

KHSU-FM RADIO

A Public Broadcasting Entity Operated by
Humboldt State University

AUDITORS' REPORT AND FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS:	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	10
SUPPLEMENTARY INFORMATION:	
Statement of Functional Expenses	19

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INDEPENDENT AUDITORS' REPORT

Humboldt State University and KHSU-FM Radio
Arcata, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of KHSU-FM Radio, a Public Telecommunications Entity operated by Humboldt State University, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' 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. 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 auditors' 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.

Emphasis of a Matter

As discussed in Note 1, the financial statements of KHSU-FM Radio are intended to present the financial position and the changes in financial position, and cash flows of only that portion of the business-type activities of Humboldt State University that is attributable to the transactions of the KHSU-FM Radio. They do not purport to, and do not, present fairly the financial position of Humboldt State University, a component unit of the state of California as of June 30, 2018 and 2017, or the changes of its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of KHSU-FM Radio as of June 30, 2018 and 2017, and the 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.

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 5 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the KHSU-FM Radio's basic financial statements. The 2018 statement of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statement of functional expenses 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 statement of functional expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 26, 2018

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

Management's Discussion and Analysis

June 30, 2018 and 2017

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, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follows 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 includes all assets and liabilities. Assets and liabilities are generally reported on an accrual basis, as of the statements date. 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 presents 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 Sponsored Programs Foundation and Humboldt State University Advancement Foundation, relevant to the operation of the Station.

Analytical Overview

Management has been most concerned about revenue and expenses. This year there was an increase in expenses and a decrease in operating revenues. This resulted in an increase in support from Humboldt State University of \$0.133 million over the prior year. Combined operating and non-operating revenue remained relatively flat, increasing \$0.144 million from 2016/17 to 2017/18 (which was primarily from the increase in Campus support). Revenue from grants also remained relatively flat, decreasing by \$0.009 million year over year at \$0.167 million. There was new local grant revenue of \$0.113 million.

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

Management's Discussion and Analysis

June 30, 2018 and 2017

Moreover, total expenses increased \$0.114 million from 2016/17 to 2017/18. This was mainly due to increases in Fundraising and Membership costs and Management and General Support services; these increases were partially offset by a decrease in Programming and Production.

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, 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.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current assets	\$ 80,831	\$ 150,994	\$ 189,989
Noncurrent assets	<u>235,153</u>	<u>139,298</u>	<u>164,840</u>
Total assets	<u>315,984</u>	<u>290,292</u>	<u>354,829</u>
Liabilities			
Current liabilities	47,850	41,130	19,691
Long-Term liabilities	<u>27,048</u>	<u>8,659</u>	<u>44,457</u>
Total liabilities	<u>74,898</u>	<u>49,789</u>	<u>64,148</u>
Net position			
Net investment in capital assets	191,790	97,174	125,437
Restricted for capital projects	780	2,175	5,920
Restricted for nonexpendable endowments	43,363	41,924	37,634
Unrestricted	<u>5,153</u>	<u>99,230</u>	<u>121,690</u>
Total net position	<u>\$ 241,086</u>	<u>\$ 240,503</u>	<u>\$ 290,681</u>

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

Management's Discussion and Analysis

June 30, 2018 and 2017

	2018	2017	2016
Operating revenues:			
Business and industry	\$ 244,760	\$ 253,428	\$ 240,494
Underwriting trades	<u>27,594</u>	<u>49,622</u>	<u>54,025</u>
Total operating revenues	272,354	303,050	294,519
Nonoperating revenues:			
General appropriation from Humboldt State University	398,727	265,048	234,468
Donated facilities, equipment and administrative support from Humboldt State University Corporation for Public Broadcasting grant	280,040	260,339	254,355
Local grants	167,639	177,551	175,061
Listener support	113,607	-	-
Endowment income (loss), net	272,155	333,156	336,289
Total nonoperating revenues	<u>3,765</u>	<u>4,736</u>	<u>631</u>
	1,235,933	1,040,830	1,000,804
 Total Operating and nonoperating Revenues	 1,508,287	 1,343,880	 1,295,323
Expenses:			
Programming and production	398,649	439,047	436,668
Broadcasting	263,341	205,259	199,720
Fund-raising and memberships	294,269	237,229	245,148
Management and general	<u>551,444</u>	<u>512,523</u>	<u>517,537</u>
Total expenses	1,507,703	1,394,058	1,399,073
 Increase (decrease) in net position	 583	 (50,178)	 (103,750)
Beginning net position	<u>240,503</u>	<u>290,681</u>	<u>394,431</u>
Ending net position	\$ <u><u>241,086</u></u>	\$ <u><u>240,503</u></u>	\$ <u><u>290,681</u></u>

Long-term Debt

The Station, as an individual program within the University, 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.

Factors Impacting Future Periods

The Station is continuing efforts to increase its listener support and underwriting contributions, which reflect the value that the Station's audience places on the station's success. Management intends to enhance efforts to increase this support in the next year, as well as reduce expenses to operate within the station's means.

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

Statements of Net Position

June 30, 2018 and 2017

Assets	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 4,118	\$ 43,143
Accounts receivable	67,206	80,932
Pledges receivable-net of allowance	8,727	24,944
Restricted receivables for capital projects, current	780	1,975
Total current assets	<u>80,831</u>	<u>150,994</u>
Noncurrent assets		
Capital assets, non depreciable	113,607	-
Capital assets	596,719	589,541
Accumulated depreciation	(518,536)	(492,367)
Total net capital assets	<u>191,790</u>	<u>97,174</u>
Restricted cash and cash equivalent held for endowment	5,650	4,448
Endowment investment	37,713	37,476
Restricted receivables for capital projects, noncurrent	-	200
Total noncurrent assets	<u>235,153</u>	<u>139,298</u>
Total assets	<u>315,984</u>	<u>290,292</u>
Liabilities		
Current liabilities		
Accounts payable	29,052	5,188
Accrued compensated balances, current	18,798	35,942
Total current liabilities	<u>47,850</u>	<u>41,130</u>
Noncurrent liabilities		
Other long term liabilities	8,559	-
Accrued compensated balances, noncurrent	18,489	8,659
Total noncurrent liabilities	<u>27,048</u>	<u>8,659</u>
Total liabilities	<u>74,898</u>	<u>49,789</u>
Net position		
Investment in capital assets	191,790	97,174
Restricted for capital projects	780	2,175
Restricted for nonexpendable endowments	43,363	41,924
Unrestricted	5,153	99,230
Total net position	<u>\$ 241,086</u>	<u>\$ 240,503</u>

See accompanying Notes.

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

Statements of Revenues, Expenses, & Changes in Net Position

Years Ended June 20, 2018 and 2017

Revenues:	<u>2018</u>	<u>2017</u>
Operating revenues:		
Business and Industry	\$ 244,760	\$ 253,428
Underwriting trades	27,594	49,622
Total operating revenues	<u>272,354</u>	<u>303,050</u>
 Expenses:		
Operating expenses:		
Program services:		
Programming and production	398,649	439,047
Broadcasting	263,341	205,259
Total program services	<u>661,990</u>	<u>644,306</u>
 Support services:		
Fund-raising and memberships	294,269	237,229
Management and general	551,444	512,523
Total support services	<u>845,713</u>	<u>749,752</u>
Total operating expenses	<u>1,507,703</u>	<u>1,394,058</u>
Operating loss	<u>(1,235,350)</u>	<u>(1,091,008)</u>
 Nonoperating revenues:		
General appropriation from Humboldt State University	398,727	265,048
Non-Government Contracts and Grants	113,607	-
Donated facilities, equipment and administrative support from Humboldt State University Corporation for Public Broadcasting Grant	280,040	260,339
Listener support	167,639	177,551
Endowment income (loss), net	272,155	333,156
Nonoperating revenues	<u>3,765</u>	<u>4,736</u>
Increase in net position	<u>1,235,933</u>	<u>1,040,830</u>
	<u>583</u>	<u>(50,178)</u>
 Net position:		
Net position at beginning of year	240,503	290,681
Net position at end of year	<u>\$ 241,086</u>	<u>\$ 240,503</u>

See accompanying Notes.

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

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from business and industry	\$ 258,486	\$ 234,845
Cash payments to suppliers for goods and services	(437,652)	(466,835)
Cash payments to employees for service	(693,869)	(595,684)
Net cash provided by (used in) operating activities	(873,035)	(827,674)
Cash flows from noncapital financing activities:		
General appropriations from Humboldt State University	398,727	265,048
Grants and contracts received	167,639	177,551
Non-Governmental grants and contracts received	113,607	-
Listener support received	272,498	365,731
Net cash provided by (used in) noncapital financing activities	952,471	808,330
Cash flows from capital and related financing activities:		
Capital assets acquired	(120,786)	(7,674)
Net cash provided by (used in) capital and related financing activities	(120,786)	(7,674)
Cash flows from investing activities:		
Investment income	3,764	4,736
Purchase of investments	(237)	(16,270)
Net cash provided by (used in) investing activities	3,527	(11,534)
Net increase (decrease) in cash and cash equivalents	(37,823)	(38,552)
Cash and cash equivalents at beginning of year	47,591	86,143
Cash and cash equivalents at end of year	\$ 9,768	\$ 47,591
Supplemental schedule of noncash transactions:		
Donated facilities, equipment and administrative support from Humboldt State University	\$ 280,040	\$ 260,339
In-kind trades from business and industry	27,594	49,622

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

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

See accompanying Notes.

	2018	2017
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating (loss)	\$ (1,235,350)	\$ (1,091,008)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	26,169	35,937
Donated facilities, equipment and administrative support from Humboldt State University	280,040	260,339
Change in assets and liabilities:		
Accounts receivable	13,726	(18,583)
Accounts payable	23,864	2,724
Other long term liabilities	8,559	-
Accrued compensated balances	9,957	(17,083)
Net cash provided by (used in) operating activities	\$ (873,035)	\$ (827,674)

See accompanying Notes.

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

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

(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 Sponsored Programs Foundation (Sponsored Program Foundation), an auxiliary organization of the University, provided certain functions for the Station under an operating agreement with the University. The functions performed include employing full-time and part-time staff as management of the Station deems necessary to operate, in addition to providing payroll, benefit administration services, and related human resources services. The Humboldt State University Advancement Foundation (Advancement Foundation), an auxiliary organization of the University, maintains the Station's operating funds. The Sponsored Program Foundation and the Advancement Foundation are affiliated organization component units of the University and as such their financial data are 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 financial position or the changes in its financial position, or its cash flows as of June 30, 2018 and 2017.

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 Advancement Foundation and the University. In addition, the Station's surplus operating funds are managed by the Advancement 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.

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

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

(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 \$4,246 total \$12,973 as of June 30, 2018 and \$3,689 and \$28,633 as of June 30, 2017. 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 acquisition 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

Restricted for nonexpendable endowments – Net position subject to externally imposed conditions such that the Station retains the endowments in perpetuity. Net position in this category consists of endowment held by the Advancement Foundation.

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

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Unrestricted - Net resources which are available for use of 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.

(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 market 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.

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

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

(2) Cash and Cash Equivalents

Cash is pooled with the Advancement Foundation and the University. As of June 30, 2018 and 2017, 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, 2018 and 2017 can be found in the Advancement 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.

(3) Noncurrent Investments

Endowment investments are pooled with the Advancement Foundation in their pooled investment account held by Wells Fargo. As of June 30, 2018 and 2017, the fair value of the investments held with the Foundation was \$37,713 and \$37,476, respectively. Investment earnings are allocated based on the Station's prorate share of the investments in the Advancement Foundation's pooled investments.

Disclosures regarding risks related to the investment pool including investment type, investment fair value, custodial credit risk and interest rate risk as of June 30, 2018 and 2017 can be found in the Advancement 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.

(4) Restricted Receivables for Capital Projects

Restricted receivables for capital projects are accrued as of the end of the fiscal year, provided the receivables are verifiable, measurable, and conditions, if present, have been met. These funds are restricted and are to be used to fund the Station's Capital Campaign goals. The restriction will be removed as the goals are met.

Restricted receivables for capital projects are due as follows:

Year Ending June 30	Cash
2019	\$ 780
	\$ 780

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

Notes to Financial Statements
Years Ended June 30, 2018 and 2017

(5) Property and Equipment

A summary of the property and equipment at June 30, 2018 follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
Construction Work in Progress	\$ -	\$ 113,607	\$ -	\$ 113,607
Production and broadcast equipment	416,796	7,178	-	423,974
Production and broadcast equipment (Federally funded)	122,681	-	-	122,681
Building and improvements	50,064	-	-	50,064
Total Property and Equipment	<u>589,541</u>	<u>120,785</u>	<u>-</u>	<u>710,326</u>
Accumulated Depreciation	(492,367)	(26,169)	-	(518,536)
Net Capital Assets	<u>\$ 97,174</u>	<u>\$ 94,615</u>	<u>\$ -</u>	<u>\$ 191,790</u>

A summary of the property and equipment at June 30, 2017 follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2017</u>
Production and broadcast equipment	\$ 409,122	\$ 7,674	\$ -	\$ 416,796
Production and broadcast equipment (Federally funded)	122,681	-	-	122,681
Building and improvements	50,064	-	-	50,064
Total Property and Equipment	<u>581,867</u>	<u>7,674</u>	<u>-</u>	<u>589,541</u>
Accumulated Depreciation	(456,430)	(35,937)	-	(492,367)
Net Capital Assets	<u>\$ 125,437</u>	<u>\$ (28,263)</u>	<u>\$ -</u>	<u>\$ 97,174</u>

During the year ended June 30, 2018 and 2017, depreciation expense of \$26,169 and \$35,937 was allocated to the following functional expenses:

<u>Functional Expense</u>	<u>2018</u>	<u>2017</u>
Program and Production	\$ 2,337	\$ 8,116
Broadcasting	23,832	27,821
	<u>\$ 26,169</u>	<u>\$ 35,937</u>

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

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

(6) 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.

(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 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:

	2018	2017
Institutional support	\$ 268,322	\$ 242,858
Physical plant operations	11,718	17,481
Total donated facilities and administrative support	\$ 280,040	\$ 260,339

(8) Leases

The Station entered into operating leases in the prior years for tower antennas and buildings. During the year ended June 30, 2018 and 2017 the lease expense was \$28,761 and \$27,774, respectively.

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

Year Ending June 30		Total Rent Due
2019	\$	29,447
2020		29,845
2021		29,893
2022		29,941
2023		27,171
thereafter		125,433
	\$	271,730

(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.

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

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

(10) Risk Management

The Radio 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 Radio 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.

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, 2018

	Program services		Total program services
	Program and production	Broadcasting	
Salaries, payroll taxes, and employee benefits	\$ 174,851	\$ 116,015	\$ 290,866
Supplies and other services			
Advertising	-	-	-
Bank charges	-	-	-
Communications	626	10,732	11,358
Computer networks	1,245	11,957	13,202
Contractual services	1,250	5,110	6,360
Equipment	-	10,464	10,464
Hospitality expense	37	33	70
Indirect cost expense	(1,246)	-	(1,246)
Investment services fee	-	-	-
Memberships	-	-	-
Postage and freight	-	81	81
Operating Expenses	-	328	328
Printing	226	608	834
Programming costs and other fees	180,319	-	180,319
Space rental	-	40,021	40,021
Subscriptions	-	-	-
Supplies and services	37,842	28,851	66,693
Telephone - usage charges	-	12,750	12,750
Travel in state	714	2,559	3,273
Transfers out	448	-	448
Total supplies and other services	221,461	123,494	344,955
Depreciation	2,337	23,832	26,169
Donated facilities, equipment and administrative support from Humboldt State University	-	-	-
Total expenses	\$ <u>398,649</u>	\$ <u>263,341</u>	\$ <u>661,990</u>

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

Statement of Functional Expenses

Year Ended June 30, 2018

	Support services			Total		2018
	Fund-raising and membership	Management and general		support services		Totals
Salaries, payroll taxes, and employee benefits	\$ 216,944	\$ 204,575	\$	421,519	\$	712,385
Supplies and other services						
Advertising	19,922	-		19,922		19,922
Bank charges		-		-		
Communications	-	5,139		5,139		16,497
Computer networks	94	2,696		2,790		15,992
Contractual services	-	12,214		12,214		18,574
Equipment	-			-		10,464
Events	735			735		735
Hospitality expense	2,857	1,797		4,653		4,723
Indirect cost expense	3,340	13,772		17,112		15,866
Investment services fee	-	86		86		86
Memberships	2,480	2,097		4,577		4,577
Postage and freight	1,842	4,664		6,506		6,587
Operating expenses	-	200		200		528
Printing	12,708	127		12,835		13,669
Programming costs and other fees	-	650		650		180,969
Space rental	-	2,550		2,550		42,571
Subscriptions	-	-		-		-
Supplies and services	31,913	17,665		49,577		116,271
Telephone - usage charges	-	1,858		1,858		14,608
Travel in state	1,435	623		2,059		5,332
Transfers out	-	692		692		1,140
	77,326	66,829		144,155		489,111
Total supplies and other services						
Depreciation	-	-		-		26,169
Donated facilities, equipment and administrative support from Humboldt State University	-	280,040		280,040		280,040
Total expenses	\$ 294,269	\$ 551,444	\$	845,714	\$	1,507,704