

KCBX, INC.

INDEPENDENT ACCOUNTANT'S AUDIT REPORT
&
FINANCIAL STATEMENTS
& SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020



Certified Public Accountants • A Limited Liability Partnership



Certified Public Accountants • A Limited Liability Partnership

Ronald A. Mainini
Keith H. Franklin

INDEPENDENT AUDITOR'S REPORT

Board of Directors
KCBX, Inc.
San Luis Obispo, CA

We have audited the accompanying financial statements of KCBX, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCBX, Inc. as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule I - General Administration Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Russell, Mainini & Franklin LLP

RUSSELL, MAININI & FRANKLIN LLP
San Luis Obispo, California
January 11, 2022

KCBX, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021 AND 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 776,716	\$ 656,563
Trade accounts receivable	29,956	18,483
Less reserve for bad debts	(3,500)	(3,500)
Prepaid expenses	22,130	-
Promises to give	<u>12,828</u>	<u>2,385</u>
Total current assets	838,130	673,931
Productive facilities		
Machinery, fixtures, equipment and leasehold improvements, at cost	699,235	713,975
Less accumulated depreciation and amortization	<u>(645,867)</u>	<u>(648,126)</u>
Total productive facilities - net	53,368	65,849
Other assets		
Broadcast license, net of \$223,348 amortization in 2021 and net of \$205,292 amortization in 2020	48,727	66,783
Security deposit	2,589	2,589
Endowment fund	<u>48,627</u>	<u>40,260</u>
Total other assets	<u>99,943</u>	<u>109,632</u>
Total assets	<u>\$ 991,441</u>	<u>\$ 849,412</u>

See independent auditor's audit report and accompanying notes.

KCBX, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021 AND 2020

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable	\$ 18,781	\$ 7,946
Other current liabilities	-	133,974
Current portion - notes payable	<u>-</u>	<u>127,100</u>
Total current liabilities	18,781	269,020
Long-term liabilities		
Long-term debt, net of current portion	<u>-</u>	<u>150,000</u>
Total long-term liabilities	-	150,000
Net assets		
Unrestricted	943,261	400,993
Temporarily restricted	-	-
Permanently restricted	<u>29,399</u>	<u>29,399</u>
Total net assets	<u>972,660</u>	<u>430,392</u>
Total liabilities and net assets	<u>\$ 991,441</u>	<u>\$ 849,412</u>

See independent auditor's audit report and accompanying notes.

KCBX, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>YEAR ENDED SEPTEMBER 30, 2021</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Community service grants	\$ 499,244	\$ 36,618	\$ 535,862
Total support	<u>499,244</u>	<u>36,618</u>	<u>535,862</u>
Subscriptions and underwriting	1,148,035	-	1,148,035
Fund raising	99,606	-	99,606
Other income	292,727	-	292,727
Total revenue	<u>1,540,368</u>	<u>-</u>	<u>1,540,368</u>
Total revenue and support	<u>2,039,612</u>	<u>36,618</u>	<u>2,076,230</u>
EXPENSES			
Program services:			
Programming and production	876,632	36,618	913,250
Broadcasting	<u>59,843</u>	<u>-</u>	<u>59,843</u>
Total program services	<u>936,475</u>	<u>36,618</u>	<u>973,093</u>
Supporting services:			
General administration	448,747	-	448,747
Fundraising	<u>112,122</u>	<u>-</u>	<u>112,122</u>
Total supporting services	<u>560,869</u>	<u>-</u>	<u>560,869</u>
Total program and supporting services	<u>1,497,344</u>	<u>36,618</u>	<u>1,533,962</u>
Increase (Decrease) - net assets	542,268	-	542,268
Net assets - beginning of year	<u>400,993</u>	<u>29,399</u>	<u>430,392</u>
Net assets - end of year	<u>\$ 943,261</u>	<u>\$ 29,399</u>	<u>\$ 972,660</u>

See independent auditor's audit report and accompanying notes.

KCBX, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>YEAR ENDED SEPTEMBER 30, 2020</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Community service grants	\$ 256,766	\$ 39,014	\$ 295,780
Total support	<u>256,766</u>	<u>39,014</u>	<u>295,780</u>
Subscriptions and underwriting	1,134,391	-	1,134,391
Fund raising	57,642	-	57,642
Other income	37,535	-	37,535
Total revenue	<u>1,229,568</u>	<u>-</u>	<u>1,229,568</u>
Total revenue and support	<u>1,486,334</u>	<u>39,014</u>	<u>1,525,348</u>
EXPENSES			
Program services:			
Programming and production	956,630	39,014	995,644
Broadcasting	<u>49,601</u>	<u>-</u>	<u>49,601</u>
Total program services	1,006,231	39,014	1,045,245
Supporting services:			
General administration	277,837	-	277,837
Fund raising	<u>101,162</u>	<u>-</u>	<u>101,162</u>
Total supporting services	<u>378,999</u>	<u>-</u>	<u>378,999</u>
Total program and supporting services	<u>1,385,230</u>	<u>39,014</u>	<u>1,424,244</u>
Increase (Decrease) - net assets	101,104	-	101,104
Net assets - beginning of year	<u>299,889</u>	<u>29,399</u>	<u>329,288</u>
Net assets - end of year	<u>\$ 400,993</u>	<u>\$ 29,399</u>	<u>\$ 430,392</u>

See independent auditor's audit report and accompanying notes.

KCBX, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 542,268	\$ 101,104
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	41,606	36,038
Gain on disposition of assets	234	-
Change in:		
Accounts receivable	(11,473)	22,126
Other assets	(32,573)	1,330
Accounts payable and other current liabilities	<u>(123,139)</u>	<u>116,388</u>
Net cash provided by (used in) operating activities	<u>416,923</u>	<u>276,986</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Endowment fund	(8,367)	-
Purchase of equipment	<u>(11,303)</u>	<u>(3,644)</u>
Net cash provided by (used in) investing activities	<u>(19,670)</u>	<u>(3,644)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments on long-term debt	<u>(277,100)</u>	<u>277,100</u>
Net cash provided by (used in) investing activities	<u>(277,100)</u>	<u>277,100</u>
CHANGE IN CASH AND CASH EQUIVALENTS	120,153	550,442
CASH AND CASH EQUIVALENTS, beginning of year	<u>656,563</u>	<u>106,121</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 776,716</u>	<u>\$ 656,563</u>

See independent auditor's audit report and accompanying notes.

KCBX, INC.

NOTES TO AUDITED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NATURE OF OPERATIONS

KCBX Inc., the Organization, operates the public radio station in San Luis Obispo County.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING METHOD

Assets, liabilities, revenues and expenses are recorded under the accrual method of accounting.

ADVERTISING COSTS

Advertising costs are expensed as incurred. The total advertising expense for the years ended September 30, 2021 and 2020 amounts to \$1,070 and \$1,036 respectively.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance for doubtful accounts is provided for as a percentage of accounts receivable. The percentage as of September 30, 2021 and 2020 was approximately 11.6% and 18.9% respectively.

BASIS OF PRESENTATION

The Organization's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restriction. Accordingly, net assets of the company and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Company pursuant to those restrictions or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

See independent auditor's audit report.

KCBX, INC.**NOTES TO AUDITED FINANCIAL STATEMENTS****YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*CASH AND CASH EQUIVALENTS*

For purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk include accounts receivable, which are unsecured.

CONTRIBUTED SERVICES

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Organization during fundraisers, but these services do not meet the criteria for recognition as contributed services.

DEPRECIATION AND AMORTIZATION

Productive facilities are shown at cost. Leasehold improvements and licenses are being amortized on the declining balance method over a seven-year period and on the straight line method over a thirty-nine year period. Office, broadcasting and transmission equipment are being depreciated on the declining balance method over a five-to-seven-year period. Expenditures for repairs and maintenance are charged to expense as incurred. Renewals and betterments that materially extend the life of an asset are capitalized.

Depreciation and amortization for the years ended September 30, 2021 and 2020 were computed as follows:

	<u>2021</u>	<u>2020</u>
Amortization	\$ 18,056	\$ 18,139
Depreciation	<u>23,550</u>	<u>17,899</u>
	<u>\$ 41,606</u>	<u>\$ 36,038</u>

See independent auditor's audit report.

KCBX, INC.
NOTES TO AUDITED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ENDOWMENT FUND

Permanently restricted net assets at September 30, 2021 and 2020 consist of an endowment fund establishment in 1998 to support KCBX. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested in a separate account by the Organization indefinitely. Income from the fund may be used at the discretion of the board of directors in support of KCBX's mission and purpose.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FAIR VALUE MEASUREMENTS

The Wells Fargo and Pacific Premier Bank accounts were closed by the end of the fiscal year ending September 30, 2020. The money was moved to a Vanguard bank account in the beginning of 2021 but is still classified as monies related to an endowment fund. The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at September 30, 2021 and 2020 are as follows:

	<u>Fair Value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>
<u>September 30, 2021</u>		
Endowment Fund	\$ 48,627	\$ 48,627
Total	<u>\$ 48,627</u>	<u>\$ 48,627</u>
<u>September 30, 2020</u>		
Endowment Fund	\$ 40,260	\$ 40,260
Total	<u>\$ 40,260</u>	<u>\$ 40,260</u>

Fair values for the Endowment Fund is determined by reference to quoted market prices and other relevant information generated by market transactions.

See independent auditor's audit report.

KCBX, INC.**NOTES TO AUDITED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*RESTRICTED CASH*

Permanently restricted cash in the amount of \$29,399 is to be retained as principal and will be invested for the purpose of generating income and growth of principal according to the investment policies of the Board of Directors. The principal of the fund shall never be withdrawn.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor - restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

UNINSURED CASH BALANCES

Cash accounts at Sesloc are insured by the FDIC for up to \$250,000. There was \$373,451 in excess of insured limits at Sesloc Bank at September 30, 2021.

UNCERTAIN TAX POSITIONS

The organization has determined that there are not any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

FUNDRAISING

A summary of fund raising activities as of September 30, 2021 and 2020 is as follows:

	<u>Revenue</u>	<u>Cash Expenses</u>	<u>In-Kind Dollars</u>	<u>Total Expenses</u>
<u>September 30, 2021</u>				
Folk Festival	\$ -	\$ -	\$ -	\$ -
All other fundraisers	<u>99,606</u>	<u>112,122</u>	<u>-</u>	<u>112,122</u>
Total	<u>\$ 99,606</u>	<u>\$ 112,122</u>	<u>\$ -</u>	<u>\$ 112,122</u>

See independent auditor's audit report.

KCBX, INC.
NOTES TO AUDITED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

FUNDRAISING (continued)

	<u>Revenue</u>	<u>Cash Expenses</u>	<u>In-Kind Dollars</u>	<u>Total Expenses</u>
<u>September 30, 2020</u>				
Folk Festival	\$ 107	\$ 61,701	\$ -	\$ 61,701
All other fundraisers	<u>57,535</u>	<u>39,461</u>	<u>-</u>	<u>39,461</u>
Total	<u>\$ 57,642</u>	<u>\$ 101,162</u>	<u>\$ -</u>	<u>\$ 101,162</u>

INCOME TAXES

The Organization is exempt from federal and state income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, there was no provision recorded on the financial statements for the years ended September 30, 2021 and 2020.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending September 30, 2019, September 30, 2020, and September 30, 2021 are subject to examination by the IRS, generally for three years after they were filed.

PRODUCTIVE FACILITIES

A summary of productive facilities, as of September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Broadcasting Equipment	\$ 546,360	\$ 561,100
Furniture and fixtures	25,875	25,875
Leasehold improvements	<u>127,000</u>	<u>127,000</u>
Total productive facilities, at cost	<u>\$ 699,235</u>	<u>\$ 713,975</u>

RESTRICTIONS ON NET ASSETS

Substantially all of the restrictions as of September 30, 2021 and September 30, 2020 are related to funds raised through community service grants restricted for the purchase of programming equipment and use for programming expenses. Community service grants raised \$36,618 for the year ended September 30, 2021 and \$39,014 for the year ended September 30, 2020. All funds raised were used for programming equipment and expenses.

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable to support the Company's operations.

See independent auditor's audit report.

KCBX, INC.**NOTES TO AUDITED FINANCIAL STATEMENTS****YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

OPERATING LEASES

The Organization leases space at a monthly rental of \$5,217. The lease calls for a monthly rental of \$0.67 per square foot on the lease dated June 2009 plus annual cost of living increases and common area maintenance paid quarterly. The lease is month-to-month.

SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

	<u>2021</u>	<u>2020</u>
<i>Cash flow information:</i>		
Cash paid for interest	\$ <u>3,645</u>	\$ <u>-</u>

RELATED PARTY TRANSACTIONS

The Organization began subletting to KCBX.NET, a related party, approximately 1,000 square feet of the 4,317 square feet acquired in April 2002. The rent income for the year was \$8,100 and the rental agreement ended at the beginning of 2021.

SUBSEQUENT EVENTS*DATE OF MANAGEMENT EVALUATION*

Management has evaluated subsequent events through January 11, 2022, the date on which the financial statements were available to be issued.

See independent auditor's audit report.

KCBX, INC.

SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

KCBX, INC.**SCHEDULE I - GENERAL ADMINISTRATION EXPENSES****YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
GENERAL ADMINISTRATION EXPENSES		
Accounting	\$ 4,026	\$ 4,308
Bank charges	1,436	677
Contract labor	67,096	2,600
Depreciation	1,916	3,601
Dues & fees	376	334
Insurance	26,617	28,278
Legal	1,123	2,684
Miscellaneous	198	208
Payroll	294,259	185,541
Payroll taxes	16,048	13,919
Rent & utilities	26,666	26,215
Staff development	391	316
Supplies	4,338	4,580
Telephone	<u>4,257</u>	<u>4,576</u>
Total general administration expenses	<u>\$ 448,747</u>	<u>\$ 277,837</u>

See independent auditor's audit report.