

KAZU 90.3 FM

A Business-Type Activity of the University Corporation at Monterey Bay



Audited Financial Statements

Years Ended June 30, 2023 and 2022



KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Annual Report
Years Ended
June 30, 2023 and 2022

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Independent Auditors' Report

Board of Directors
University Corporation at Monterey Bay
Seaside, California

Opinion

We have audited the accompanying financial statements of the business-type activities for KAZU 90.3 FM, as of June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KAZU 90.3 FM as of June 30, 2023 and 2022, and the change in financial position and cash flows for the years 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KAZU 90.3 FM 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.

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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, during the year ended June 30, 2022, KAZU 90.3 FM adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 KAZU 90.3 FM's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. 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 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.

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 the KAZU 90.3 FM'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 the KAZU 90.3 FM'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental 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.

Supplementary Information

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.

Board of Directors
University Corporation at Monterey Bay
Seaside, California
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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 page 29 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024, on our consideration of the KAZU 90.3 FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the KAZU 90.3 FM's internal control over financial reporting and compliance.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

January 10, 2024

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023 and 2022

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, 2023 and 2022 are 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, 2023, KAZU's net position increased 24.5 percent from \$3.2 million to \$4.0 million for a \$790,000 increase.
- Cash increased to \$3.9 million from \$3.5 million for a 10.2 percent or \$361,000 increase.
- Operating income decreased by 41.0 percent or \$281,000 from \$686,000 to \$405,000.
- Community service grants revenue increased 386.9 percent or \$243,000 from \$63,000 to \$306,000.
- American Rescue Plan Act Stabilization grant revenue increased 100.0 percent to \$103,000.
- Salaries and benefits increased to \$1.2 from \$1 million for a 21.4 percent or \$219,000 change.
- Indirect administrative support expense increased to \$590,000 from \$440,000 for a 34.1 percent or \$150,000 change.
- Contractual services increased 184.3 percent or \$161,000 from \$88,000 to \$249,000.
- Gifts and donations, noncapital increased \$394,000 or a 100.0 percent change.

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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 14 through 18). 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 2022/23, Total assets increased from \$4.36 million to \$4.89 million for an increase of 12.1 percent or \$527,000. Total assets in 2021/22 increased by 43.8 percent or \$1.33 million from \$3.03 million to \$4.36 million. Overall, the improvement in both years is a result of an increase in Cash stemming from conservative spending practices and growth in gifts and donations.

Table 1: Condensed Summary of Net Position as of June 30, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current assets	\$ 4,304,649	\$ 3,722,651	\$ 2,849,437
Noncurrent assets:			
Capital assets, net	584,246	639,162	183,100
Total Assets	<u>4,888,895</u>	<u>4,361,813</u>	<u>3,032,537</u>
Liabilities			
Current liabilities	478,364	705,989	482,005
Noncurrent Liabilities:			
Lease liability, net of current portion	392,944	428,518	-
Total Liabilities	<u>871,308</u>	<u>1,134,507</u>	<u>482,005</u>
Net Position			
Net investment in capital assets	584,246	639,162	183,100
Unrestricted	<u>3,433,341</u>	<u>2,588,144</u>	<u>2,367,432</u>
Total Net Position	<u>\$ 4,017,587</u>	<u>\$ 3,227,306</u>	<u>\$ 2,550,532</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 2022/23, Cash increased 10.2 percent or \$361,000 from \$3.54 million to \$3.90 million. Cash in 2021/22 increased from \$2.74 million to \$3.54 million for an \$801,000 or 29.2 percent change. The increase for both years can be attributed to conservative spending practices and growth in gifts and donations made to the station.

Receivables, net in 2022/23 increased from \$97,000 to \$311,000 for a 221.4 percent or \$214,000 change mostly as a result of an estate gift in the amount of \$173,000 and increased underwriting receivables. In 2021/22, Receivables, net increased 12.8 percent or \$11,000 from \$86,000 to \$97,000 due to increased underwriting receivables.

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

In 2022/23, Unearned revenue decreased by \$228,000 or 43.9 percent from \$518,000 to \$290,000 due to the expensing of prior advanced payments from the Corporation of Public Broadcasting (CPB), also recognized as earned grant revenue. Unearned revenue in 2021/22 increased by \$160,000 or 44.8 percent from \$358,000 to \$518,000 due mostly to having received advanced payments of emergency stabilization funds from the CPB.

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Table 2: Condensed Summary of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues			
Operating revenues	\$ 2,343,921	\$ 2,451,096	\$ 2,367,043
Community service grants	305,782	62,807	164,727
ARPA Stabilization grants	103,239	-	75,000
Indirect administrative support	513,881	435,795	425,976
Total Operating Revenues	<u>3,266,823</u>	<u>2,949,698</u>	<u>3,032,746</u>
Operating Expenses			
Salaries and benefits	1,244,316	1,024,945	915,891
Indirect administrative support	590,411	440,415	484,851
Contract services	249,139	87,646	103,808
Information technology	69,039	65,978	61,602
Depreciation and amortization	54,916	54,894	14,880
Memberships and subscriptions	430,263	407,778	380,557
Other operating expenses	223,521	181,485	219,220
Total Operating Expenses	<u>2,861,605</u>	<u>2,263,141</u>	<u>2,180,809</u>
Operating Income	<u>405,218</u>	<u>686,557</u>	<u>851,937</u>
Nonoperating Revenues (Expenses)			
Other nonoperating revenues (expenses)	385,063	(9,783)	129
Total Nonoperating Revenues (Expenses)	<u>385,063</u>	<u>(9,783)</u>	<u>129</u>
Increase in Net Position	790,281	676,774	852,066
Net Position			
Net Position - Beginning of Year	3,227,306	2,550,532	1,698,466
Net Position - End of Year	<u>\$ 4,017,587</u>	<u>\$ 3,227,306</u>	<u>\$ 2,550,532</u>

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Total operating revenues in 2022/23 increased to \$3.27 million from \$2.95 million for a 10.8 percent or \$317,000 increase. The increase in 2022/23 was a result of revenue recognition of CPB advanced payments. In 2021/22 total operating revenues decreased to \$2.95 million from \$3.03 million for a 2.7 percent or \$83,000 decrease. The decrease in 2021/22 was a result of no revenue recognition of any American Rescue Plan Act (ARPA) stabilization advanced payments.

Community services grants revenue increased in 2022/23 to \$306,000 from \$63,000 for a 386.9 percent or \$243,000 change. The increase in 2022/23 was a result of expending portions of Community Service Grants that were previously reported as unearned revenue. In 2021/22, Community services grants revenue decreased to \$63,000 from \$165,000 for a 61.9 percent or \$102,000 change. The decrease was due to the unexpended portions of Community Service Grants that are reported on the accompanying financial statements as unearned revenue.

In 2022/23, ARPA stabilization grant revenue increased 100.0 percent or \$103,000 as a result of incurred expenses that were previously reported as unearned revenue. No ARPA grant revenue was recognized in 2021/22.

In 2022/23, total operating expenses increased to \$2.86 million from \$2.26 million for a 26.4 percent or \$598,000 change. The increase is primarily due to Salaries and benefits, Indirect administrative support and Contract services. Total operating expenses in 2021/22 increased from \$2.18 million to \$2.26 million for a 3.8 percent or \$82,000 change. The increase was due primarily to Salaries and benefits and Depreciation expense related to the right of use assets.

Salaries and benefits increased in 2022/23 to \$1.24 million from \$1.02 million for a 21.4 percent or \$219,000 change. The increase in 2022/23 was a result of cost of living increases, salary adjustments and filling of vacant positions. In 2021/22, Salaries and benefits increased to \$1.02 million from \$916,000 for a 11.9 percent or \$109,000 change, mostly due to cost of living increases, salary adjustments and increased underwriting commissions.

Indirect administrative support (IAS), the portion of a licensee's general and administrative costs and facilities costs attributable to station operations, increased in 2022/23 to \$514,000 from \$436,000 for a 17.9 percent or \$78,000 change. In 2021-22, IAS experienced a minimal increase of 2.3 percent or \$9,000. In both years, increases to direct operating expenses, mostly Salaries and benefits, were responsible for this change. This calculation has historically been identical for revenue and expense, however, in recent years, the CPB grants have allowed for facilities and administrative costs to be charged directly to the awards. As a result, the IAS in the expense section of the financial statement differs from the revenue calculation. The CPB adopted a standardized method to determine IAS for recipients of Community Service Grants who also submit an Annual Financial Report. More detailed information of Indirect administrative support can be found in Note 1 to the financial statements.

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Contractual services increased in 2022/23 to \$249,000 from \$88,000 for a 184.3 percent or \$161,000 change. This change can be attributed to the contracted services provided to KAZU by Corporation employees in various administrative areas. Previous to 2022/23, these services were in-kind contributions to the station. In 2021/22, Contractual services decreased from \$104,000 to \$88,000 for a 15.6 percent or \$16,000 change. The decrease was due mostly to fewer professional news editing and engineering services needed by the station and the conversion of consultants to employees.

In 2022/23, Other operating expenses increased from \$181,000 to \$224,000 for a 23.2 percent or \$42,000 change. The purchase of office furnishings and an increase in postage and printing costs for mailings are the reasons for this change. Other operating expenses in 2021/22 decreased 17.2 percent or \$38,000 mostly due to the implementation of GASB Statement 87, *Leases*, for station rental agreements.

Significant Capital Asset Activity

Capital Assets

KAZU postponed the purchase of any capital assets in 2022/23 to 2023/24. In 2021/22, KAZU purchased \$12,463 in studio equipment and added leased assets for land and infrastructure due to the implementation of GASB Statement 87, *Leases*. 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 2023/24. As KAZU's revenues and expenses increase, so do the fees for programming based on a progressive fee schedule. Efforts will remain focused on expanding the membership base, developing the underwriting area, and adding programs to maintain local audience interest.

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Management's Discussion and Analysis
June 30, 2023 and 2022

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
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KAZU 90.3 FM
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Statement of Net Position
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	<u>2023</u>	<u>2022</u>
Assets		
<u>Current Assets:</u>		
Cash	\$ 3,905,331	\$ 3,543,942
Receivables:		
Underwriting, net	134,059	96,782
Foundation	400	-
Other, net	176,620	-
Prepaid expenses	88,239	81,927
Total Current Assets	<u>4,304,649</u>	<u>3,722,651</u>
<u>Noncurrent Assets:</u>		
Capital assets, net	<u>584,246</u>	<u>639,162</u>
Total Noncurrent Assets	<u>584,246</u>	<u>639,162</u>
Total Assets	<u>4,888,895</u>	<u>4,361,813</u>
Liabilities		
<u>Current Liabilities:</u>		
Accounts payable	55,666	55,029
Accrued salaries and benefits payable	99,402	98,339
Unearned revenue	290,418	517,747
Lease liability, current portion	32,878	34,874
Total Current Liabilities	<u>478,364</u>	<u>705,989</u>
<u>Noncurrent Liabilities:</u>		
Lease liability, net of current portion	<u>392,944</u>	<u>428,518</u>
Total Noncurrent Liabilities	<u>392,944</u>	<u>428,518</u>
Total Liabilities	<u>871,308</u>	<u>1,134,507</u>
Net Position		
<u>Net Position:</u>		
Net investment in capital assets	584,246	639,162
Unrestricted	<u>3,433,341</u>	<u>2,588,144</u>
Total Net Position	<u>\$ 4,017,587</u>	<u>\$ 3,227,306</u>

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

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Underwriting, net	\$ 699,120	\$ 728,628
Membership dues, net	1,640,774	1,722,456
Community service grants	305,782	62,807
ARPA Stabilization grant	103,239	-
Indirect administrative support	513,881	435,795
Other operating revenues	4,027	12
Total Operating Revenues	<u>3,266,823</u>	<u>2,949,698</u>
Operating Expenses:		
Salaries and benefits	1,244,316	1,024,945
Indirect administrative support	590,411	440,415
Rent	2,090	780
Contract services	249,139	87,646
Utilities	12,125	9,686
Services and supplies	15,228	14,309
Promotion and advertising	59,112	45,577
Postage and delivery	21,507	11,431
Professional services	18,933	19,926
Conferences and meetings	5,633	5,154
Insurance	15,031	13,133
Equipment	9,793	-
Information technology	69,039	65,978
Depreciation and amortization	54,916	54,894
Memberships and subscriptions	430,263	407,778
Other operating expenses	64,069	61,489
Total Operating Expenses	<u>2,861,605</u>	<u>2,263,141</u>
Operating Income	<u>405,218</u>	<u>686,557</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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Statement of Revenues, Expenses and Changes in Net Position, Continued
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Nonoperating Revenues (Expenses):		
Gifts and donations, noncapital	394,115	-
Realized gain/(loss) on sale of securities	(6)	-
Interest on lease liabilities	(9,046)	(9,783)
Net Nonoperating Revenues (Expenses)	<u>385,063</u>	<u>(9,783)</u>
 Increase in Net Position	 790,281	 676,774
 Net Position:		
Net position - beginning of year	<u>3,227,306</u>	<u>2,550,532</u>
 Net Position - end of year	 <u><u>\$ 4,017,587</u></u>	 <u><u>\$ 3,227,306</u></u>

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

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Statement of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Receipts from underwriting, net	\$ 630,987	\$ 747,897
Receipts from membership dues, net	1,640,774	1,722,456
Receipts from grants	135,618	188,061
Payments to vendors	(977,637)	(775,600)
Payments to employees	(1,243,253)	(1,024,277)
Other receipts	(172,593)	12
Net Cash Provided by Operating Activities	<u>13,896</u>	<u>858,549</u>
Cash Flows from Noncapital Financing Activities:		
Gifts and donations	394,115	-
Net Cash Provided by Noncapital Financing Activities	<u>394,115</u>	<u>-</u>
Cash Flows from Capital Related Financing Activities:		
Acquisition of capital assets	-	(12,463)
Principal payments on lease liabilities	(37,570)	(35,101)
Interest paid on lease liabilities	(9,046)	(9,783)
Net Cash Used by Capital Related Financing Activities	<u>(46,616)</u>	<u>(57,347)</u>
Cash Flows from Investing Activities:		
Proceeds/(loss) from sale of investments	(6)	-
Net Cash Provided/(Used) by Investing Activities	<u>(6)</u>	<u>-</u>
Net Change in Cash	<u>361,389</u>	<u>801,202</u>
Cash - Beginning of Year	<u>3,543,942</u>	<u>2,742,740</u>
Cash - End of Year	<u><u>\$ 3,905,331</u></u>	<u><u>\$ 3,543,942</u></u>

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

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Statement of Cash Flows, Continued
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating		
Activities:		
Operating income	\$ 405,218	\$ 686,557
Adjustments to reconcile operating income to		
net cash provided by operating activities:		
Depreciation and amortization	54,916	54,894
Changes in assets and liabilities:		
Receivables, net	(214,297)	(10,987)
Prepaid expenses	(6,312)	(61,025)
Accounts payable	637	28,312
Accrued salaries and benefits payable	1,063	668
Unearned revenue	(227,329)	160,130
Net Cash Provided by Operating Activities	<u>\$ 13,896</u>	<u>\$ 858,549</u>

The accompanying notes are an integral part of these financial statements

KAZU 90.3 FM
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June 30, 2023 and 2022

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, receipts due from other auxiliaries and proceeds from trusts not received as of year end. The underwriting is 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.

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, consisting of leasehold improvements, intangible assets including leased assets (or Right of Use 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. Right of use assets are depreciated using the straight-line method over the term of the lease payment stream.

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.

Lease liability – These include lease agreements where KAZU is acting as a lessee. In accordance with GASB Statement 87, leases previously classified as operating leases are now included in the Statements of Net Position.

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, there was no related debt for KAZU’s assets.

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

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.

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

KAZU 90.3 FM
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Notes to Financial Statements
June 30, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022, indirect administrative support was calculated using the new Standard Method adopted by the CPB in fiscal year 2020/21. It is required of all Community Service Grant recipients who file an Annual Financial Report versus a Financial Summary Report.

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.

KAZU 90.3 FM
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Notes to Financial Statements
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 have been evaluated through January 10, 2024, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

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>2023</u>	<u>2022</u>
Underwriting	\$ 143,667	\$ 100,252
Foundation	400	-
Other	176,620	-
Allowance for doubtful accounts	<u>(9,608)</u>	<u>(3,470)</u>
Receivables, net	<u><u>\$ 311,079</u></u>	<u><u>\$ 96,782</u></u>

NOTE 4. PREPAID EXPENSES

Prepaid expenses at June 30, were as follows:

	<u>2023</u>	<u>2022</u>
Programming and broadcasting	\$ 75,700	\$ 75,207
Fundraising and underwriting	<u>12,539</u>	<u>6,720</u>
Total prepaid expenses	<u><u>\$ 88,239</u></u>	<u><u>\$ 81,927</u></u>

KAZU 90.3 FM
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Notes to Financial Statements
June 30, 2023 and 2022

NOTE 5. CAPITAL ASSETS

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

	2023			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Transfers</u>	<u>Ending Balance</u>
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	198,131	-	-	198,131
Leasehold improvements	18,696	-	-	18,696
Leased land and land improvements	14,629	-	-	14,629
Leased infrastructure	<u>483,864</u>	<u>-</u>	<u>-</u>	<u>483,864</u>
Total Depreciable Capital Assets	<u>715,320</u>	<u>-</u>	<u>-</u>	<u>715,320</u>
Less Accumulated Depreciation and Amortization:				
Equipment	(167,044)	(16,148)	-	(183,192)
Leasehold improvements	(18,696)	-	-	(18,696)
Leased assets	<u>(38,767)</u>	<u>(38,768)</u>	<u>-</u>	<u>(77,535)</u>
Total Accumulated Depreciation and Amortization	<u>(224,507)</u>	<u>(54,916)</u>	<u>-</u>	<u>(279,423)</u>
Capital assets, net	<u>\$ 639,162</u>	<u>\$ (54,916)</u>	<u>\$ -</u>	<u>\$ 584,246</u>

KAZU 90.3 FM
A Business-Type Activity of the
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Notes to Financial Statements
June 30, 2023 and 2022

NOTE 5. CAPITAL ASSETS (Continued)

	2022			
	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	12,463	-	198,131
Leasehold improvements	18,696	-	-	18,696
Leased land and land improvements	-	14,629	-	14,629
Leased infrastructure	<u>-</u>	<u>483,864</u>	<u>-</u>	<u>483,864</u>
Total Depreciable Capital Assets	<u>204,364</u>	<u>510,956</u>	<u>-</u>	<u>715,320</u>
Less Accumulated Depreciation and Amortization:				
Equipment	(150,917)	(16,127)	-	(167,044)
Leasehold improvements	(18,696)	-	-	(18,696)
Leased assets	<u>-</u>	<u>(38,767)</u>	<u>-</u>	<u>(38,767)</u>
Total Accumulated Depreciation and Amortization	<u>(169,613)</u>	<u>(54,894)</u>	<u>-</u>	<u>(224,507)</u>
Capital assets, net	<u><u>\$ 183,100</u></u>	<u><u>\$ 456,062</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 639,162</u></u>

KAZU 90.3 FM
A Business-Type Activity of the
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Notes to Financial Statements
June 30, 2023 and 2022

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 2022/23. 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 year ended June 30, 2023 and 2022 amounted to \$76,391 and \$62,407, respectively. Employee contributions for the year ended June 30, 2023 and 2022 were \$72,679 and \$76,975, respectively.

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. Employee contributions for the years ended June 30, 2023 and 2022 were \$2,796 and \$3,194, respectively.

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Notes to Financial Statements
June 30, 2023 and 2022

NOTE 7. **LEASES**

KAZU Tower Facilities

In December 2019, KAZU entered into a new tower facilities 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. Lease payments are subject to annual consumer price index adjustments not to exceed 4.0 percent from the previous minimum monthly rent. For the year ended June 30, 2023, payments for tower rent and utilities remitted to HH Tower were \$52,818 and \$11,905, respectively. For the year ended June 30, 2022, payments for tower rent and utilities remitted to HH Tower were \$45,500 and \$10,283, respectively.

At June 30, 2023, future maturities of the tower facility lease liability balance were as follows:

	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>
Year ending June 30:			
2024	\$ 29,969	\$ 7,651	\$ 37,620
2025	33,347	7,693	41,040
2026	34,044	6,996	41,040
2027	34,755	6,285	41,040
2028	35,481	5,559	41,040
2029 - 2037	249,400	17,360	266,760
Total minimum lease payments	<u>\$ 416,996</u>	<u>\$ 51,544</u>	<u>\$ 468,540</u>

KAZU Radio Transmitter

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 covers the period from July 1, 2017 to July 1, 2021, with an option to renew for two additional three-year terms. In August 2021, KAZU exercised its second three-year term for the period July 1, 2021 to July 1, 2023. Payments of \$1,500 were paid semi-annually for a total of \$3,000 and included the cost of electricity to operate the equipment.

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University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 7. LEASES (Continued)

At June 30, 2023, future maturities of the radio transmitter lease liability balance were as follows:

	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>
Year ending June 30:			
2024	\$ 2,909	\$ 91	\$ 3,000
2025	2,942	58	3,000
2026	2,975	25	3,000
Total minimum lease payments	<u>\$ 8,826</u>	<u>\$ 174</u>	<u>\$ 9,000</u>

Supplemental Information

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Supplemental Information
Years Ended June 30, 2023

Schedule of Functional Expenses for the Year Ended June 30, 2023

	Program Services	Support Services		
	Production & Broadcasting	General & Administrative	Fund Raising Underwriting	Total
Operating Expenses:				
Salaries and benefits	\$ 783,745	\$ 33,001	\$ 427,570	\$ 1,244,316
Indirect administrative support	76,530	513,881	-	590,411
Rent	1,400	690	-	2,090
Contractual services	77,904	161,953	9,282	249,139
Utilities	12,065	60	-	12,125
Services and supplies	8,837	6,391	-	15,228
Promotion and advertising	874	1,322	56,916	59,112
Postage and delivery	251	21,256	-	21,507
Professional services	5,933	13,000	-	18,933
Conferences and meetings	2,298	-	3,335	5,633
Insurance	-	15,031	-	15,031
Equipment	-	9,793	-	9,793
Information technology	11,133	-	57,906	69,039
Depreciation and amortization	54,916	-	-	54,916
Memberships and subscriptions	413,015	825	16,423	430,263
Other operating expenses	4,317	3,375	56,377	64,069
Total Operating Expenses	<u>\$ 1,453,218</u>	<u>\$ 780,578</u>	<u>\$ 627,809</u>	<u>\$ 2,861,605</u>

KAZU 90.3 FM
A Business-Type Activity of the
University Corporation at Monterey Bay
Supplemental Information, Continued
Year Ended June 30, 2022

Schedule of Functional Expenses for the Year Ended June 30, 2022

	Program Services	Support Services		
	Production & Broadcasting	General & Administrative	Fund Raising Underwriting	Total
Operating Expenses:				
Salaries and benefits	\$ 365,915	\$ 146,836	\$ 512,194	\$ 1,024,945
Indirect administrative support	4,620	435,795	-	440,415
Rent	780	-	-	780
Contractual services	79,914	5,038	2,694	87,646
Utilities	16,750	162	-	16,912
Services and supplies	15,289	1,930	51,805	69,024
Promotion and advertising	3,712	-	41,865	45,577
Postage and delivery	29	2,876	8,526	11,431
Professional services	10,302	9,624	-	19,926
Conferences and meetings	2,852	-	2,302	5,154
Insurance	-	13,133	-	13,133
Equipment	-	919	3,118	4,037
Depreciation and amortization	54,894	-	-	54,894
Memberships and subscriptions	395,035	541	12,202	407,778
Other operating expenses	1,341	504	59,644	61,489
Total Operating Expenses	<u>\$ 951,433</u>	<u>\$ 617,358</u>	<u>\$ 694,350</u>	<u>\$ 2,263,141</u>

Note to Supplemental Information:

The Schedules of Functional Expenses for the years ended June 30, 2023 and 2022 are presented in a format prescribed by the Corporation for Public Broadcasting.

See independent auditors' report.

**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**

Board of Directors
University Corporation at Monterey Bay
Seaside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and related statement of revenues, expenses and changes in net position and cash flows of KAZU 90.3 FM, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise KAZU's basic financial statements, and have issued our report thereon dated January 10, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the KAZU'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 the KAZU's internal control. Accordingly, we do not express an opinion on the effectiveness of the KAZU's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the KAZU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "GLENN BURDETTE ATTEST CORPORATION". The letters are in all caps and have a slightly stylized, cursive-like appearance.

Glenn Burdette Attest Corporation
San Luis Obispo, California

January 10, 2024