.

Receivables

Receivables consist primarily of access fees receivable from the cable operator and are paid quarterly. These receivables are considered fully collectible and no allowance for doubtful accounts has been established.

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of the property and equipment are charged to expense as incurred. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

Income Taxes

In letters to PCA, the Internal Revenue Service and California Franchise Tax Board stated that PCA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from California bank and corporation taxes under Section 23701(d) of the California Revenue and Taxation Code, respectively. In addition, PCA qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as a publicly supported organization as described in IRC Section 509(a)(1). Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law.

Management of PCA believe that no activities of PCA jeopardized its exemption from income taxes or its classification as a "public charity." In addition, management of PCA believe that no activities of PCA are subject to unrelated business income taxes. Accordingly, PCA did not provide for income taxes herein.

PCA files tax returns with the IRS and the state of California. In accordance with accounting principles generally accepted in the United States of America, PCA evaluates all significant tax positions. PCA recognizes interest and penalties related to income taxes and tax positions with interest and income tax expense, respectively. As of, and for the year ended June 30, 2017, interest and penalties related to income taxes and tax positions were not material. As of June 30, 2017, management of PCA believe that there are no tax positions of PCA where it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the period ending June 30, 2018. As of June 30, 2017, open tax periods subject to future examination by taxing authorities cover periods from July 1, 2013 through June 30, 2017.

Management of PCA does not believe that differences between income taxes PCA measures using the current "tax position" method and the methods PCA used previously to be material to the financial position of PCA.

**PETALUMA COMMUNITY ACCESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Funding

PCA's initial funding consisted of \$500,000 from the City of Petaluma, via its franchise agreement with the cable operator, for the acquisition and installation of access equipment and for the development of access facilities. The City's franchise agreement also provided for an additional \$290,000 to be paid by the cable operator on the third anniversary of the franchise agreement. This occurred on January 17, 1999. PCA has exhausted these funds in prior years.

Access Fees

PCA receives 1.24% of video provider revenues remitted as PEG fees per DIVCA. These payments are received on a quarterly basis.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expenses for the years ended June 30, 2017 and 2016 were \$425 and \$500, respectively.

**NOTE 3. COMPARATIVE INFORMATION**

The financial statements include certain prior-year 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. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

**NOTE 4. PROPERTY AND EQUIPMENT**

Major classes of property and equipment are as follows at June 30:

	<u>2017</u>	<u>2016</u>
Non-portable equipment	\$ 139,793	\$ 139,793
Community access	52,258	52,258
Computer equipment	26,715	26,715
Access use equipment	275,181	258,200
Office furniture and fixtures	2,843	2,843
Leasehold improvements	1,600	1,600
Software	<u>964</u>	<u>964</u>
	499,354	482,373
Less accumulated depreciation	<u>(419,228)</u>	<u>(395,136)</u>
Net property and equipment	<u>\$ 80,126</u>	<u>\$ 87,237</u>

Depreciation expense for the year ended June 30, 2017, is \$24,092. Depreciation expense for the year ended June 30, 2016, was \$16,574.

See accompanying independent accountants' audit report

**PETALUMA COMMUNITY ACCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4. PROPERTY AND EQUIPMENT (continued)**

Property and equipment acquired by PCA are considered to be owned by PCA. However, the City of Petaluma has a reversionary interest in those assets purchased with the money held in trust for PCA. Therefore, property and equipment purchased with these monies are considered to be restricted along with any proceeds from the sale thereof. Consequently, cash in the amount of \$20,296 has been temporarily restricted per the professional services agreement with the City for the purchase of property and equipment.

**NOTE 5. RELATED PARTY TRANSACTION**

PCA has a rental agreement for storage space for a discounted amount with the current Executive Director and his family. This rent amount is subject to increase upon the Executive Director's separation from employment. \$540 per year was paid for the rented storage space for the years ended June 30, 2017 and 2016.

**NOTE 6. LEASE**

PCA leases office space under a five-year lease commencing November 1, 2012 and terminating October 31, 2017. Minimum future rental payments under this lease are as follows at June 30:

2018	\$ 8,400
2019	0
2020	0
2021	0
Thereafter	<u>0</u>
Totals	<u>\$ 8,400</u>

**NOTE 7. ACCRUED VACATION**

Paid time off is available to eligible employees of PCA, and is recognized as a liability as it accrues. It is included in accrued expenses, and the balance as of June 30, 2017 and 2016 is \$4,633 and \$5,064, respectively.

**NOTE 8. CONCENTRATIONS**

In 2006, the State of California passed the Digital Infrastructure Video and Competition Act (DIVCA) AB2987, which assigns franchise authority to the State Public Utilities Commission, and which preempts local franchise authority and sets certain time frames for expiration of previously granted local franchise agreements. PCA receives a substantial portion of its income from cable service providers that have a franchise agreement with the state of California. Video provider revenues and the re-negotiation of contracts could affect revenues received from these sources. One such contract, the local franchise agreement between the City of Petaluma and Comcast Cable Communications, Inc., expired on August 19, 2010. In January of 2011 the City of Petaluma passed a municipal ordinance that set 1.24% as the amount of franchisee revenues to be returned by Comcast and AT&T to PCA as PEG fees.

See accompanying independent accountants' audit report

**PETALUMA COMMUNITY ACCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 20, 2017, the date that the financial statements were available to be issued.

On October 26, 2017 PCA signed an addendum to their original lease agreement that extends their lease for an additional 3 years expiring October 31, 2020. The addendum increases rent by 3% per annum according to the consumer price index.