

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors of
North State Public Radio, an Operating Division of Capital Public Radio, Inc.

We have examined the management of North State Public Radio's (NSPR), an operating division of Capital Public Radio, Inc., assertion included in the accompanying Corporation for Public Broadcasting (CPB) Schedule of Non-Federal Financial Support that NSPR complied with CPB's Fiscal Year 2022 Financial Reporting Guidelines governing amounts reported as Non-Federal Financial Support during the fiscal year ended June 30, 2022. NSPR's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about NSPR's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on NSPR's compliance with the specified requirements.

In our opinion, management's assertion that NSPR complied with CPB's Fiscal Year 2022 Financial Reporting Guidelines governing amounts reported as Non-Federal Financial Support during the fiscal year ended June 30, 2022, is fairly stated, in all material respects.

This report is intended solely for the information and use of NSPR and CPB and is not intended to be and should not be used by anyone other than these specified parties.



Roseville, California
July 20, 2023

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NORTH STATE PUBLIC RADIO
(An Operating Division of Capital Public Radio, Inc.)

FINANCIAL STATEMENTS
June 30, 2022

NORTH STATE PUBLIC RADIO
(An Operating Division of Capital Public Radio, Inc.)

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INDEPENDENT AUDITOR'S REPORT

To the Management and Members of the Audit Committee
North State Public Radio
(An Operating Division of Capital Public Radio, Inc.)
Sacramento, California

Opinion

We have audited the accompanying financial statements of North State Public Radio, an operating division of Capital Public Radio, Inc., a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North State Public Radio as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North State Public Radio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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

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 North State Public Radio'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 North State Public Radio's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023, on our consideration of North State Public Radio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North State Public Radio's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North State Public Radio's internal control over financial reporting and compliance.

Bragg Christensen Caniglia LLP

February 8, 2023
Roseville, California

NORTH STATE PUBLIC RADIO
(An Operating Division of Capital Public Radio, Inc.)

STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Current assets:	
Accounts receivable, net	\$ 53,281
Grants receivable	10,000
Prepaid expenses	2,320
Due from related party, net	<u>556,126</u>
Total current assets	621,727
Property and equipment, net	3,000
Right-of-use assets	<u>700,857</u>
Total assets	<u><u>\$ 1,325,584</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued vacation	\$ 34,689
Unearned revenue	1,519
Operating lease liability, current portion	<u>91,589</u>
Total current liabilities	127,797
Operating lease liability, less current portion	<u>629,161</u>
Total liabilities	<u>756,958</u>
Net assets:	
Without donor restrictions:	
General operating	<u>568,626</u>
Total liabilities and net assets	<u><u>\$ 1,325,584</u></u>

NORTH STATE PUBLIC RADIO
(An Operating Division of Capital Public Radio, Inc.)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Listener contributions	\$ 109,617	\$ 348,822	\$ 458,439
Grant funding	499,102	-	499,102
Underwriting	210,014	-	210,014
Contributions of nonfinancial assets	60,212	-	60,212
Other revenue	1,358	-	1,358
Net return on investments	(992)	-	(992)
Non-cash:			
CSUS administrative support	297,589	-	297,589
In-kind donations	19,831	-	19,831
Released from restrictions	348,822	(348,822)	
Total revenue and support	1,545,553	-	1,545,553
Expenditures:			
Programs:			
Program services	1,233,285	-	1,233,285
Support:			
Fundraising	85,106	-	85,106
Management and general	224,758	-	224,758
Total expenditures	1,543,149	-	1,543,149
Change in net assets	2,404	-	2,404
Net assets, beginning of year	566,222	-	566,222
Net assets, end of year	\$ 568,626	\$ -	\$ 568,626

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

NORTH STATE PUBLIC RADIO
(An Operating Division of Capital Public Radio, Inc.)

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services	Fundraising	Management and General	Total
Personnel	\$ 637,273	\$ -	\$ 165,621	\$ 802,894
Professional fees	7,265	-	-	7,265
In-kind	253,936	31,742	31,742	317,420
Printing & supplies	19,689	2,461	2,461	24,611
Telephone	226	3,074	-	3,300
Postage & freight	-	36,166	-	36,166
Travel & training	4,393	-	1,246	5,639
Advertising	1,778	-	-	1,778
Utilities	5,101	-	3,400	8,501
Repairs & maintenance	-	-	2,445	2,445
Program acquisition	155,914	-	-	155,914
Dues and subscriptions	-	-	1,206	1,206
Bank charges	-	-	4,940	4,940
Management fees	49,777	6,222	6,222	62,221
Rent	97,933	5,441	5,441	108,815
Miscellaneous	-	-	34	34
Total functional expenses	<u>\$ 1,233,285</u>	<u>\$ 85,106</u>	<u>\$ 224,758</u>	<u>\$ 1,543,149</u>

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

NORTH STATE PUBLIC RADIO
(An Operating Division of Capital Public Radio, Inc.)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ 2,404
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Right-of-use assets	(700,857)
Operating lease liability	720,750
Changes in operating assets and liabilities:	
Accounts receivable, net	(53,281)
Net change in intercompany receivable from Capital Public Radio, Inc.	10,096
Grants receivable	(10,000)
Prepaid expenses	(2,320)
Accrued vacation	34,689
Unearned revenue	<u>1,519</u>
Net cash provided by operating activities	<u>3,000</u>
Cash flows from investing activities:	
Purchases of equipment	<u>(3,000)</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>

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

NORTH STATE PUBLIC RADIO
(An Operating Division of)

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1: NATURE OF ORGANIZATION

North State Public Radio (the "Station") is a nonprofit non-commercial radio station licensed to Humboldt State University under which the Station is allowed to broadcast. The Station is managed and operated under a Public Service Operating Agreement between Chico State Enterprises and Capital Public Radio, Inc. with the purpose of providing a trusted source of information, music, arts, and entertainment for curious and thoughtful people in an efficient, sustainable way, strengthening the civic and cultural life of the community served.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Station have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Station presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, Subtopic 210 (FASB ASC 958-210), *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASC 958-210, the Station is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to stipulations;

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

In accordance with the provisions of FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*, unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give (pledges) are recognized as revenues once a valid pledge has been received. The receivable and the corresponding revenue are recognized concurrently. Conditional contributions and pledges are recorded when the conditions have been met.

Grants without donor restrictions are recognized as support in the statement of activities upon receipt or accrual. The Station reports certain grants as restricted support if they are received with grantor stipulations that limit their use.

Revenue for program underwriting is recorded on a pro rata basis for the period.

Receivable balances are stated at unpaid balance, less an allowance for doubtful accounts. The Station provides for losses on receivable balances using the allowance method. This method is based on experience and other circumstances which may affect the collectability of the balance. Uncollectible receivables are charged off when management determines the receivable will not be collected.

NORTH STATE PUBLIC RADIO
(An Operating Division of)

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

In accordance with the provisions of FASB ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958). The ASU provides an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Station adopted the provisions of FASB ASC 606 as revised by ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The Station's other income received is not recognized as revenues until the revenue is earned, which is at the time when the services are provided.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value when it is received. The Station provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated lives of these assets range from 5 to 30 years. Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Donated Assets

In accordance with the provisions of FASB ASC 958-605, donated marketable securities, artwork, and other non-cash donations received are valued at fair value at the date of contribution. Donations of property and equipment (and other assets with explicit restrictions regarding their use) and contributions of cash that must be used to acquire such assets are reported as restricted contributions.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Station. Volunteers also provide assistance in program and supporting services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 are not met.

Broadcast Rights

Programming broadcast rights are expensed annually as purchased.

Concentration of Credit Risk

Financial instruments which potentially subject the Station to concentrations of credit risk consist principally of contribution receivables. The Station does not generally require collateral for receivables, and operations are dependent upon these contributions. The Station's contributors are primarily located within and are dependent upon the economy of the broadcast areas. The Station does not believe a material risk of loss exists with respect to its financial position due to this concentration of credit risk.

Functional Expenses

Functional expenses are allocated to program and supporting services based on direct expenditures incurred. Expenses not directly chargeable to a particular functional category are allocated based on an analysis of personnel time and space or other resources utilized for the related activities.

NORTH STATE PUBLIC RADIO
(An Operating Division of)

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Capital Public Radio, Inc. is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and from franchise taxes under the provisions of California Revenue and Taxation Code Section 23701d, except as they may be levied for unrelated business income. After they are filed, Capital Public Radio, Inc.'s income tax returns, which include the activity of the Station, remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures at the date of the financial statements and that also affect reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising

Advertising expense for the years ended June 30, 2022 totaled \$369.

Fair Value Measurements

The Station has implemented the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10 (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Station determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Station has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Station's own suppositions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Station's own data.

The Station reflects the carrying values of trade accounts receivable, other receivables, and trade accounts payable in the financial statements at historical cost, which is materially representative of their fair values principally because of the short-term maturities of these instruments.

The receivable from Capital Public Radio, Inc. is a net intercompany account with no defined maturity date, resulting from transactions with Capital Public Radio, Inc.; accordingly, its fair value is equal to the net amount receivable at the reporting date.

Leases

The Station has adopted the provisions of FASB ASC 842 as revised by ASU 2016-02 using the optional transition method which allows entities to continue to apply historical accounting guidance in the comparative periods presented in the year of adoption. Accordingly, the Station's financial statements for the reported periods after July 1, 2021 are presented under this amended guidance, while prior period amounts are not adjusted and continued to be reported in accordance with historical accounting guidance.

NORTH STATE PUBLIC RADIO
(An Operating Division of)

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Station elected to apply the following package of practical expedients on a consistent basis permitting entities not to reassess: (i) whether any expired or existing contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance.

The impact of adopting the amended guidance primarily relates to the recognition of lease assets and lease liabilities on the balance sheet for all leases previously classified as operating leases. The Station recognized \$771,276 of right-of-use assets and \$781,681 of related lease liabilities on July 1, 2021 for all leases previously classified as operating leases. In addition, during the year ended June 30, 2022, the Station entered into various leases classified as operating leases, which are presented in accordance with ASU 2016-02. Leases with an initial term of 12 months or less have not been recorded on the balance sheet. The Station's accounting for financing leases, which were formerly referred to as capital leases, remained substantially unchanged. The Station did not record any finance leases in 2022. There were no other material impacts on the financial statements. See Note 6 for additional information and disclosures related to the adoption of this amended guidance.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through February 8, 2023, the date that the financial statements were available to be issued.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Station's liquidity management, the Station has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Station's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Accounts receivable, net	\$ 53,281
Due from related party, net	556,126
Grants receivable	<u>10,000</u>
Financial assets	619,407
Less those unavailable for general expenditure within one year, due to purpose and time restrictions stipulated by donors	<u>-</u>
Financial assets available to meet cash needs for expenditures within one year	<u><u>\$ 619,407</u></u>

NORTH STATE PUBLIC RADIO
(An Operating Division of)

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4: PROPERTY AND EQUIPMENT

At June 30, 2022, property and equipment consisted of the following:

Office equipment	\$ 3,000
Less accumulated depreciation and amortization	<u>-</u>
Property and equipment, net	<u>\$ 3,000</u>

NOTE 5: GRANTS

The following is a list of the grants received during the years ended June 30, 2022:

Corporation for Public Broadcasting:	
Community Service Grant	\$ 189,352
State and Local Government Grants	308,750
Corporate and Foundation Grants	<u>1,000</u>
Total	<u>\$ 499,102</u>

The Corporation for Public Broadcasting ("CPB") is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby enhance the quality of programming and expand the scope of public broadcasting services.

According to the CPB Radio CSG General Provisions and Eligibility Criteria, a certain portion of the funds may be used as specified in Section 396(k)(7) of the Communications Act of 1934, 47 U.S.C. 396(k)(7), which provides that these funds "may be used at the discretion of the Grantees for purposes related primarily to the production or acquisition of programming." This portion of the Grants may also be used to sustain activities begun with previous CPB CSG funds. The remaining portion of the funds must be used as specified in Section 396(k)(3)(A)(iii) of the Communications Act of 1934, which provides that these funds are "solely to be used for acquiring or producing programming that is to be distributed nationally and is designed to serve the needs of a national audience." Each CSG must be expended within two years of the initial grant authorization.

NOTE 6: LEASE COMMITMENTS

Operating Leases

On October 1, 2020, the Station entered into a lease agreement to rent office space and real property for the North State Public Radio station. The obligation extends through June 2030. The lease is for a term of 117 months with monthly payments of \$7,247 increasing by 3% annually. The lease term provides for the option to extend for two five-year terms.

This real property lease contains an escalation clause which requires additional rent on each anniversary date of the lease. Rent expense totaled \$108,814 for the year ended June 30, 2022.

NORTH STATE PUBLIC RADIO
(An Operating Division of)

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6: LEASE COMMITMENTS (CONTINUED)

Operating Leases (Continued)

Future minimum lease payments and a reconciliation of undiscounted cash flows under operating lease liabilities at June 30, 2022, are as follows:

<u>Year ending June 30:</u>	
2023	\$ 91,589
2024	94,336
2025	97,166
2026	100,081
2027	103,336
Thereafter	<u>328,983</u>
Total undiscounted cash flows	815,491
Less: discount on lease liability	<u>(94,741)</u>
Total operating lease liability	720,750
Less: operating lease liability, current portion	<u>(91,589)</u>
Operating lease liability, less current portion	<u>\$ 629,161</u>

At June 30, 2022, operating lease right-of-use assets were \$700,857 and operating lease liabilities were \$720,750. Cash payments made on operating lease liabilities totaled \$88,921 for the year ended June 30, 2022. The weighted average remaining lease terms of operating leases is approximately 8 years. The weighted average discount rate used to determine the operating lease liabilities was approximately 3%.

NOTE 7: CONTRIBUTED NONFINANCIAL ASSETS AND EXPENDITURES

Administrative Support

During the year ended June 30, 2022, California State University Sacramento provided numerous services for the Station on behalf of Capital Public Radio, Inc. Amounts are calculated on the basis of percentage of use by the Station in relationship to the total respective University costs as recorded in the respective University financial reports. During the year ended June 30, 2022, donated services in the amount of \$297,589, are reported as revenue and expense without donor restrictions in the accompanying statement of activities.

In-kind Donations

During the year ended June 30, 2022, the value of contributed materials, facilities, and services meeting the requirements for recognition in the financial statements amounted to \$19,831. The in-kind donations are reported as revenue and expense without donor restrictions in the accompanying statement of activities.

NORTH STATE PUBLIC RADIO
(An Operating Division of)

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7: CONTRIBUTED NONFINANCIAL ASSETS AND EXPENDITURES (CONTINUED)

Vehicle Donations

It is the Station's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the period were restricted for use. All vehicles were sold and valued according to the actual cash proceeds on their disposition. During the year ended June 30, 2022, the value of cash proceeds received on vehicle donations were \$60,212.

NOTE 8: RETIREMENT PLAN

Effective October 1, 2010, the Station adopted a new Internal Revenue Code Section 401(k) plan. All employees are eligible on the date of hire to participate in salary deferrals to the plan; however, employees must have 1,000 hours of service to be eligible for matching and profit-sharing contributions. For all eligible employees, Capital Public Radio, Inc. will match 100% of employees' respective salary contributions up to 5% of their compensation. The total retirement plan contribution is considered to be an expense on Capital Public Radio, Inc.'s financial statements and is not allocable to the Station.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Management and Members of the Audit Committee
North State Public Radio
(An Operating Division of Capital Public Radio, Inc.)
Sacramento, 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 financial statements of North State Public Radio, an operating division of Capital Public Radio, Inc., a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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 North State Public Radio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North State Public Radio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Propp Christensen Caniglia LLP

February 8, 2023
Roseville, California