

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Annual Report
Years Ended
June 30, 2021 and 2020

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Independent Auditors' Report

Board of Directors
University Corporation at Monterey Bay
Seaside, California

We have audited the accompanying financial statements of the business-type activities of KAZU 90.3 FM, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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.

SAN LUIS OBISPO

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San Luis Obispo, CA 93401
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PASO ROBLES

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Paso Robles, CA 93446
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SANTA MARIA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of KAZU 90.3 FM, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of KAZU 90.3 FM, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the University Corporation at Monterey Bay that is attributable to KAZU 90.3 FM. They do not purport to, and do not present fairly the financial position of the University Corporation at Monterey Bay as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KAZU 90.3 FM's basic financial statements. The accompanying supplementary information on pages 29 through 30 is presented for purposes of additional analysis as required by the Corporation for Public Broadcasting and is not a required part of the basic financial statements.

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The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 7, 2021

KAZU 90.3 FM
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KAZU 90.3 FM Radio Station (KAZU) is a business-type activity of the University Corporation at Monterey Bay (Corporation). The Corporation is an auxiliary organization in good standing of California State University, Monterey Bay (CSUMB or University). The Corporation is an IRC Section 501(c)(3) not-for-profit public benefit corporation and its primary objective is to support the University. The Corporation manages the University's post-award grants and contracts activities; commercial enterprise sales and services including student and employee housing, dining, bookstore and vending operations, KAZU; and provides accounting services to the philanthropic Foundation of California State University, Monterey Bay (Foundation) and the Otter Student Union (OSU).

This narrative overview and analysis of the financial activities of KAZU for the fiscal years ended June 30, 2021 and 2020 is presented by management. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the financial statements, which follow this narrative.

Financial Highlights

- At June 30, 2021, KAZU's net position increased 50.2 percent from \$1.7 million to \$2.6 million for an \$852,000 increase.
- Cash increased to \$2.7 million from \$1.7 million for a 57.1 percent or \$997,000 increase.
- Operating income increased by 44.0 percent or \$260,000 from \$592,000 to \$852,000.
- Underwriting, net decreased \$171,000 from \$787,000 to \$616,000 for a 21.8 percent decrease.
- Membership dues, net increased 26.8 percent from \$1.4 million to \$1.8 million or \$370,000.
- Community service grants increased 42.5 percent or \$72,000 from \$168,000 to \$240,000.
- Conferences and meetings decreased \$11,000 or 83.4 percent from \$13,000 to \$2,000.

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Overview of the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with principles issued by the Governmental Accounting Standards Board ("GASB"). The financial statements include the Statements of Net Position, Statements of Changes in Net Position, and the Statements of Cash Flow (on pages 13 through 17). All provide information about KAZU's activities and present a longer-term view of KAZU's finances.

These statements are prepared using the accrual basis of accounting, which recognizes expenses when incurred and revenue when earned rather than when payment is made or received and is widely used by most private sector companies. In addition, they report KAZU's net position and changes in it resulting from the current year's activity. You can think of KAZU's net position – the difference between assets and liabilities – as one way to measure KAZU's financial health, or financial position. Over time, increases or decreases in KAZU's net position are one indicator of whether its financial health is improving or deteriorating. Remember that KAZU is one fund within the Corporation and when considering the overall state of KAZU, you must also consider the overall state of the Corporation.

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Condensed Comparative Financial Information

Table 1 below, Condensed Summary of Net Position, presents KAZU's assets, liabilities, and net position for the past three fiscal years. Net position has improved significantly in the last three fiscal years as a result of the station's strong commitment to growing its membership base in the tri-county area and online presence.

In 2020/21, Total assets increased from \$2.11 million to \$3.03 million for an increase of 43.9 percent or \$925,000. Total assets in 2019/20 increased by 51.5 percent or \$717,000 from \$1.39 million to \$2.11 million. The improvement in both years is a result of an increase in Cash stemming from conservative spending practices and growth in membership dues.

Table 1: Condensed Summary of Net Position as of June 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$ 2,849,437	\$ 1,909,630	\$ 1,177,888
Noncurrent assets:			
Capital assets, net	183,100	197,980	212,860
Total Assets	<u>3,032,537</u>	<u>2,107,610</u>	<u>1,390,748</u>
Liabilities			
Current liabilities	482,005	409,144	284,142
Total Liabilities	<u>482,005</u>	<u>409,144</u>	<u>284,142</u>
Net Position			
Net investment in capital assets	183,100	197,980	212,860
Unrestricted	<u>2,367,432</u>	<u>1,500,486</u>	<u>893,746</u>
Total Net Position	<u>\$ 2,550,532</u>	<u>\$ 1,698,466</u>	<u>\$ 1,106,606</u>

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Current assets, or assets that can normally be converted to cash in less than one year, consist of Cash, Receivables, net and Prepaid expenses.

In 2020/21, Cash increased 57.1 percent or \$997,000 from \$1.75 million to \$2.74 million. In 2019/20, KAZU cash increased \$755,000 from \$991,000 to \$1.75 million or 76.2 percent. The increase for both years can be attributed to conservative spending practices and growth in membership dues.

Prepaid expenses in 2020/21 decreased from \$67,000 to \$21,000 for a 68.8 percent or \$46,000 change as a result of annual programming fees being paid quarterly in 2020/21 versus annually. In 2019/20, Prepaid expenses decreased 12.0 percent or \$9,000 from \$76,000 to \$67,000 mostly due to not paying travel costs in advance for national and regional conferences and tower rent prior to the end of the fiscal year.

Current liabilities or amounts owed or due within one year, consist of Accounts payable, Accrued salaries and benefits payable, and Unearned revenue.

In 2020/21, Unearned revenue increased by \$75,000 or 26.3 percent from \$283,000 to \$358,000 due mostly to having received additional advance payments from the Corporation for Public Broadcasting (CPB), funded by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Unearned revenue in 2019/20 increased to \$283,000 from \$144,000 for a 96.1 percent or a \$139,000 change due to having received an advance payment from the CPB for funding received from the CARES Act and both payments for the Community Service Grant.

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Table 2: Condensed Summary of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues			
Operating revenues	\$ 2,367,043	\$ 2,168,567	\$ 2,225,610
Community service grants	164,727	168,253	148,104
Indirect administrative support	425,976	403,658	231,988
Total Operating Revenues	<u>2,957,746</u>	<u>2,740,478</u>	<u>2,605,702</u>
Operating Expenses			
Salaries and benefits	915,891	921,875	887,032
Indirect administrative support	484,851	436,343	231,988
Contractual services	103,808	131,153	118,981
Depreciation and amortization	14,880	14,880	8,665
Memberships and subscriptions	380,557	376,037	377,635
Other operating expenses	280,822	268,383	288,672
Total Operating Expenses	<u>2,180,809</u>	<u>2,148,671</u>	<u>1,912,973</u>
Operating Income	<u>776,937</u>	<u>591,807</u>	<u>692,729</u>
Nonoperating Revenues (Expenses)			
Other nonoperating revenues (expenses)	<u>129</u>	<u>53</u>	<u>1,361</u>
Total Nonoperating Revenues (Expenses)	<u>129</u>	<u>53</u>	<u>1,361</u>
Increase in Net Position	777,066	591,860	694,090
Net Position			
Net Position - Beginning of Year	<u>1,698,466</u>	<u>1,106,606</u>	<u>412,516</u>
Net Position - End of Year	<u>\$ 2,475,532</u>	<u>\$ 1,698,466</u>	<u>\$ 1,106,606</u>

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Total operating revenues in 2020/21 increased to \$3.03 million from \$2.74 million for a 10.7 percent or \$292,000 increase. In 2019/20, Total operating revenues increased from \$2.61 million to \$2.74 million for a \$135,000 or 5.2 percent change. The increases for both years were a result of management's ongoing efforts to grow its membership base by inviting on-air talent and guest speakers for fundraising drives, making improvements to its online donation page and membership outreach.

In 2020/21, Underwriting, net decreased to \$616,000, from \$787,000 for a 21.8 percent or \$171,000 change. Underwriting, net decreased in 2019/20 by 8.3 percent or \$71,000 from \$858,000 to \$787,000. The decline in underwriter activity for both years can be attributed to the global pandemic, Coronavirus Disease 2019 (COVID-19) which forced underwriting partners to reduce or close down operations.

Membership dues, net in 2020/21 increased \$370,000 or 26.8 percent from \$1.38 million to \$1.75 million due mostly to the statewide shelter-in-place order in effect due to COVID-19. The radio station expanded its presence or audience during this time resulting in an increase in memberships. In 2019/20, Membership dues, net experienced a minimal increase of 1.2 percent or \$17,000 from \$1.36 million to \$1.38 million as a result of the stations' continued efforts to grow its membership base with online improvements and other outreach.

In 2020/21, a CARES Act stabilization advance payment of \$75,000 from 2019/20 was reclassified from deferred revenue and recognized as revenue.

Total operating expenses in 2020/21 increased minimally from \$2.15 million to \$2.18 million for a 1.5 percent or \$32,000 change. In 2019/20, Total operating expenses increased from \$1.91 million to \$2.15 million for a 12.2 percent or \$236,000 change. The increases in both years were due primarily to an increase in Indirect administrative support costs described below.

In 2020/21, Contractual services decreased from \$131,000 to \$104,000 for a 20.8 percent or \$27,000 change due mostly to fewer professional news editing and engineering services needed by the station. Contractual services in 2019/20 increased to \$131,000 from \$119,000 for a 10.2 percent or \$12,000 increase. This increase was attributed to membership drive consulting and hosting services as well as web design services to enhance the station's online presence.

Indirect administrative support (IAS), the portion of a licensee's general and administrative costs and facilities costs attributable to station operations, increased in 2020/21 to \$485,000 from \$436,000 for a \$48,000 or 11.1 percent change. In 2019/20, Indirect administrative support increased from \$232,000 to \$436,000 for a \$204,000 or 88.1 percent change due to changes made by the CPB to standardize the method used to determine IAS for all recipients. More detailed information of Indirect administrative support can be found in Note 1 to the financial statements.

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Significant Capital Asset and Long-Term Debt Activity

Capital Assets

In 2020/21 and 2019/20, KAZU made no capital asset purchases. For both years, the annual depreciation for existing assets was the only change to capital assets. More detailed information about KAZU's capital assets can be found in Note 5 to the financial statements.

Currently Known Facts, Decisions and Conditions

Programming Costs

Management expects that National Public Radio (NPR) programming costs will increase in 2021/22 due to the global pandemic COVID-19. Efforts will remain focused on expanding the membership base, developing the underwriting area, and adding programs to maintain local audience interest. As KAZU's revenues and expenses increase, so do the fees for programming based on a progressive fee schedule.

Equipment Purchases

KAZU anticipates having to purchase \$62,000 in studio equipment in 2021/22.

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Requests for Information

This report is designed to provide an overview of KAZU's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Controller
University Corporation at Monterey Bay
100 Campus Center
Building 201, Suite 101B
Seaside, CA 93955

KAZU 90.3 FM
Financial Statements
Years Ended June 30, 2021 and 2020

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets		
<u>Current Assets:</u>		
Cash	\$ 2,742,740	\$ 1,746,089
Receivables:		
Underwriting, net	85,795	95,688
Other, net	-	873
Prepaid expenses	20,902	66,980
Total Current Assets	<u>2,849,437</u>	<u>1,909,630</u>
<u>Noncurrent Assets:</u>		
Capital assets, net	183,100	197,980
Total Noncurrent Assets	<u>183,100</u>	<u>197,980</u>
Total Assets	<u>3,032,537</u>	<u>2,107,610</u>
Liabilities		
<u>Current Liabilities:</u>		
Accounts payable	26,717	40,203
Accrued salaries and benefits payable	97,671	85,766
Unearned revenue	357,617	283,175
Total Current Liabilities	<u>482,005</u>	<u>409,144</u>
Net Position		
<u>Net Position:</u>		
Net investment in capital assets	183,100	197,980
Unrestricted	<u>2,367,432</u>	<u>1,500,486</u>
Total Net Position	<u>\$ 2,550,532</u>	<u>\$ 1,698,466</u>

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

KAZU 90.3 FM
A Business-Type Activity of the
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Underwriting, net	\$ 615,709	\$ 787,175
Membership dues, net	1,751,334	1,380,892
Community service grants	164,727	168,253
CARES Act stabilization grant	75,000	-
Indirect administrative support	425,976	403,658
Other operating revenues	-	500
Total Operating Revenues	<u>3,032,746</u>	<u>2,740,478</u>
Operating Expenses:		
Salaries and benefits	915,891	921,875
Indirect administrative support	484,851	436,343
Rent	45,320	42,720
Contractual services	103,808	131,153
Utilities	15,489	15,326
Services and supplies	48,150	37,301
Promotion and advertising	60,146	45,940
Postage and delivery	17,989	23,096
Professional services	11,825	10,499
Conferences and meetings	2,199	13,256
Insurance	9,412	8,999
Equipment	10,316	16,127
Depreciation and amortization	14,880	14,880
Memberships and subscriptions	380,557	376,037
Other operating expenses	59,976	55,119
Total Operating Expenses	<u>2,180,809</u>	<u>2,148,671</u>
Operating Income	<u>851,937</u>	<u>591,807</u>

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

KAZU 90.3 FM
A Business-Type Activity of the
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Statements of Revenues, Expenses and Changes in Net Position, Continued
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Nonoperating Revenues (Expenses):		
Gifts and donations, noncapital	\$ -	\$ 70
Realized gain/(loss) on sale of securities	<u>129</u>	<u>(17)</u>
Net Nonoperating Revenues (Expenses)	<u>129</u>	<u>53</u>
 Increase in Net Position	 852,066	 591,860
 Net Position:		
Net position - beginning of year	<u>1,698,466</u>	<u>1,106,606</u>
 Net Position - end of year	 <u><u>\$ 2,550,532</u></u>	 <u><u>\$ 1,698,466</u></u>

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

KAZU 90.3 FM
A Business-Type Activity of the
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Statements of Cash Flows
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	2021	2020
Cash Flows from Operating Activities:		
Underwriting, net	\$ 593,002	\$ 818,129
Membership dues, net	1,751,334	1,380,822
Community service grants	287,894	257,517
Payments to vendors	(732,595)	(790,761)
Payments to employees	(903,986)	(911,972)
Other receipts	873	1,382
Net Cash Provided by Operating Activities	<u>996,522</u>	<u>755,117</u>
Cash Flows from Noncapital Financing Activities:		
Gifts and donations	-	70
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>70</u>
Cash Flows from Investing Activities:		
Proceeds/(loss) from sale of investments	129	(17)
Net Cash Provided/(Used) by Investing Activities	<u>129</u>	<u>(17)</u>
Net Change in Cash	<u>996,651</u>	<u>755,170</u>
Cash - Beginning of Year	<u>1,746,089</u>	<u>990,919</u>
Cash - End of Year	<u><u>\$ 2,742,740</u></u>	<u><u>\$ 1,746,089</u></u>

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

KAZU 90.3 FM
A Business-Type Activity of the
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Statements of Cash Flows, Continued
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	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating		
Activities:		
Operating income	\$ 776,937	\$ 591,807
Adjustments to reconcile operating income to		
net cash provided by operating activities:		
Depreciation and amortization	14,880	14,880
Changes in assets and liabilities:		
Receivables, net	10,766	14,324
Prepaid expenses	46,078	9,104
Accounts payable	(13,486)	(23,682)
Accrued salaries and benefits payable	11,905	9,903
Unearned revenue	149,442	138,781
Net Cash Provided by Operating Activities	<u><u>\$ 996,522</u></u>	<u><u>\$ 755,117</u></u>

The accompanying notes are an integral part of these financial statements

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A Business-Type Activity of the
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Notes to Financial Statements
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity – KAZU 90.3 FM (KAZU) is a business-type activity of the University Corporation at Monterey Bay (Corporation), however, it must issue separate financial statements as required by the Corporation for Public Broadcasting (CPB). The Corporation is a nonprofit 501(c)(3) public benefit corporation organized in July 1994 to support the academic mission of the California State University, Monterey Bay (CSUMB or University). The Corporation is an auxiliary organization of the University and is presented in the University's financial statements as a component unit. The financial statements of KAZU are not intended to present fairly the financial position of the Corporation and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation – The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, gifts, and similar items are recognized as soon as all eligibility requirements have been met.

Other Accounting Policies

Cash and Cash Equivalents – Cash and cash equivalents include all highly liquid investments purchased with original maturities of three months or less.

Receivables – Receivables include underwriting fees due from customers and receivables from other. The underwriting, and other are shown net of the allowance for doubtful accounts. The Corporation uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior experience and management's analysis of possible bad debts.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, consisting of leasehold improvements, intangible assets and equipment, are recorded at cost (or estimated historical cost) at the date of acquisition, or fair value at the date of donation in the case of gifts. Capital assets with a value of less than \$5,000 are expensed to operations. The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend its useful life, are expensed to operations. Related depreciation expense is shown in the Statements of Revenues, Expenses and Changes in Net Position.

Depreciation is calculated using the straight-line method using the half-year convention over the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter life of the applicable lease or the economic life of the asset.

Estimated useful lives are generally as follows:

Leasehold improvements	10 – 30 years
Equipment	3 – 10 years
Computer software	5 years

Nondepreciable intangible assets are comprised of the Federal Communications Commission (FCC) license held by the radio station KAZU 90.3 FM. The FCC license is inexhaustible and is therefore not amortized.

Compensated Absences – Compensated absences accrued are included in accrued salaries and benefits. The Corporation accrues annual leave for employees at rates based upon length of service and job classification.

Unearned Revenue – Unearned revenue includes revenue collected in advance of when it is earned on the CPB grants and underwriting. The CPB awards two installments during the grant cycle and any unearned balance is classified as unearned revenue.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position – The Corporation’s net position is required to be classified for accounting and reporting purposes into the following net position categories:

Net investment in capital assets includes capital assets, net of accumulated depreciation, less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets (if any). At June 30, 2021 and 2020, there was no related debt.

Restricted, nonexpendable consists of net position subject to externally imposed restrictions that they must be retained in perpetuity. The Corporation does not have any assets in this category.

Restricted, expendable consists of net position subject to externally imposed restrictions that can be fulfilled by the actions of KAZU pursuant to those restrictions or that expire by the passage of time.

Unrestricted consists of all other categories of KAZU’s net position. Unrestricted net position may be designated for use by management of the Corporation. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

The Corporation has adopted a policy of utilizing restricted-expendable funds, when available, prior to unrestricted funds.

Classification of Current and Noncurrent Assets and Liabilities – The Corporation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the Statements of Net Position date. Liabilities that can reasonably be expected, as part of normal business operations, to be liquidated within twelve months of the Statements of Net Position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

Classification of Revenues and Expenses – The Corporation considers operating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to KAZU’s primary functions. Exchange transactions include charges for services rendered and the acquisition of

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Notes to Financial Statements
June 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

goods and services. The Corporation also considers non-exchange transactions from membership dues and community service grants to constitute part of KAZU's principal ongoing operations, and has accordingly classified them as operating revenues.

Grant and Contract Revenue – Grant and contract revenue is received by the Corporation from governmental and private sources.

Community Service Grants – The CPB is a private, nonprofit grant-making organization responsible for supporting more than 1,000 television and radio stations.

The CPB distributes annual Community Service Grants to qualified public telecommunications entities. Community Service Grants are used to augment the financial resources of public broadcasting stations in order to enhance the quality of the programming of the station and expand the scope of public broadcasting services. Each Community Service Grant may be expended over one or two federal fiscal years as described in the Communications Act, 47 USC, Section 396(k)(7), 1993 Supplement (Act). Each grant must be expended within two years of the initial grant authorization.

According to the Act, funds may be used at the discretion of the recipient. The grants may also be used to sustain activities begun with Community Service Grants awarded in prior years. KAZU uses these funds exclusively for broadcasting fees and the acquisition of programming.

Remaining unexpended portions of Community Service Grants are reported on the accompanying financial statements as unearned revenue. Certain guidelines must be satisfied to maintain grant eligibility and meet compliance requirements. These guidelines relate to the use of grant funds, record keeping, audits, financial reporting and licensee status with the FCC.

Indirect Administrative Support – Indirect administrative support consists of allocated institutional support incurred by the Corporation for which KAZU receives benefits. The fair value of this support is recognized in the Statements of Revenues, Expenses, and Changes in Net Position as indirect administrative support revenue and also as an operating expense. For the years ended June 30, 2021 and 2020, indirect administrative support was calculated using the Corporation's Sponsored Activities on-campus indirect cost rate negotiated with the U.S. Department of Health and

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Human Services. The approved on-campus rate was modified to exclude certain cost components, and then applied to total expenses excluding non-cash expenses, equipment, rent, general and administrative and fundraising costs per CPB instructions.

Contributions – KAZU engages in special fundraising events where part of the price of the ticket is a donation and part is for direct benefits received. KAZU also holds on-air and mail membership drives, where, as an incentive to donate, premiums (such as mugs, t-shirts, etc.) are given away. The costs of these premiums or direct benefits are not considered fundraising costs that should be applied against gross proceeds received from the person receiving such direct benefits or premiums. Because the amounts involved are not considered material, management has recorded the cost of premiums and direct benefits as fundraising costs and the proceeds at their gross amounts.

Contributions and membership receipts are recognized as revenue in the period received or given. Contributions and collected membership receipts are unrestricted, as their usage is not limited to specific activities of the radio station.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Income Taxes – The Corporation is qualified as a tax-exempt organization under the provision of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income.

Subsequent Events – Events subsequent to June 30, 2021 have been evaluated through October 29, 2021, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

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NOTE 2. DEPOSITS AND INVESTMENTS

The activities of KAZU are conducted through the checking account of the Corporation. The Corporation's audit report contains the required GASB disclosures for deposits and investments.

NOTE 3. RECEIVABLES

Receivables and allowance for doubtful accounts at June 30, were as follows:

	<u>2021</u>	<u>2020</u>
Underwriting	\$ 88,448	\$ 98,647
Other	-	900
Allowance for doubtful accounts	<u>(2,653)</u>	<u>(2,986)</u>
Receivables, net	<u>\$ 85,795</u>	<u>\$ 96,561</u>

NOTE 4. PREPAID EXPENSES

Prepaid expenses at June 30, were as follows:

	<u>2021</u>	<u>2020</u>
Programming and broadcasting	\$ 9,585	\$ 61,537
Fundraising and underwriting	<u>11,317</u>	<u>5,443</u>
Total prepaid expenses	<u>\$ 20,902</u>	<u>\$ 66,980</u>

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NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows for the years ended June 30:

	2021			
	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Nondepreciable Capital Assets:				
Intangible assets	\$ 148,349	\$ -	\$ -	\$ 148,349
Total Nondepreciable Capital Assets	<u>148,349</u>	<u>-</u>	<u>-</u>	<u>148,349</u>
Depreciable Capital Assets:				
Equipment	185,668	-	-	185,668
Leasehold improvements	18,696	-	-	18,696
Total Depreciable Capital Assets	<u>204,364</u>	<u>-</u>	<u>-</u>	<u>204,364</u>
Less Accumulated Depreciation and Amortization:				
Equipment	(136,037)	(14,880)	-	(150,917)
Leasehold improvements	<u>(18,696)</u>	<u>-</u>	<u>-</u>	<u>(18,696)</u>
Total Accumulated Depreciation and Amortization	<u>(154,733)</u>	<u>(14,880)</u>	<u>-</u>	<u>(169,613)</u>
Capital assets, net	<u>\$ 197,980</u>	<u>\$ (14,880)</u>	<u>\$ -</u>	<u>\$ 183,100</u>

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NOTE 5. CAPITAL ASSETS (Continued)

	2020			
	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Nondepreciable Capital Assets:				
Intangible assets	\$ 148,349	\$ -	\$ -	\$ 148,349
Total Nondepreciable Capital Assets	<u>148,349</u>	<u>-</u>	<u>-</u>	<u>148,349</u>
Depreciable Capital Assets:				
Equipment	185,668	-	-	185,668
Leasehold improvements	18,696	-	-	18,696
Total Depreciable Capital Assets	<u>204,364</u>	<u>-</u>	<u>-</u>	<u>204,364</u>
Less Accumulated Depreciation and Amortization:				
Equipment	(121,157)	(14,880)	-	(136,037)
Leasehold improvements	<u>(18,696)</u>	<u>-</u>	<u>-</u>	<u>(18,696)</u>
Total Accumulated Depreciation and Amortization	<u>(139,853)</u>	<u>(14,880)</u>	<u>-</u>	<u>(154,733)</u>
Capital assets, net	<u><u>\$ 212,860</u></u>	<u><u>\$ (14,880)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 197,980</u></u>

NOTE 6. PENSION PLAN

KAZU, through the Corporation, participates in a defined contribution multi-employer pension plan for employees. The Corporation contributed 10% of an eligible employee's salary to the plan in 2020/21 and 2019/20. Eligible employees are defined as all regular full-time and regular part-time employees who have reached 21 years of age and completed six months of service. There is immediate vesting upon eligibility. Contributions are invested in the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), at the option of the covered employee. Contributions to the plan directly attributable to KAZU personnel for the years ended June 30, 2021 and 2020 amounted to \$61,009 and \$60,914, respectively. Employee contributions for the years ended June 30, 2021 and 2020 were \$91,995 and \$82,833, respectively.

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NOTE 6. PENSION PLAN (Continued)

In 2014/15, KAZU, through the Corporation, added a 457 Vacation Conversion Plan. The Plan is administered by Public Agency Retirement Services (PARS). Eligible employees can defer a portion of their unused vacation into the Plan and contributions are then invested in investment options through John Hancock Retirement Services. Eligible employees are defined as all regular full-time and regular part-time employees having completed four years of service who have in excess of 160 vacation hours and have taken 40 vacation hours over the previous twelve months. There were no employee contributions for the years ended June 30, 2021 and 2020.

NOTE 7. LEASE COMMITMENTS

KAZU Tower Facilities

In December 2019, KAZU entered into a new tower facility lease with HH Tower. The initial term of the lease covers the period from January 1, 2020 to December 31, 2024 and can be extended twice through December 31, 2034.

At June 30, 2021, the future minimum lease payments for the tower facilities were as follows:

For the Year Ending June 30,

2022	\$ 41,280
2023	41,760
2024	42,240
2025	21,240
Total	<u>\$ 146,520</u>

The payments remitted to HH Tower were \$53,760 and \$44,261 for the years ended June 30, 2021 and 2020, respectively. Of these amounts, \$44,220 and \$36,680 were for tower lease payments for the years ended June 30, 2021 and 2020, respectively, and the balance of the payments were for utility expenses.

KAZU Radio Transmitters

In June 2017, KAZU entered into an agreement with Lloyd Jones with the intent to lease antenna space for a radio transmitter. The initial term of the lease covered the period from July 1, 2017 to July 1, 2020, with an option to renew for two additional three-year terms. In August 2020, KAZU exercised its second three-year term for the period July 1, 2020 to July 1, 2023. Payments of \$1,500 will be paid semi-annually and will include the cost of electricity to operate the equipment.

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NOTE 7. LEASE COMMITMENTS (Continued)

In October 2017, KAZU entered into a lease with the City of Santa Cruz for an area located on the Santa Cruz Municipal Wharf. The lease was for placement and operation of a second radio transmitter. The initial term of the lease is October 1, 2017 to October 1, 2022, with an option to renew for another five-year term. The yearly payment of \$700 will increase at the end of the five-year period. KAZU will be responsible for all utilities.

At June 30, 2021, the future minimum lease payments were as follows:

<u>For the Years Ending June 30,</u>	
2022	\$ 700
Total	<u>\$ 700</u>

The lease payments were \$4,400 and \$2,400 for the years ended June 30, 2021 and 2020, respectively.

NOTE 8. COVID-19 PANDEMIC

As noted in Management's Discussion and Analysis, KAZU has been impacted by the recent COVID-19 pandemic. Due to the uncertainty surrounding the pandemic, the length and severity of the outbreak, and the volatility in the world investment markets, there is uncertainty as to how these events will affect results of operations in the future.

Supplemental Information

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Supplemental Information
Year Ended June 30, 2021

	Program Services	Support Services		
	Production & Broadcasting	General & Administrative	& Underwriting	Total
Operating Expenses:				
Salaries and benefits	\$ 353,629	\$ 145,312	\$ 416,950	\$ 915,891
Indirect administrative support	58,875	425,976	-	484,851
Rent	45,320	-	-	45,320
Contractual services	75,607	3,661	24,540	103,808
Utilities	15,259	230	-	15,489
Services and supplies	10,131	1,010	37,009	48,150
Promotion and advertising	2,624	149	57,373	60,146
Postage and delivery	198	5,356	12,435	17,989
Professional services	4,075	7,750	-	11,825
Conferences and meetings	2,199	-	-	2,199
Insurance	-	9,412	-	9,412
Equipment	4,589	4,777	950	10,316
Depreciation and amortization	-	14,880	-	14,880
Memberships and subscriptions	374,541	146	5,870	380,557
Other operating expenses	1,048	1,022	57,906	59,976
Total Operating Expenses	<u>\$ 948,095</u>	<u>\$ 619,681</u>	<u>\$ 613,033</u>	<u>\$ 2,180,809</u>

See independent auditors' report.

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Supplemental Information, Continued
Year Ended June 30, 2020

	Program Services	Support Services		
	Production & Broadcasting	General & Administrative	& Underwriting	Total
Operating Expenses:				
Salaries and benefits	\$ 327,409	\$ 146,777	\$ 447,689	\$ 921,875
Indirect administrative support	-	436,343	-	436,343
Rent	42,660	60	-	42,720
Contractual services	104,501	6,838	19,814	131,153
Utilities	15,040	268	18	15,326
Services and supplies	7,627	2,702	26,972	37,301
Promotion and advertising	1,955	203	43,782	45,940
Postage and delivery	11	7,546	15,539	23,096
Professional services	2,510	7,989	-	10,499
Conferences and meetings	6,064	-	7,192	13,256
Insurance	-	8,249	750	8,999
Equipment	9,576	6,551	-	16,127
Depreciation and amortization	14,880	-	-	14,880
Memberships and subscriptions	369,880	250	5,907	376,037
Other operating expenses	699	315	54,105	55,119
Total Operating Expenses	<u>\$ 902,812</u>	<u>\$ 624,091</u>	<u>\$ 621,768</u>	<u>\$ 2,148,671</u>

Note to Supplemental Information:

The Schedules of Functional Expenses for the years ended June 30, 2021 and 2020 are presented in a format prescribed by the Corporation for Public Broadcasting.

See independent auditors' report.