

# The CSU, Chico Research Foundation North State Public Radio, DBA KCHO-Chico and KFPR-Redding

Financial Statements and Supplemental Information

Years Ended June 30, 2017 and 2016



**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**

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June 30, 2017 and 2016

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The CSU, Chico Research Foundation  
North State Public Radio  
dba KCHO-Chico and KFPR-Redding

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of The CSU, Chico Research Foundation North State Public Radio, dba KCHO-Chico and KFPR-Redding (the "Station"), as of and for the year ended June 30, 2017, and the related statements notes to the financial statements, which collectively comprise the Station'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 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 Station'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 the business-type activities of the Station as of June 30, 2017, and the changes in its net position and its cash flows for the year then ended in accordance with principles generally accepted in the United States of America.

#### **Transactions with Related Parties**

As explained in Note 2 to the financial statements, the Station is part of The CSU, Chico Research Foundation and affiliated with California State University, Chico and has entered into transactions with these related parties. Our opinion is not modified with respect to this matter.

**INDEPENDENT AUDITORS' REPORT,  
CONTINUED**

**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 4-9 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 the 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Station's internal control over financial reporting and compliance.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 12, 2018

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

# **The CSU, Chico Research Foundation North State Public Radio, dba KCHO-Chico and KFPR-Redding**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

### **Introduction and Reporting Entity**

The following discussion and analysis is an overview of the financial position and activities of The CSU, Chico Research Foundation, North State Public Radio (NSPR), dba KCHO- Chico and KFPR- Redding Radio Station (the Station) for the years ended June 30, 2017, and 2016. Management of the Station has prepared the following discussion, and it should be read with the financial statements and related footnotes that follow this section.

The Station is licensed to The CSU, Chico Research Foundation (the Foundation) and operated by University Public Engagement of California State University, Chico (the University). The Station is an auxiliary component unit of the Foundation and operates under the same governing body.

The Station has significant relationships with the University and the Foundation. The Foundation is a not-for-profit auxiliary organization of the University and the official licensee for the Station. The University provides significant financial support to the Station in the form of cash for specific operating expenses, indirect administrative support, and the use of certain office furniture and fixtures. The Foundation provides human resources and payroll along with accounts payable and receivable services to the Station. The Station's operations rely significantly upon continued financial support from the University and administrative support from the Foundation.

The Corporation for Public Broadcasting is a key public funder for the Station. The annual grant is administered by the Office of Research and Sponsored Programs (RESP) and accounts for about 17% of annual income. Membership revenues are the largest source of income, at approximately \$480,000 annually or 41%. Corporate sponsorship via program underwriting is a significant revenue resource accounting for approximately 16% of operating funds.

The Station began broadcasting in 1969 from the campus of the University. Today the Station broadcasts to at least some part of the 12 counties that make up the University's service area, extending from the city of Weed to the north to Yuba City to the south. The cities of Chico and Redding comprise the Station's largest audience and membership base. In rural mountain communities in Trinity County, NSPR is the only radio station, and small communities such as Susanville to the east, Mt. Shasta to the north, and Hayfork to the west value the Station as a source of outstanding local, regional, national and international programming. The Station complies with all FCC regulations for the Emergency Alerts System with weekly tests from across the region and critical weather and road alerts.

Every public radio station sets its own programming lineup. North State Public Radio is an affiliate of NPR, American Public Media, Public Radio International, and the Public Radio Exchange. The Station purchases programming from these national producers, along with independent national, regional, and local producers. A committed news team provides 15 newscasts per week, with at least one weekly feature story.

Listeners rely upon news and information from Station anchor programs *Morning Edition*, *All Things Considered*, and *Fresh Air*. Other popular programs include *Marketplace*, *Live From Here with Chris Thile*, *This American Life*, and *Wait, Wait ... Don't Tell Me*. NSPR focuses primarily on news and information from a variety of programs, but also airs more than 10 hours of weekly original classical music programming and 12 hours of evening jazz. From midnight to 6 a.m., the Station carries live news from the BBC. A complete

## **The CSU, Chico Research Foundation North State Public Radio, dba KCHO-Chico and KFPR-Redding**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

program guide is maintained online at [www.mynspr.org](http://www.mynspr.org) and hard copies are mailed to members at least twice a year.

The Station's signal is distributed over two full-power transmitters and eight translators covering Northern California with a population of approximately 600,000. A live web stream is available at [www.mynspr.org](http://www.mynspr.org) and it reaches outside the terrestrial broadcast region to national and international listeners. NPR One, a mobile application, is localized to feature stories from NSPR. The Station is active on social media, with Facebook and Twitter accounts that are updated daily. Many local shows including *The Blue Dot Report*, *Cultivating Place*, *Nancy's Bookshelf*, *Weekend Showcase*, *Up the Road*, and *Songs from Studio C* are podcasted and can be found online and in the iTunes Store.

The Station operates out of modern studios at 35 Main Street in downtown Chico. Staff participate in national conferences and professional development, as well as nonprofit resource groups in Butte, Tehama, Shasta, and Siskiyou Counties. All local nonprofits have free access to post community events for on-air and online exposure at <http://mynspr.org/community-calendar>.

This year, the Station sponsored a variety of area events and programs, including homeless programs, outdoor education organizations, holiday events in Oroville and Redding, The Chico State Institute for Sustainable Development, Gold Nugget Days in Paradise, and Tehama Together. A collaboration with the North Valley Community Foundation and the Shasta Regional Community Foundation spotlight non-profit and social service providers in a bi-weekly feature, Common Ground for Common Good.

### **Overview of the Financial Statements**

The financial statements of the Station consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, Statement of Functional Expenses, and the Statement of Cash Flows (direct method). These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Station adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments. The Station has not identified any assets or liabilities that should be classified as deferred inflows or outflows of resources.

The Statement of Net Position includes Assets, Liabilities, and Net Position of the Station as of June 30, 2017 and 2016. This statement is classified into Current and Non-Current Assets and Liabilities, with Net Position classified as Restricted and Unrestricted. The Statement of Revenues, Expenses, and Changes in Net Position depicts the operating revenues and expenses resulting in Net Operating Revenues, which is then combined with Nonoperating Revenues (Expenses) to provide the total Change in Net Position. The Statement of Functional Expenses reflects program and supporting services among various functional expense classifications. The Statement of Cash Flows shows the sources and uses of cash from operating activities, cash flows from non-capital financing activities, cash flows from capital and related financing activities and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Financial Highlights**

The financial position of the Station declined during the fiscal year 2016–17. Net Position totaled (\$260,248) for the year ended June 30, 2017 and (\$266,904) for the year ended June 30, 2016. The Station's Net Position increased by \$6,656 for fiscal year 2016-17 and decreased by \$308,739 for the fiscal year 2015–16. The increase in the current year is related to a slight increase in revenue and a significant reduction in operating expenses. The decrease in 2015–16 was primarily due to an increase in operating expenses.

The Station's Operating Revenues totaled \$1,859,602 in fiscal year 2016–17 compared to \$1,822,346 in fiscal year 2015–16. The Station's revenues include contributions received from listeners during on-air membership drives, monies from business, industry and nonprofit organizations through on-air underwriting, a major operating grant from the Corporation for Public Broadcasting and support, both direct and indirect, from the University. The Station's Operating Expenses totaled \$1,866,357 in fiscal year 2016–17 compared to \$2,130,308 in fiscal year 2015–16. The Net Operating Income for fiscal year 2016–17 was \$3,888, which included non-cash depreciation expense of \$5,391, while the Net Operating Loss for 2015–16 was (\$308,962), which included non-cash depreciation expense of \$5,391.

The Station's Nonoperating Revenues (Expenses) were \$2,768 in fiscal year 2016–17 compared to (\$777) in fiscal year 2015–16.

The Station's property and equipment, net of accumulated depreciation, totaled \$16,998 and \$22,389 at June 30, 2017, and 2016, respectively. There were no property and equipment additions in fiscal year 2016-17. In fiscal year 2015–16, property and equipment additions totaled \$23,306.



**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Financial Analysis of the Statements**

**Condensed Statements of Net Position**

June 30	2017	2016
<b>ASSETS</b>		
Current assets	\$ 94,061	\$ 164,345
Capital assets - net	16,998	22,389
<b>TOTAL ASSETS</b>	<b>111,059</b>	<b>186,734</b>
<b>LIABILITIES</b>		
Current liabilities	75,037	69,469
Advances from related party	296,270	384,169
<b>TOTAL LIABILITIES</b>	<b>371,307</b>	<b>453,638</b>
<b>NET POSITION</b>		
Net investment in capital assets	16,998	22,389
Restricted for:		
Endowment	28,885	26,612
Unrestricted	(306,131)	(315,905)
<b>TOTAL NET POSITION</b>	<b>\$ (260,248)</b>	<b>\$ (266,904)</b>

Current Assets consist of cash and cash equivalents and investments. Property and equipment are presented net of accumulated depreciation of \$542,231 and \$536,840 at June 30, 2017 and 2016, respectively. Current liabilities consist of accounts payable and accrued expenses.

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

June 30	2017	2016
<b>OPERATING REVENUES</b>		
Related-party support	\$ 934,837	\$ 1,028,813
Subscription revenue	482,614	411,466
Grant revenue	202,085	220,630
Other contributions	250,709	161,437
<b>TOTAL OPERATING REVENUES</b>	<b>1,870,245</b>	<b>1,822,346</b>
<b>OPERATING EXPENSES</b>		
Program services	1,072,625	1,331,748
Supporting services	793,732	798,560
<b>TOTAL OPERATING EXPENSES</b>	<b>1,866,357</b>	<b>2,130,308</b>
<b>Net Operating Income (Loss)</b>	<b>3,888</b>	<b>(307,962)</b>
<b>Nonoperating Revenues (Expenses)</b>	<b>2,768</b>	<b>(777)</b>
<b>Increase (Decrease) in Net Position</b>	<b>6,656</b>	<b>(308,739)</b>
<b>Net Position - Beginning of Year</b>	<b>(266,904)</b>	<b>41,835</b>
<b>Net Position - End of Year</b>	<b>\$ (260,248)</b>	<b>\$ (266,904)</b>

Operating Revenues consist of related party support, subscription revenue, grant revenue and other contributions. Operating Expenses consist primarily of broadcasting, programming and production, management and general, fundraising and depreciation expense. Non-operating Revenues (Expenses) consist of net investment earnings.

**Condensed Statements of Cash Flow**

June 30	2017	2016
Cash provided (used) by:		
Operating activities	\$ (7,756)	\$ (359,490)
Capital and related financing activities	(87,899)	360,863
Investing activities	495	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(95,160)</b>	<b>1,373</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>111,182</b>	<b>109,809</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 16,022</b>	<b>\$ 111,182</b>

The net cash (used) by operating activities totaled (\$7,756) and (\$359,490) for the fiscal years 2016-17 and 2015-16, respectively.

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

**Other Significant Matters**

The Station has undergone several management changes in the past few years with the retirement of a long-time General Manager (Fall 2014) and short tenure and exit of a new General Manager (Fall 2015 to Spring 2017). Currently the University is actively conducting a nationwide search for a new General Manager. In both cases the parent University office has provided interim leadership and continues to be very involved in and supportive of the operation of the Station.

During both of the interim terms and the time between, the Station has successfully rebranded as NSPR and completed several infrastructure projects including back-up electrical generation at mountain sites, rural mountain translator replacement, and ENCO station automation. The Station completed a staff reorganization that has brought stability to the operations and has increased fundraising and underwriting revenues, all while operating within strict budget parameters.

The Station continues to strengthen its commitment to community through partnerships with nonprofits and community foundations in several large communities in the listening area. Programming and operational changes reflect a commitment to news and cultural programming including locally produced programs, while being ever mindful of budget limitations.

**Request for Information**

This financial report is designed to provide readers with a general overview of the Station's finances and to account for the funding it receives. Additional details can be requested by contacting the Station as follows:

North State Public Radio  
35 Main Street, #101  
Chico, CA 95928  
[www.mynspr.org](http://www.mynspr.org)  
530.898.5896

## **FINANCIAL SECTION**

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
STATEMENTS OF NET POSITION

June 30	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 16,022	\$ 111,182
Investments	28,885	26,612
Accounts receivable	47,389	10,296
Prepaid expense	1,765	16,255
<b>Total Current Assets</b>	<b>94,061</b>	<b>164,345</b>
<b>Noncurrent Assets</b>		
Capital assets - net	16,998	22,389
<b>TOTAL ASSETS</b>	<b>111,059</b>	<b>186,734</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	65,559	38,779
Advances from grantors	9,478	30,690
<b>Total Current Liabilities</b>	<b>75,037</b>	<b>69,469</b>
<b>Noncurrent Liabilities</b>		
Advances from related party	296,270	384,169
<b>TOTAL LIABILITIES</b>	<b>371,307</b>	<b>453,638</b>
<b>NET POSITION</b>		
Net investment in capital assets	16,998	22,389
Restricted for:		
Expendable - endowment	28,885	26,612
Unrestricted	(306,131)	(315,905)
<b>TOTAL NET POSITION</b>	<b>\$ (260,248)</b>	<b>\$ (266,904)</b>

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

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Years Ended June 30	2017	2016
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Related-party support:		
General appropriations	\$ 426,021	\$ 455,995
Facilities and administrative support	508,816	572,818
Subscription revenue	482,614	411,466
Grant revenue	202,085	220,630
Other contributions	250,709	161,437
<b>TOTAL OPERATING REVENUES</b>	<b>1,870,245</b>	<b>1,822,346</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Program services:		
Programming and production	630,165	812,083
Broadcasting	442,460	519,665
<b>Total Program Services</b>	<b>1,072,625</b>	<b>1,331,748</b>
Supporting services:		
Management and general	463,866	497,421
Fundraising	324,475	295,748
Depreciation	5,391	5,391
<b>Total Supporting Services</b>	<b>793,732</b>	<b>798,560</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,866,357</b>	<b>2,130,308</b>
<b>Net Operating Income (Loss)</b>	<b>3,888</b>	<b>(307,962)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income - net	2,768	(777)
<b>Increase (Decrease) in Net Position</b>	<b>6,656</b>	<b>(308,739)</b>
<b>Net Position - Beginning of Year</b>	<b>(266,904)</b>	<b>41,835</b>
<b>Net Position - End of Year</b>	<b>\$ (260,248)</b>	<b>\$ (266,904)</b>

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

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2017	Program Services				Supporting Services				Total
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Fundraising	Plant Fund	Total Supporting Services	
<b>Related-Party Support</b>									
Salaries, wages, and benefits	\$ 138,854	\$ 67,556	\$ -	\$ 206,410	\$ 58,375	\$ 23,443	\$ -	\$ 81,818	\$ 288,228
Indirect	240,936	136,415	-	377,351	17,724	113,741	-	131,465	508,816
Site lease	-	14,696	-	14,696	-	-	-	-	14,696
Utilities	-	26,907	-	26,907	-	-	-	-	26,907
General and other	-	96,190	-	96,190	-	-	-	-	96,190
<b>Direct Station Expenses</b>									
Advertising	29,604	-	-	29,604	-	18,162	-	18,162	47,766
Depreciation	-	-	-	-	-	-	5,391	5,391	5,391
Equipment maintenance	-	654	-	654	-	-	-	-	654
Foundation indirect	-	-	-	-	52,326	-	-	52,326	52,326
General and other	100	-	-	100	3,198	10,575	-	13,773	13,873
Memberships	-	-	-	-	5,830	-	-	5,830	5,830
Operating supplies	321	-	-	321	5,747	-	-	5,747	6,068
Postage	-	-	-	-	126	1	-	127	127
Printing and publications	-	-	-	-	118	-	-	118	118
Professional services	16,916	-	-	16,916	60,686	20	-	60,706	77,622
Programming purchases	161,072	-	-	161,072	-	-	-	-	161,072
Promotion events/receptions	-	-	-	-	-	5,583	-	5,583	5,583
Rent	-	-	-	-	58,189	-	-	58,189	58,189
Salaries, wages, and benefits	40,193	99,782	-	139,975	193,975	152,950	-	346,925	486,900
Telephone	-	260	-	260	4,077	-	-	4,077	4,337
Travel and conference	2,169	-	-	2,169	3,495	-	-	3,495	5,664
<b>Totals</b>	<b>\$ 630,165</b>	<b>\$ 442,460</b>	<b>\$ -</b>	<b>\$ 1,072,625</b>	<b>\$ 463,866</b>	<b>\$ 324,475</b>	<b>\$ 5,391</b>	<b>\$ 793,732</b>	<b>\$ 1,866,357</b>

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

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
STATEMENTS OF FUNCTIONAL EXPENSES  
(Continued)

Year Ended June 30, 2016	Program Services				Supporting Services				Total
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Fundraising	Plant Fund	Total Supporting Services	
<b>Related-Party Support</b>									
Salaries, wages, and benefits	\$ -	\$ 111,960	\$ -	\$ 111,960	\$ 44,346	\$ 117,870	\$ -	\$ 162,216	\$ 274,176
Indirect	234,383	135,444	-	369,827	105,704	97,287	-	202,991	572,818
Site lease	-	19,123	-	19,123	-	-	-	-	19,123
Utilities	-	39,164	-	39,164	-	-	-	-	39,164
General and other	-	100,225	-	100,225	-	-	-	-	100,225
<b>Direct Station Expenses</b>									
Advertising	-	-	-	-	-	9,848	-	9,848	9,848
Depreciation	-	-	-	-	-	-	5,391	5,391	5,391
Equipment maintenance	-	10,648	-	10,648	-	2	-	2	10,650
Foundation indirect	-	-	-	-	71,302	-	-	71,302	71,302
General and other	338	-	-	338	3,748	20,593	-	24,341	24,679
Insurance	-	-	-	-	1,680	-	-	1,680	1,680
Memberships	502	-	-	502	7,300	-	-	7,300	7,802
Operating supplies	1,615	780	-	2,395	7,649	906	-	8,555	10,950
Postage	-	-	-	-	798	1,365	-	2,163	2,163
Professional services	13,790	-	-	13,790	19,149	30,000	-	49,149	62,939
Programming purchases	239,840	-	-	239,840	-	-	-	-	239,840
Promotion events/receptions	-	-	-	-	-	1,110	-	1,110	1,110
Rent	-	5,000	-	5,000	58,974	-	-	58,974	63,974
Salaries, wages, and benefits	316,847	60,938	-	377,785	148,218	16,202	-	164,420	542,205
Small equipment	-	12,825	-	12,825	-	-	-	-	12,825
Telephone	3,000	218	-	3,218	15,675	-	-	15,675	18,893
Transmitter site rental	-	8,750	-	8,750	-	-	-	-	8,750
Travel and conference	1,768	14,190	-	15,958	12,834	565	-	13,399	29,357
Utilities - other	-	400	-	400	44	-	-	44	444
<b>Totals</b>	<b>\$ 812,083</b>	<b>\$ 519,665</b>	<b>\$ -</b>	<b>\$ 1,331,748</b>	<b>\$ 497,421</b>	<b>\$ 295,748</b>	<b>\$ 5,391</b>	<b>\$ 798,560</b>	<b>\$ 2,130,308</b>

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



**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
**STATEMENTS OF CASH FLOWS**

Years Ended June 30	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Subscription revenue	\$ 482,614	\$ 411,466
Grant revenue	180,873	184,782
Other receipts	213,616	175,772
Payments to suppliers	(397,959)	(589,305)
Payments to employees	(486,900)	(542,205)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(7,756)</b>	<b>(359,490)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Advances from related party	-	384,169
Acquisition of capital assets	-	(23,306)
Principal payments on advances from related party	(87,899)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(87,899)</b>	<b>360,863</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	495	-
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(95,160)</b>	<b>1,373</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>111,182</b>	<b>109,809</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 16,022</b>	<b>\$ 111,182</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Net operating income (loss)	\$ 3,888	\$ (307,962)
Adjustments to reconcile net operating income (loss) to net cash used by operating activities:		
Depreciation	5,391	5,391
Change in assets and liabilities:		
Accounts receivable	(37,093)	(8,971)
Prepaid expenses	14,490	(16,055)
Accounts payable and accrued expenses	26,780	3,955
Advances from grantors	(21,212)	(35,848)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (7,756)</b>	<b>\$ (359,490)</b>

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

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
NOTES TO THE FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** KCHO-FM Radio (the Station) is licensed to The CSU, Chico Research Foundation (the Foundation) and operated by the University Public Events of California State University, Chico (the University). The Station is a fund within the Foundation and operates under the same governing body. These financial statements do not include financial data for the remainder of the Foundation's funds. The Station provides programs for residents in its northern California service area as well as providing instructional support in various areas for students of the College of Communication. The Station simultaneously broadcasts its programs on its Redding radio station, KFPR-FM.

**Basis of Presentation** Pursuant to the requirements established by the Chancellor of the California State University, the Station has adopted the provisions of Statement No. 35 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. With minor exceptions, this statement provides that public colleges and universities are subject to the financial reporting requirements of GASB Statement No. 34, which is applicable to state and local governments. The Station adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments. The Station has not identified any assets or liabilities which should be classified as deferred inflows or outflows of resources.

The financial statements are prepared using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

**Cash and Cash Equivalents** The Station's cash is deposited jointly with the Foundation's funds. Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and present insignificant risk of change in value because of a change in interest rates. They consist of cash on hand and in commercial checking, money market, and savings accounts in addition to deposits in the Local Agency Investment Fund (LAIF).

The Foundation has secured a contract for deposit of monies with Tri Counties Bank whereby all deposits will be subject to the security provided to local public agencies. The deposits are collateralized with securities held by Union Bank of California.

LAIF is managed by the state of California. The fair value of the Foundation's investment in LAIF is the same as the carrying value of the pool shares. As of June 30, 2017 and 2016, the fair value of LAIF is 100.03% of the carrying value and is deemed to not represent a material difference. There are no LAIF funds invested in derivatives as of June 30, 2017 and 2016. Oversight of LAIF is provided by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The chairman of the LIAB is the State treasurer or his designated representative. The Station is considered to be a voluntary participant in the LAIF investment pool.

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Capital Assets** Capital assets are recorded at cost or, if acquired by gift, at estimated market value at the date of acquisition. Expenditures for repairs and maintenance are charged to operating expense as incurred. Expenditures for new construction, major renewals and replacements, and equipment over \$5,000 are capitalized.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method with a half-year taken in the first year. Useful lives range from five to ten years for broadcasting and other equipment. Depreciation expense was not allocated between functions and amounted to \$5,391 and \$5,391 for the years ended June 30, 2017 and 2016, respectively.

**Advances From Grantors** Advances from grantors include amounts received from grantor agencies that have not yet been earned.

**Accrued Expenses** Compensated absences costs are accrued when earned by the employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the Station.

**Net Position** The Station's net position is classified as follows:

*Net Investment in Capital Assets:* Represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred for capital assets, but not yet expended, such amounts are not included as a component of invested in capital assets - net of related debt.

*Restricted Net Position - Expendable:* Includes resources in which the Station is legally or contractually obligated to spend in accordance with restrictions imposed by donors or by funding sources.

*Unrestricted Net Position:* Represents resources derived from operating and nonoperating activities. These resources may be used for current operations, capital expenditures, or for any other purpose, at the discretion of the governing board.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

**Operating and Nonoperating Revenues (Expenses)** All revenues that relate to the ongoing operations of the Station are included in operating revenues. Gains and losses not directly related to the ongoing operations are reported as nonoperating.

**Operating Expenses** Administrative overhead charges are included in operating expenses and are charged to the general administration function.

**Contributed Personnel Services** The estimated fair value of contributed professional and volunteer services is not recorded as the Station does not have a measurable basis for the value of such services.

**In-Kind Contributions** The estimated fair value of in-kind contributions are recorded only if the Station has a measurable basis for the value of such services or products. Donated transmission time,

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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advertising, equipment, and accounting and computer services are not recorded as the Station does not have a measurable basis for the value of such services.

**Facilities and Administrative Support** Donated facilities from the University consist of office and studio space and related occupancy costs which are recorded in revenue and expense at their fair rental value. Administrative support provided by the University consists of allocated costs of the University, the Central Business Affairs office, and certain other expenses incurred on behalf of the Station.

**Functional Allocation of Expenses** The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated between program and supporting services based on total personnel costs or another systematic basis.

**Advertising** Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2017 and 2016 , totaled \$47,766 and \$9,848, respectively.

**Income Taxes** The Station is included with the Foundation for income tax purposes. The Foundation is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code*. However, income from certain activities not directly related to the tax-exempt purpose is subject to taxation as unrelated business income. Expenses associated with the unrelated business income exceed the income or are insignificant. Accordingly, no provision for income taxes has been recorded. The Foundation functionally supports the University and has been classified in accordance with Section 509(a)(3), Type III.

**Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** Management has evaluated subsequent events through February 12, 2018, the date which the report was available to be issued.

**Reclassifications** Certain reclassifications have been made to prior-year amounts to conform with current-year presentation.

## **2. RELATED ORGANIZATIONS**

The Station operates as an auxiliary component unit of the Foundation, which is a not-for-profit auxiliary of the University. The Foundation is the official licensee for the Station. The Foundation administers campus programs, grants and contracts, and other activities related to the University community, and performs certain accounting functions for the Station. The value of services provided is determined by the Foundation's management with reference to their cost and are included in these financial statements.

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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The University provides significant financial support to the Station in the form of budgeted campus positions, cash for operating expenses, indirect administrative support, and use of certain office furniture and fixtures.

University support for the years ended June 30, 2017 and 2016, consisted of general appropriations of \$426,021 and \$455,995, respectively, to cover personnel costs and operating expenses; and facilities and administrative support of \$508,816 and \$572,818, respectively, for indirect administrative costs.

Operations are contingent upon continued support from both the Foundation and the University.

### **3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

#### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Station's deposits may not be returned. The Station's cash is deposited jointly with the Foundation's funds. The Foundation does not have a policy for custodial credit risk. As of June 30, 2017 and 2016, the entire bank balance was uninsured and collateralized with securities held by the pledging financial institution's trust department.

#### **Credit Risk**

The Station's investment policy does not limit its investment choices. The Station's deposits in LAIF are unrated.

#### **Concentration of Credit Risk**

The Station's investments are managed jointly with the Foundation's funds. The Station does not believe they hold any financial instruments which potentially subject them to concentrations of credit risk.

#### **Interest Rate Risk**

Interest rate risk is the risk whereby changes in market interest rates could adversely affect the fair value of an investment. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The average maturity for deposits held within LAIF is less than one year.

### **4. CAPITAL ASSETS**

The University and the Foundation have purchased certain equipment for the exclusive use of the Station. Legal title to these assets resides with the University and the Foundation. This equipment is included as capital assets in the accompanying statement of net position. There are liens recorded against some broadcast transmission equipment items received from grants to ensure their continued use for the granted purpose, usually for ten-year periods.

**The CSU, Chico Research Foundation**  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Capital asset activity was as follows:

June 30, 2017	Beginning Balance	Additions	Retirements	Ending Balance
<b>Depreciable Capital Assets</b>				
Broadcasting and other equipment	\$ 559,229	\$ -	\$ -	\$ 559,229
Less: Accumulated depreciation	(536,840)	(5,391)	-	(542,231)
<b>Total Net Capital Assets</b>	<b>\$ 22,389</b>	<b>\$ (5,391)</b>	<b>\$ -</b>	<b>\$ 16,998</b>
<hr/>				
June 30, 2016	Beginning Balance	Additions	Retirements	Ending Balance
<b>Depreciable Capital Assets</b>				
Broadcasting and other equipment	\$ 535,923	\$ 23,306	\$ -	\$ 559,229
Less: Accumulated depreciation	(531,449)	(5,391)	-	(536,840)
<b>Total Net Capital Assets</b>	<b>\$ 4,474</b>	<b>\$ 17,915</b>	<b>\$ -</b>	<b>\$ 22,389</b>

**5. ADVANCES FROM RELATED PARTY**

The Station received a cash advance of \$384,169 from the Foundation's general fund during the year ended June 30, 2016. These funds are due back to the general fund over approximately the next three years. As the Station is a component of the Foundation, this advance is an inter-company transaction with flexible terms. The Station paid \$87,899 of principal and the balance at June 30, 2017 is \$296,270.

**6. SELF-INSURANCE**

The Station, in association with the Foundation, participates with other auxiliaries and universities in the CSURMA, a public entity risk pool currently operating as a common risk management and insurance program. The Foundation pays an annual premium to CSURMA for its general liability, property, unemployment, and workers' compensation insurance coverage. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the risk pool.

CSURMA is economically dependent on its members for funding and has secured a commitment from members to provide sufficient cash flow to meet its operating needs and to fund losses over a period of time. The CSURMA has reinsurance policies through a joint powers authority as well as commercial companies.

**7. COMMITMENTS AND CONTINGENCIES**

**State Allowances, Awards, and Grants**

The Station received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**OTHER REPORT SECTION**

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

To the Board of Directors of  
The CSU, Chico Research Foundation  
North State Public Radio  
dba KCHO-Chico and KFPR-Redding

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 the business-type activities of The CSU, Chico Research Foundation North State Public Radio, dba KCHO-Chico and KFPR-Redding (the "Station"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Station's basic financial station, and have issued our report thereon dated February 12, 2018.

***Internal Control Over Financial Reporting***

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Station'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

**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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 12, 2018