

KHSU-FM RADIO

A Public Broadcasting Entity Operated by
Humboldt State University

INDEPENDENT AUDITORS' REPORT, FINANCIAL STATEMENTS, AND SUPPLEMENTARY INFORMATION

Years Ended June 30, 2017 and 2016

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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, 2017 and 2016, 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 A, 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, 2017 and 2016, 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, 2017 and 2016, 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 2017 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 22, 2017

KHSU-FM RADIO
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Management's Discussion and Analysis

June 30, 2017 and 2016

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, 2017 and 2016. 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 a step in the right direction. Combined operating and nonoperating revenue remained relatively flat, increasing \$0.038 million from 2015/16 to 2016/17. Revenue from grants also remained relatively flat, increasing by \$0.002 million year over year at \$0.177 million.

Moreover, total expenses decreased \$0.032 million from 2015/16 to 2016/17. This was mainly due to decreases in Program and Production costs, Fundraising and Membership costs and Management and General support services; these decreases were partially offset by an increase in broadcasting costs.

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Management's Discussion and Analysis (Continued)

June 30, 2017 and 2016

Total expenses increased \$0.025 million from 2014/15 to 2015/16, this was due to an increase in Program and Production costs and Management and General support services and were partially offset by a decrease in broadcasting costs.

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>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets	\$ 150,994	\$ 189,989	\$ 281,350
Noncurrent assets	<u>139,298</u>	<u>164,840</u>	<u>170,156</u>
Total assets	<u>290,292</u>	<u>354,829</u>	<u>451,506</u>
Liabilities			
Current liabilities	41,130	19,691	20,905
Long-Term liabilities	<u>8,659</u>	<u>44,457</u>	<u>36,170</u>
Total liabilities	<u>49,789</u>	<u>64,148</u>	<u>57,075</u>
Net position			
Net investment in capital assets	97,174	125,437	164,629
Restricted for capital projects	2,175	5,920	21,101
Restricted for nonexpendable endowments	41,924	37,634	-
Unrestricted	<u>99,230</u>	<u>121,690</u>	<u>208,701</u>
Total net position	<u>\$ 240,503</u>	<u>\$ 290,681</u>	<u>\$ 394,431</u>

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Management's Discussion and Analysis (Continued)

June 30, 2017 and 2016

	2017	2016	2015
Operating revenues:			
Business and industry	\$ 253,428	\$ 240,494	\$ 228,835
Underwriting trades	49,622	54,025	42,058
Total operating revenues	303,050	294,519	270,893
Nonoperating revenues:			
General appropriation from Humboldt State University	265,048	234,468	256,979
Donated facilities, equipment and administrative support from Humboldt State University Corporation for Public	260,339	254,355	282,528
Broadcasting grant	177,551	175,061	183,471
Listener support	333,156	336,289	356,083
Endowment income, net	4,736	631	-
Total nonoperating revenues	1,040,830	1,000,804	1,079,061
Total Operating and nonoperating Revenues	1,343,880	1,295,323	1,349,954
Expenses:			
Programming and production	439,047	436,668	411,426
Broadcasting	205,259	199,720	217,946
Fundraising and memberships	237,229	245,148	247,165
Management and general	512,523	517,537	497,113
Total expenses	1,394,058	1,399,073	1,373,650
Decrease in net position	(50,178)	(103,750)	(23,696)
Beginning net position	290,681	394,431	418,127
Ending net position	\$ 240,503	\$ 290,681	\$ 394,431

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. Additional information may be obtained by contacting KHSU management at 1 Harpst Street, Arcata, CA 95521.

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Statements of Net Position

June 30, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 43,143	\$ 69,715
Accounts receivable	80,932	62,349
Pledges receivable-net of allowance	24,944	53,774
Restricted receivables for capital projects, current	1,975	4,151
Total current assets	<u>150,994</u>	<u>189,989</u>
Noncurrent assets		
Capital assets	589,541	581,867
Accumulated depreciation	<u>(492,367)</u>	<u>(456,430)</u>
Total net capital assets	97,174	125,437
Restricted cash and cash equivalent held for endowment	4,448	16,428
Endowment investment	37,476	21,206
Restricted receivables for capital projects, noncurrent	200	1,769
Total noncurrent assets	<u>139,298</u>	<u>164,840</u>
Total assets	<u>290,292</u>	<u>354,829</u>
Liabilities		
Current liabilities		
Accounts payable	5,188	2,464
Accrued compensated balances, current	<u>35,942</u>	<u>17,227</u>
Total current liabilities	41,130	19,691
Noncurrent liabilities		
Accrued compensated balances, noncurrent	<u>8,659</u>	<u>44,457</u>
Total noncurrent liabilities	<u>8,659</u>	<u>44,457</u>
Total liabilities	<u>49,789</u>	<u>64,148</u>
Net position		
Net investment in capital assets	97,174	125,437
Restricted for capital projects	2,175	5,920
Restricted for nonexpendable endowments	41,924	37,634
Unrestricted	<u>99,230</u>	<u>121,690</u>
Total net position	<u>\$ 240,503</u>	<u>\$ 290,681</u>

See accompanying Notes.

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Statements of Revenues, Expenses, & Changes in Net Position

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Operating revenues:		
Business and Industry	\$ 253,428	\$ 240,494
Underwriting trades	49,622	54,025
Total operating revenues	<u>303,050</u>	<u>294,519</u>
Expenses:		
Operating expenses:		
Program services:		
Programming and production	439,047	436,668
Broadcasting	205,259	199,720
Total program services	<u>644,306</u>	<u>636,388</u>
Support services:		
Fundraising and memberships	237,229	245,148
Management and general	512,523	517,537
Total support services	<u>749,752</u>	<u>762,685</u>
Total operating expenses	<u>1,394,058</u>	<u>1,399,073</u>
Operating loss	<u>(1,091,008)</u>	<u>(1,104,554)</u>
Nonoperating revenues:		
General appropriation from Humboldt State University	265,048	234,468
Donated facilities, equipment and administrative support from Humboldt State University Corporation for Public Broadcasting Grant	260,339	254,355
Listener support	333,156	336,289
Endowment income, net	4,736	631
Nonoperating revenues	<u>1,040,830</u>	<u>1,000,804</u>
Decrease in net position	<u>(50,178)</u>	<u>(103,750)</u>
Net position:		
Net position at beginning of year	<u>290,681</u>	<u>394,431</u>
Net position at end of year	<u>\$ 240,503</u>	<u>\$ 290,681</u>

See accompanying Notes.

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Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from business and industry	\$ 234,845	\$ 228,479
Cash payments to suppliers for goods and services	(466,835)	(449,631)
Cash payments to employees for service	(595,684)	(594,797)
Net cash used in operating activities	(827,674)	(815,949)
Cash flows from noncapital financing activities:		
General appropriations from Humboldt State University	265,048	234,468
Grants and contracts received	177,551	175,061
Listener support received	365,731	364,087
Net cash provided by noncapital financing activities	808,330	773,616
Cash flows from capital and related financing activities:		
Capital assets acquired	(7,674)	-
Net cash used in capital and related financing activities	(7,674)	-
Cash flows from investing activities		
Investment income	4,736	631
Purchase of investments	(16,270)	(21,206)
Net cash used in investing activities	(11,534)	(20,575)
Net decrease in cash and cash equivalents	(38,552)	(62,908)
Cash and cash equivalents at beginning of year	86,143	149,051
Cash and cash equivalents at end of year	\$ 47,591	\$ 86,143
Supplemental schedule of noncash transactions:		
Donated facilities, equipment and administrative support from Humboldt State University	\$ 260,339	\$ 254,355
In-kind trades from business and industry	49,622	54,025

See accompanying Notes.

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Statements of Cash Flows (Continued)

Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,091,008)	\$ (1,104,554)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	35,937	39,192
Donated facilities, equipment and administrative support from Humboldt State University	260,339	254,355
Change in assets and liabilities:		
Accounts receivable	(18,583)	(12,015)
Accounts payable	2,724	(2,143)
Accrued compensated balances	(17,083)	9,216
Net cash used in operating activities	\$ (827,674)	\$ (815,949)

See accompanying Notes.

KHSU-FM RADIO
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Notes to Financial Statements

Years Ended June 30, 2017 and 2016

(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, 2017 and 2016.

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.

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Notes to Financial Statements

Years Ended June 30, 2017 and 2016

(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, total \$30,808 as of June 30, 2017 and \$64,652 as of June 30, 2016. The allowance for uncollectible pledges is calculated based on the Station's past experience with collections and totaled \$3,689 as of June 30, 2017 and \$10,878 as of June 30, 2016.

(e) Endowment Investments

Endowment investments are invested in the Advancement Foundation's endowment pool. The investments area reflected at fair value using quote market prices when available. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net position as endowment investment income.

A true endowment is a fund created by a donor (or other external party) with the stipulation that, as a condition of the gift instrument, the principal is to be maintained and invested in perpetuity to produce income, investment growth, or both. This type of endowment is also referred to as a permanent endowment.

(f) 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

(g) 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.

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Notes to Financial Statements

Years Ended June 30, 2017 and 2016

(h) Net Position

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

Net 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.

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.

(i) 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.

(j) 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.

(k) 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.

(l) 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 statement of net position

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Notes to Financial Statements

Years Ended June 30, 2017 and 2016

(m) 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.

(2) Cash and Cash Equivalents

Cash is pooled with the Advancement Foundation and the University. As of June 30, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, the fair value of the investments held with the Foundation is \$21,206. Investments earnings are allocated based on the Station's prorata 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, 2017 and 2016 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
2017	\$ 1,975
2018	200
	<u>\$ 2,175</u>

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Notes to Financial Statements

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(5) Property and Equipment

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

	July 1, 2016	Additions	Disposals	June 30, 2017
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	<u>(456,430)</u>	<u>(35,937)</u>	<u>-</u>	<u>(492,367)</u>
Net Capital Assets	<u>\$ 125,437</u>	<u>\$ (28,263)</u>	<u>\$ -</u>	<u>\$ 97,174</u>

A summary of the property and equipment at June 30, 2016 follows:

	July 1, 2015	Additions	Disposals	June 30, 2016
Production and broadcast equipment	\$ 409,122	\$ -	\$ -	\$ 409,122
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>-</u>	<u>-</u>	<u>581,867</u>
Accumulated Depreciation	<u>(417,238)</u>	<u>(39,192)</u>	<u>-</u>	<u>(456,430)</u>
Net Capital Assets	<u>\$ 164,629</u>	<u>\$ (39,192)</u>	<u>\$ -</u>	<u>\$ 125,437</u>

During the years ended June 30, 2017 and 2016, depreciation expense of \$35,937 and \$39,192 was allocated to the following functional expenses:

Functional Expense	2017	2016
Program and Production	\$ 8,116	\$ 12,532
Broadcasting	27,821	26,660
	<u>\$ 35,937</u>	<u>\$ 39,192</u>

(6) Retirement Plans and Postretirement 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.

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Notes to Financial Statements

Years Ended June 30, 2017 and 2016

(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:

	2017	2016
Institutional support	\$ 242,858	\$ 227,195
Physical plant operations	17,481	27,160
Total donated facilities and administrative support	\$ 260,339	\$ 254,355

(8) Leases

The Station entered into operating leases in the prior years for tower antennas and buildings. During the years ended June 30, 2017 and 2016, the lease expense was \$27,774 and \$28,385, respectively.

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

Year Ending June 30		Total Rent Due
2018	\$	28,676
2019		30,127
2020		30,275
2021		30,430
2022		27,718
Thereafter		210,880
	\$	358,106

(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.

(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

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

Statement of Functional Expenses

Year Ended June 30, 2017

	Program services			Total
	Program and production	Broadcasting	\$	program services
Salaries, payroll taxes, and employee benefits	\$ 195,653	\$ 101,267	\$	296,920
Supplies and other services				
Advertising	-	-		-
Audit expenses	-	-		-
Bank charges	-	-		-
Communications	576	6,722		7,298
Computer networks	-	5,309		5,309
Contractual services	-	3,630		3,630
Equipment	36	8,471		8,507
Events	-	-		-
Hospitality expense	23	21		44
Indirect cost expense	-	-		-
Investment services fee	-	-		-
Memberships	-	-		-
Postage and freight	140	14		154
Operating expense	-	377		377
Printing	304	283		587
Programming costs and other fees	199,388	-		199,388
Space rental	-	27,774		27,774
Subscriptions	-	-		-
Supplies and services	34,811	12,868		47,679
Telephone - usage charges	-	9,142		9,142
Travel in state	-	1,560		1,560
	235,278	76,171		311,449
Total supplies and other services				
Depreciation	8,116	27,821		35,937
Donated facilities, equipment and administrative support from Humboldt State University	-	-		-
Total expenses	\$ 439,047	\$ 205,259	\$	644,306

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

Statement of Functional Expenses (Continued)

Year Ended June 30, 2017

	Support services			Total		2017
	Fundraising and membership	Management and general	\$	support services	\$	Totals
Salaries, payroll taxes, and employee benefits	\$ 148,815	\$ 182,488	\$	331,303	\$	628,223
Supplies and other services						
Advertising	43,662	10		43,672		43,672
Communications	-	3,288		3,288		10,586
Computer networks	-	3,245		3,245		8,554
Contractual services	-	12,039		12,039		15,669
Equipment	-	2,871		2,871		11,378
Hospitality expense	4,619	6,500		11,119		11,163
Indirect cost expense	-	27,215		27,215		27,215
Investment services fee	-	103		103		103
Memberships	2,128	984		3,112		3,112
Postage and freight	2,232	3,665		5,897		6,051
Operating expenses	-	295		295		672
Printing	11,993	308		12,301		12,888
Programming costs and other fees	-	655		655		200,043
Space rental	510	200		710		28,484
Subscriptions	165	302		467		467
Supplies and services	23,105	6,182		29,287		76,966
Telephone - usage charges	-	1,834		1,834		10,976
Travel in state	-	-		-		1,560
	88,414	69,696		158,110		469,559
Total supplies and other services						
Depreciation	-	-		-		35,937
Donated facilities, equipment and administrative support from Humboldt State University	-	260,339		260,339		260,339
Total expenses	\$ 237,229	\$ 512,523	\$	749,752	\$	1,394,058