

KHSU-FM RADIO

A Public Broadcasting Entity Operated by
Humboldt State University

AUDITORS' REPORT AND FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors
KHSU-FM Radio

Report on the Financial Statements

We have audited the accompanying financial statements of KHSU-FM Radio (KHSU), a public broadcasting entity operated by Humboldt State University, as of June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise KHSU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 KHSU as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the KHSU are intended to present the financial position, the changes in financial position, and cash flows of only that portion of Humboldt State University. They do not purport to, and do not present fairly the financial position of Humboldt State University as of June 30, 2020 and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KHSU's basic financial statements. The statement of functional expenses (supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021 on our consideration of KHSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 KHSU'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 KHSU's internal control over financial reporting and compliance.

Moss Adams LLP

Eugene, Oregon
February 11, 2021

KHSU-FM RADIO
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Management's Discussion and Analysis

June 30, 2020 and 2019

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of KHSU-FM (the Station) for the years ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

This annual report consists of a series of financial statements prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. This standard is applicable to the Station as it is a telecommunications entity operated by Humboldt State University (the University). Consistent with the University, the Station has adopted the business-type activity (BTA) reporting model to represent its activities.

The financial statements include the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. These statements are supported by the notes to the financial statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Station.

Statements of Net Position - The statements of net position include all assets and liabilities. Assets and liabilities are generally reported on an accrual basis, as of the date of the statements. The statements also identify major categories of restrictions on the net position of the Station.

Statements of Revenues, Expenses, and Changes in Net Position - The statements of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

Statements of Cash Flows - The statements of cash flows present the inflows and outflows of cash for the year and is summarized by operating, noncapital financing, capital and related financing, and investing activities. The statements are prepared using the direct method of cash flows and, therefore, present gross rather than net amounts for the year's activities.

Reporting Entity

Note 1 to these financial statements describes the relationships between the University and its auxiliary organizations, the Humboldt State University Foundation, relevant to the operation of the Station.

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Management's Discussion and Analysis

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current assets	\$ 33,241	\$ 19,853	\$ 180,831
Noncurrent assets	175,660	216,230	235,153
Total assets	<u>208,901</u>	<u>236,083</u>	<u>315,984</u>
Liabilities			
Current liabilities	4,070	23,865	47,850
Long-Term liabilities	8,560	8,441	27,048
Total liabilities	<u>12,630</u>	<u>32,306</u>	<u>74,898</u>
Net position			
Investment in capital assets	133,805	173,188	191,790
Restricted for capital projects	-	-	780
Restricted for nonexpendable endowments	41,855	43,042	43,363
Unrestricted	20,610	(12,543)	5,153
Total net position	<u>\$ 196,270</u>	<u>\$ 203,777</u>	<u>\$ 241,086</u>

Analytical Overview

In April 2019, the University refocused the Station's programming to air more national and regional public radio programming and streamlined operations to address operational challenges and to prevent further negative impact to the University's budget as well as to better align the University's financial support with its mission and with opportunities to students. After these changes took place, a partnership was formed with Capital Public Radio Inc (CapRadio) in Sacramento whereby CapRadio was contracted to program and operate the Station remotely. As a result of these changes, operating revenue was down to \$0 and operating expenses decreased \$789,013 from the prior year. This was primarily due to the decreases in programming and production, which included programming and production expenses and management and general expenses decreasing by \$273,599 and \$153,710, respectively. The decrease in expenses was offset by a decrease in non-operating revenues of \$634,456 primarily due to declines in listener support, donated facilities, equipment and non-government contracts and grants of \$159,194, \$94,478 and \$10,607, respectively. These decreases in revenue resulted in a decrease in administrative support from the University of \$206,203 from the prior year.

The following discussion highlights management's understanding on the key financial aspects of the Station's financial activities. Included are comparative analyses of current year and prior year activities and balances, a discussion of long-term debt, capital assets, and factors impacting future reporting periods.

Comparative Analyses of Current Year and Prior Year Activities and Balances

A summary of key financial statement information is used as a basis for reviewing current year results in comparison with the prior year. There has been a decrease of assets, liabilities and net position each year presented due to the operational changes previously discussed.

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Management's Discussion and Analysis

June 30, 2020 and 2019

Donated facilities, equipment and administrative support from			
Humboldt State University	77,940	172,418	280,040
Corporation for Public Broadcasting grant	-	170,243	167,639
Local grants	4,393	15,000	113,607
Listener support	50,926	210,120	272,155
Endowment income, net	9,176	2,907	3,765
Total nonoperating revenues	<u>421,422</u>	<u>1,055,878</u>	<u>1,235,933</u>
 Total Operating and nonoperating Revenues	 421,422	 1,180,633	 1,508,287
 Expenses:			
Programming and production	167,599	321,309	398,649
Broadcasting	112,565	224,872	263,341
Fund-raising and memberships	649	250,046	294,269
Management and general	148,116	421,715	551,444
Total expenses	<u>428,929</u>	<u>1,217,942</u>	<u>1,507,703</u>
 Increase (decrease) in net position	 (7,507)	 (37,309)	 583
Beginning net position	<u>203,777</u>	<u>241,086</u>	<u>240,503</u>
Ending net position	<u>196,270</u>	<u>\$ 203,777</u>	<u>\$ 241,086</u>

Capital Assets

The Station has capital assets with a net book value of \$133,805 as of June 30, 2020, and most of that is production and broadcast equipment. There were no capital asset additions during fiscal year 2020.

Long-term Debt

The Station, as an individual program within the University and has no external long-term debt. Obligations of the University and its auxiliaries are reflected in those organizations' financial statements and are not meaningful with respect to the operation of the Station.

KHSU-FM RADIO
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Management's Discussion and Analysis

June 30, 2020 and 2019

Factors Impacting Future Periods

A letter of intent was signed on March 30, 2020 with CapRadio to enter into a long-term Operation and Management Agreement to enhance the impact of public media in Northern California through a collaboration with the Station, and its associated stations, that are all licensed to the University. This agreement will provide North Coast listeners with new and expanded opportunities for national news, regional news, music and other programs. The Station will remain a service of the University with close ties to the University and surrounding community, preserving the stations identity and its crucial role in furthering community service and the educational outreach of the University. The station will remain licensed to the University while CapRadio will assume management, operating and revenue responsibility and risk to the extent permitted by the Federal Communications Commission (FCC) rules and policies. Both the Station and CapRadio agree that it is important to maintain a local staff presence at the Station to facilitate local marketing, fundraising and content creation, and will work together to achieve this goal. The impact of the ongoing COVID-19 pandemic on economic results is unknown.

KHSU-FM RADIO
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Statement of Net Position

June 30, 2020 and 2019

Assets	2020	2019
Current assets		
Cash and cash equivalents	\$ -	\$ 15,650
Amount due from Humboldt State University	30,555	-
Pledges receivable-net of allowance	2,686	4,203
Restricted receivables for capital projects, current	-	-
Total current assets	<u>33,241</u>	<u>19,853</u>
Noncurrent assets		
Capital assets	718,554	718,554
Accumulated depreciation	<u>(584,749)</u>	<u>(545,366)</u>
Total net capital assets	133,805	173,188
Pooled endowment cash and investments	<u>41,855</u>	<u>43,042</u>
Total noncurrent assets	<u>175,660</u>	<u>216,230</u>
Total assets	<u>208,901</u>	<u>236,083</u>
Liabilities		
Current liabilities		
Accounts payable	3,574	3,006
Accrued compensated balances	<u>496</u>	<u>20,859</u>
Total current liabilities	4,070	23,865
Noncurrent liabilities		
Other long-term liabilities	<u>8,560</u>	<u>8,441</u>
Total noncurrent liabilities	<u>8,560</u>	<u>8,441</u>
Total liabilities	<u>12,630</u>	<u>32,306</u>
Net position		
Investment in capital assets	133,805	173,188
Pooled endowments	41,855	43,042
Unrestricted	<u>20,610</u>	<u>(12,453)</u>
Total net position	\$ <u>196,270</u>	\$ <u>203,777</u>

See accompanying Notes.

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KHSU-FM RADIO
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Statements of Revenues, Expenses, & Changes in Net Position

Years Ended June 30, 2020 and 2019

Revenues:	2020	2019
Operating revenues:		
Business and Industry	\$ -	\$ 111,075
Underwriting trades	-	13,680
Total operating revenues	<u>-</u>	<u>124,755</u>
Expenses:		
Operating expenses:		
Program services:		
Programming and production	167,599	321,309
Broadcasting	<u>112,565</u>	<u>224,872</u>
Total program services	<u>280,164</u>	<u>546,181</u>
Support services:		
Fund-raising and memberships	649	250,046
Management and general	<u>148,116</u>	<u>421,715</u>
Total support services	<u>148,765</u>	<u>671,761</u>
Total operating expenses	<u>428,929</u>	<u>1,217,942</u>
Operating loss	<u>(428,929)</u>	<u>(1,093,187)</u>
Nonoperating revenues:		
General appropriation from Humboldt State University	278,987	485,190
Non-Government Contracts and Grants	4,393	15,000
Donated facilities and administrative support from Humboldt State University	77,940	172,418
Corporation for Public Broadcasting Grant	-	170,243
Listener support	50,926	210,120
Endowment income, net	<u>9,176</u>	<u>2,907</u>
Nonoperating revenues	<u>421,422</u>	<u>1,055,878</u>
Increase (decrease) in net position	<u>(7,507)</u>	<u>(37,309)</u>
Net position:		
Net position at beginning of year	<u>203,777</u>	<u>241,086</u>
Net position at end of year	<u>\$ 196,270</u>	<u>\$ 203,777</u>

See accompanying Notes.

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KHSU-FM RADIO
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Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from business and industry	\$ -	\$ 178,281
Cash payments to suppliers for goods and services	(324,756)	(389,970)
Cash payments to employees for service	(37,081)	(657,636)
Net cash used in operating activities	(361,837)	(869,325)
Cash flows from noncapital financing activities:		
General appropriations from Humboldt State University	278,987	485,190
Grants and contracts received	-	170,243
Non-Governmental grants and contracts received	4,393	15,000
Listener support received	52,444	215,423
Net cash provided by noncapital financing activities	335,824	885,856
Cash flows from capital and related financing activities:		
Capital assets acquired	-	(8,228)
Net cash used in capital and related financing activities	-	(8,228)
Cash flows from investing activities:		
Investment income	5,033	2,907
Purchase of investments	-	-
Net cash provided by investing activities	5,033	2,907
Net increase (decrease) in cash and cash equivalents	(20,978)	11,210
Cash and cash equivalents at beginning of year	20,978	9,768
Cash and cash equivalents at end of year	\$ -	\$ 20,978
Supplemental schedule of noncash transactions:		
Donated facilities, equipment and administrative support from Humboldt State University	\$ 77,940	\$ 172,418
In-kind trades from business and industry	\$ -	\$ 13,680

See accompanying Notes.

KHSU-FM RADIO
A Public Broadcasting Entity Operated by Humboldt State University

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (428,929)	\$ (1,093,187)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	39,383	26,830
Donated facilities, equipment and administrative support from Humboldt State University	77,940	172,418
Change in assets and liabilities:		
Accounts receivable	(30,555)	67,206
Accounts payable	568	(26,046)
Other long term liabilities	119	(118)
Accrued compensated balances	(20,363)	(16,428)
Net cash used in operating activities	\$ <u>(361,837)</u>	\$ <u>(869,325)</u>

See accompanying Notes.

KHSU-FM RADIO
A Public Broadcasting Entity Operated by Humboldt State University

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 1 - Organization and Nature of Activities

KHSU-FM Radio (the Station) is a telecommunications entity operated by Humboldt State University (the University) in Arcata, California, under a license granted by the Federal Communications Commission. All amounts contained in this report are included in the audited financial statements of The California State University system. The University is a component unit of The California State University system. The Station is part of the University and as such, is exempt from federal and state income taxes.

The Humboldt State University Foundation (Foundation), an auxiliary organization of the University, maintains the Station's operating funds. The Foundation is an affiliated organization component unit of the University and as such, its financial data is included in the financial statements of the University.

These financial statements represent only those of the Station and include the statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows. The statements do not purport to, nor do they present fairly the University's and Foundation's financial position or the changes in its financial position, or its cash flows as of June 30, 2020 and 2019.

Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, include statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows. The Station has elected to use the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the Station prepares its statement of cash flows using the direct method.

(b) Cash and Cash Equivalents

Cash balances of the Station are included in accounts maintained by the Foundation and the University. In addition, the Station's surplus operating funds are managed by the Foundation. These funds are available to meet current obligations. The Station considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. Some financial information required by GASB Statements No. 3, No. 31, No. 40, and No. 72 regarding the accounting and financial reporting for the Station's pooled cash and cash equivalents are held by the Foundation and University, has been disclosed in the Foundation's and University's financial statements for the fiscal years ended June 30, 2020 and June 30, 2019.

KHSU-FM RADIO
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Notes to Financial Statements

Years Ended June 30, 2020 and 2019

(c) Accounts Receivable

Accounts receivable are stated at the amount billed to underwriters. Accounts receivable are ordinarily due 30 days after the issuance of an invoice. The Station did not provide an allowance for delinquent accounts receivable, as it believed all amounts were collectible.

(d) Pledges Receivable

Pledges receivable are accrued as of the end of the fiscal year, provided the pledge is verifiable, measurable, and conditions, if present, have been met. Pledges, net of an allowance of \$1,239 total \$3,925 as of June 30, 2020 and \$5,323 and \$9,526 as of June 30, 2019. The allowance for uncollectible pledges is calculated based on the Station's past experience with collections.

(e) Equipment Lien

Two equipment liens were filed on December 21, 2012 on equipment purchased under National Telecommunications and Information Administration (NTIA) Grant. The term of these priority liens shall extend for a period of ten years during which time the Federal Government retains a priority reversionary interest in the equipment. The secured organization is NTIA/PTFP U.S. Department of Commerce.

Grant Number	Start Date	End Date	Capital	Noncapital	Total	Description
06-01-N10158	05/01/2012	04/30/2022	\$ 69,485	\$ -	\$ 69,485	Stand-by Generator
06-01-N10176	08/01/2012	07/31/2022	\$ 23,033	\$ 129,468	\$ 152,501	Production Equipment

(f) Capital Assets

Capital assets include property and equipment stated at cost or, if received as a gift, the fair value at the date of gift, less accumulated depreciation computed on the straight-line basis over the estimated useful lives of 5-30 years. The capitalization threshold for equipment is \$5,000.

(g) Net Position

The Station resources are classified for accounting and financial reporting purposes into the following net position categories:

Investment in capital assets - Resources resulting from capital acquisition or construction, net of accumulated depreciation.

Restricted for capital projects - Resources restricted by donor intent for the purpose of funding capital projects.

Unrestricted - Net resources which are available for use by the Station.

The Station has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available. Generally, the Station attempts to utilize restricted funds first when practicable.

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Notes to Financial Statements

Years Ended June 30, 2020 and 2019

(h) Revenue Recognition

Unconditional contributions, pledges, and grants are recorded as revenues in the accompanying statements of revenues, expenses, and changes in net position when verifiable, measurable, and probable of collection and eligibility requirements are met. In-kind contributions, other than the contribution from the University, are recognized as revenue at the estimated fair value at the date of the gift.

The portion of the University's indirect costs attributable to the Station's operations and the value of space provided to the Station by the University are included as revenues and expenses, and are computed in accordance with guidelines established by the Corporation for Public Broadcasting.

(i) Operating and Nonoperating Revenues

Revenues are classified as either operating or nonoperating according to standards issued by GASB. Operating revenues for the Station include underwriting. Nonoperating revenues include grants, gifts, University allocations, and investment earnings.

(j) Use of Estimates in Preparation of Financial Statements

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.

(k) Accrued Compensated Absences

The Station's policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as cash payments. The expense and the related liability are recognized as vacation benefits as earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the date of the balance sheet.

(l) Functional Expenses

The Station allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases.

Note 2 - Cash and Cash Equivalents

Cash is pooled with the Foundation and the University. As of June 30, 2020 and 2019, there were no cash balances on deposit with financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) maximums of \$250,000.

Disclosures regarding risks related to cash and cash equivalents including interest rate risk, credit risk, and custodial risk as of June 30, 2020 and 2019 can be found in the Foundation Notes to Financial Statements. The Station does not believe a material risk of loss exists with respect to its financial position due to these risks.

KHSU-FM RADIO
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Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 3 – Pooled Endowment Cash and Investments

Endowment cash and investments is pooled with the Foundation. Disclosures regarding investment type, investment risk, custodial credit risk, interest rate risk, and fair value reporting as of June 30, 2020 and 2019 can be found in the Foundation Notes to Financial Statements. The station does not believe a material risk of loss exists with respect to its financial position due to these risks.

Note 4 – Capital Assets

A summary of the capital assets at June 30, 2020 follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2020</u>
Production and broadcast equipment	\$ 545,809	\$ -	\$ -	\$ 545,809
Production and broadcast equipment (Federally funded)	122,681	-	-	122,681
Building and improvements	50,064	-	-	50,064
Total Capital Assets	718,554	-	-	718,554
				-
Accumulated Depreciation	(545,366)	(39,383)	-	(584,749)
				-
Net Capital Assets	<u>\$ 173,188</u>	<u>\$ (39,383)</u>	<u>\$ -</u>	<u>\$ 133,805</u>

A summary of the capital assets at June 30, 2019 follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2019</u>
Construction Work in Progress	\$ 113,607	\$ 8,228	\$ (121,835)	\$ -
Production and broadcast equipment	423,974	121,835	-	545,809
Production and broadcast equipment (Federally funded)	122,681	-	-	122,681
Building and improvements	50,064	-	-	50,064
Total Capital Assets	710,326	130,063	(121,835)	718,554
Accumulated Depreciation	(518,536)	(26,830)	-	(545,366)
Net Capital Assets	<u>\$ 191,790</u>	<u>\$ 103,233</u>	<u>\$ (121,835)</u>	<u>\$ 173,188</u>

KHSU-FM RADIO
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Notes to Financial Statements

Years Ended June 30, 2020 and 2019

During the year ended June 30, 2020 and 2019, depreciation expense of \$39,383 and \$26,830 was allocated to the following functional expenses:

<u>Functional Expense</u>	<u>2020</u>	<u>2019</u>
Program and Production	\$ 13,429	\$ 3,276
Broadcasting	25,954	23,554
	<u>\$ 39,383</u>	<u>\$ 26,830</u>

Note 5 - Retirement Plans and Post-Retirement Benefits

Station employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). Certain administrative employees of the Station participate in a defined contribution plan. Regular staff participates in the California Public Employees' Retirement Fund System. All plan disclosures can be found in The California State University Notes to the Financial Statements and the Sponsored Program Foundation Notes to the Financial Statements. The University does not allocate costs for these plans to the Station.

Note 6 – Due From Humboldt State University

The amount due from Humboldt State University of \$30,555 is a result of expenses incurred by the Station beyond its available cash balance in addition to residual grant revenue owed to the Station.

Note 7 - Donated Facilities and Administrative Support

Donated facilities and administrative support from the University is comprised of costs for institutional support and physical plant operations, which are allocated financial costs incurred by the University on behalf of the Station. These amounts are recorded in the accompanying statement of revenues, expenses, and changes in net position as

KHSU-FM RADIO
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Notes to Financial Statements

Years Ended June 30, 2020 and 2019

revenue and offsetting expenses and were calculated based on Corporation for Public Broadcasting guidelines using the basic method. Costs for institutional support and physical plant operations are as follows:

	2020	2019
Institutional support	77,591	\$ 178,838
Physical plant operations	349	(6,420)
Total donated facilities and administrative support	<u>77,940</u>	<u>\$ 172,418</u>

Note 8 - Leases

The Station entered into operating leases in the prior years for tower antennas and buildings. During the year ended June 30, 2020 the lease expense was \$28,645.

Future minimum lease payments under noncancellable operating lease agreements are as follows:

Year Ending June 30	Total Rent Due
2021	\$ 27,495
2022	27,495
2023	26,340
2024	23,931
2025	96,413
	<u>\$ 201,674</u>

Note 9 - Taxes

The Internal Revenue Service has ruled that the units of the University, which include the Station, are exempt under Code Sections 115 (a). Therefore, no provision for income taxes has been made.

Note 10 – Risk Management

The Station is exposed to various risks of loss related to torts theft of, damage to, and destruction of assets, errors and omissions; injuries to employees, and natural disasters. The Station is covered under the University's insurance policies for all such risks of loss, including workers' compensation and employees' health and accident insurance. Additional information may be found in the California State University Notes to the Financial Statements.

Note 11 – Other Factors

In January 2020, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the COVID-19 outbreak and characterized it as a pandemic. Although this is expected to be temporary, given the dynamic nature of these circumstances, the duration and intensity of the impact of COVID-19 and resulting impact to the market value changes, losses, and related financial impacts cannot be reasonably estimated at this time. Management is not currently able to reasonably estimate the potential financial impacts, and the financial statements have not been adjusted related to this matter.

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Notes to Financial Statements

Years Ended June 30, 2020 and 2019

On March 30, 2020 the Station signed a letter of intent with CapRadio to enter into a long-term Operation and Management Agreement. The Station will remain a service of the University and licensed to the University while CapRadio will assume management, operating and revenue responsibility and risk to the extent permitted by the Federal Communications Commission rules and policies.

SUPPLEMENTARY INFORMATION

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KHSU-FM RADIO
A Public Broadcasting Entity Operated by Humboldt State University
Statement of Functional Expenses
Year Ended June 30, 2020

	Program services		Total program services	Support services		Total support services	Grand Total
	Program and production	Broadcasting		Fund-raising and membership	Management and general		
Salaries, payroll taxes, and employee benefits	\$ -	\$ 3,927	\$ 3,927	\$ -	\$ 12,910	\$ 12,910	\$ 16,837
Supplies and other services							
Advertising	-	-	-	-	-	-	-
Communications	-	9,924	9,924	-	3,334	3,334	13,258
Computer networks	3,370	725	4,095	-	2,533	2,533	6,628
Contractual services	-	26,339	26,339	-	33,150	33,150	59,489
Equipment	-	-	-	-	-	-	-
Events	-	-	-	-	-	-	-
Hospitality expense	-	-	-	-	-	-	-
Indirect cost expense	-	-	-	-	2,324	2,324	2,324
Investment services fee	-	-	-	-	86	86	86
Memberships	141,622	-	141,622	-	-	-	141,622
Postage and freight	-	-	-	-	113	113	113
Operating Expenses	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	-
Programming costs and other fees	-	-	-	-	618	618	618
Space rental	-	29,079	29,079	-	-	-	29,079
Supplies and services	9,178	6,311	15,489	649	6,561	7,210	22,699
Telephone - usage charges	-	10,306	10,306	-	903	903	11,209
Travel in state	-	-	-	-	-	-	-
Cost Rec - Expenses-other	-	-	-	-	6,168	6,168	6,168
Transfers out	-	-	-	-	1,476	1,476	1,476
Total supplies and other services	154,170	82,684	236,854	649	57,266	57,915	294,769
Depreciation	13,429	25,954	39,383	-	-	-	39,383
Donated facilities,equipment and administrative support from Humboldt State University	-	-	-	-	77,940	77,940	77,940
Total expenses	\$ 167,599	\$ 112,565	\$ 280,164	\$ 649	\$ 148,116	\$ 148,765	\$ 428,929

Report of Independent Auditors 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 Board of Directors
KHSU-FM Radio

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 KHSU-FM Radio (KHSU), a Public Broadcasting Entity Operated by Humboldt State University, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise KHSU's basic financial statements, and have issued our report thereon dated February 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KHSU's internal control over financial reporting (internal control) to determine the 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 KHSU's internal control. Accordingly, we do not express an opinion on the effectiveness of KHSU'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KHSU'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 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.

Moss Adams LLP

Eugene, Oregon
February 11, 2021