

KHSU-FM RADIO

A Public Broadcasting Entity Operated by
Humboldt State University

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

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	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	11
SUPPLEMENTARY INFORMATION:	
Statements of Functional Expenses	18

This page left blank intentionally



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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

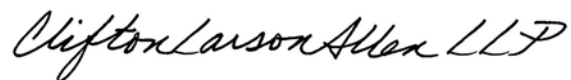
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 2016 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

Bellevue, Washington
December 7, 2016

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

Management's Discussion and Analysis

June 30, 2016 and 2015

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, 2016 and 2015. 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 is most concerned about revenue and expenses. Combined operating and non-operating revenue remained relatively flat, decreasing \$0.054 million from 2014/15 to 2015/16. Revenue from grants remained reduced by \$0.08 million year over year at \$0.175 million.

However, total expenses continued to increase \$0.025 million from 2014/15 to 2015/16. Again, this was due to an increase in Program and Production costs and Management and General support services; these increases were partially offset by a decrease in broadcasting costs.

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

Management's Discussion and Analysis (Continued)

June 30, 2016 and 2015

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>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current assets	\$ 189,989	\$ 281,350	\$ 260,523
Noncurrent assets	164,840	170,156	234,492
Total assets	<u>354,829</u>	<u>451,506</u>	<u>495,015</u>
Liabilities			
Current liabilities	19,691	20,905	55,449
Long-Term liabilities	44,457	36,170	21,439
Total liabilities	<u>64,148</u>	<u>57,075</u>	<u>76,888</u>
Net position			
Net investment in capital assets	125,437	164,629	226,095
Restricted for capital projects	5,920	21,101	14,445
Restricted for nonexpendable endowments	37,634		
Unrestricted	121,690	208,701	177,587
Total net position	<u>\$ 290,681</u>	<u>\$ 394,431</u>	<u>\$ 418,127</u>

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

Management's Discussion and Analysis (Continued)

June 30, 2016 and 2015

	2016	2015	2014
Operating revenues:			
Business and industry	\$ 240,494	\$ 228,835	\$ 223,541
Underwriting trades	54,025	42,058	37,172
Total operating revenues	294,519	270,893	260,713
Nonoperating revenues:			
General appropriation from Humboldt State University	234,468	256,979	247,697
Donated facilities, equipment and administrative support from Humboldt State University Corporation for Public Broadcasting grant	254,355	282,528	274,847
Local grants	175,061	183,471	186,199
Listener support	-	-	-
Endowment income (loss), net	336,289	356,083	322,960
Capital campaign	631	-	-
Total nonoperating revenues	1,000,804	1,079,061	1,031,703
Total Operating and nonoperating Revenues	1,295,323	1,349,954	1,292,416
Expenses:			
Programming and production	436,668	411,426	351,271
Broadcasting	199,720	217,946	227,230
Fund-raising and memberships	245,148	247,165	235,209
Management and general	517,537	497,113	493,712
Total expenses	1,399,073	1,373,650	1,307,422
Increase (decrease) in net position	(103,750)	(23,696)	(15,006)
Beginning net position	394,431	418,127	433,133
Ending net position	\$ 290,681	\$ 394,431	\$ 418,127

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.

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

Management's Discussion and Analysis (Continued)

June 30, 2016 and 2015

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, 2016 and 2015

Assets	2016	2015
Current assets		
Cash and cash equivalents	\$ 69,715	\$ 149,051
Accounts receivable	62,349	50,334
Pledges receivable-net of allowance	53,774	66,391
Restricted receivables for capital projects, current	4,151	15,574
Total current assets	<u>189,989</u>	<u>281,350</u>
Noncurrent assets		
Capital assets	581,867	581,867
Accumulated depreciation	(456,430)	(417,238)
Total net capital assets	<u>125,437</u>	<u>164,629</u>
Restricted cash and cash equivalent held for endowment	16,428	-
Endowment investment	21,206	-
Restricted receivables for capital projects, noncurrent	1,769	5,527
Total noncurrent assets	<u>164,840</u>	<u>170,156</u>
Total assets	<u>354,829</u>	<u>451,506</u>
Liabilities		
Current liabilities		
Accounts payable	2,464	4,607
Accrued compensated balances, current	17,227	16,298
Total current liabilities	<u>19,691</u>	<u>20,905</u>
Noncurrent liabilities		
Accrued compensated balances, noncurrent	44,457	36,170
Total noncurrent liabilities	<u>44,457</u>	<u>36,170</u>
Total liabilities	<u>64,148</u>	<u>57,075</u>
Net position		
Net investment in capital assets	125,437	164,629
Restricted for capital projects	5,920	21,101
Restricted for nonexpendable endowments	37,634	-
Unrestricted	121,690	208,701
Total net position	\$ <u>290,681</u>	\$ <u>394,431</u>

See accompanying Notes.

KHSU-FM RADIO

A Public Broadcasting Entity Operated by
Humboldt State University

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Revenues:		
Operating revenues:		
Business and Industry	\$ 240,494	\$ 228,835
Underwriting trades	54,025	42,058
Total operating revenues	294,519	270,893
Expenses:		
Operating expenses:		
Program services:		
Programming and production	436,668	411,426
Broadcasting	199,720	217,946
Total program services	636,388	629,372
Support services:		
Fund-raising and memberships	245,148	247,165
Management and general	517,537	497,113
Total support services	762,685	744,278
Total operating expenses	1,399,073	1,373,650
Operating loss	(1,104,554)	(1,102,757)
Nonoperating revenues:		
General appropriation from Humboldt State University	234,468	256,979
Donated facilities, equipment and administrative support from Humboldt State University	254,355	282,528
Corporation for Public Broadcasting Grant	175,061	183,471
Listener support	336,289	356,083
Endowment (income) loss, net	631	-
Nonoperating revenues	1,000,804	1,079,061
Increase in net position	(103,750)	(23,696)
Net position:		
Net position at beginning of year	394,431	418,127
Net position at end of year	\$ 290,681	\$ 394,431

See accompanying Notes.

KHSU-FM RADIO

A Public Broadcasting Entity Operated by
Humboldt State University

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from business and industry	\$ 228,479	\$ 243,338
Cash payments to suppliers for goods and services	(449,631)	(452,346)
Cash payments to employees for service	(594,797)	(555,065)
Net cash provided by (used in) operating activities	<u>(815,949)</u>	<u>(764,073)</u>
Cash flows from noncapital financing activities:		
General appropriations from Humboldt State University	234,468	256,979
Grants and contracts received	175,061	183,471
Listener support received	364,087	339,733
Net cash provided by (used in) noncapital financing activities	<u>773,616</u>	<u>780,183</u>
Cash flows from investing activities		
Investment income	631	
Purchase of investments	(21,206)	-
Net cash provided by (used in) investing activities	<u>(20,575)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(62,908)	16,110
Cash and cash equivalents at beginning of year	149,051	132,941
Cash and cash equivalents at end of year	\$ <u><u>86,143</u></u>	\$ <u><u>149,051</u></u>
Supplemental schedule of noncash transactions:		
Donated facilities, equipment and administrative support from Humboldt State University	\$ 254,355	\$ 282,528
In-kind trades from business and industry	54,025	42,058

See accompanying Notes.

KHSU-FM RADIO

A Public Broadcasting Entity Operated by
Humboldt State University

Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating (loss)	\$ (1,104,554)	\$ (1,102,757)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	39,192	61,466
Donated facilities, equipment and administrative support from Humboldt State University	254,355	282,528
Change in assets and liabilities:		
Accounts receivable	(12,015)	14,503
Accounts payable	(2,143)	(33,448)
Accrued compensated balances	9,216	13,635
Net cash provided by (used in) operating activities	\$ <u>(815,949)</u>	\$ <u>(764,073)</u>

See accompanying Notes.

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

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(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, 2016 and 2015.

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 Governmental Accounting Standards Board (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, 2016 and 2015

(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 \$10,878 total \$64,652 as of June 30, 2016 and \$19,764 and \$86,155 as of June 30, 2015. The allowance for uncollectible pledges is calculated based on the Station's past experience with collections.

(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, as a condition of the gift instrument, that 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.

(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.

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

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

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 balance sheet.

(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.

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

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(n) Reclassifications

For comparability, certain 2015 amounts have been reclassified, where appropriate, to conform with the 2016 financial statement presentation.

(2) Cash and Cash Equivalents

Cash is pooled with the Advancement Foundation and the University. As of June 30, 2016 and 2015, 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, 2016 and 2015 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, 2016 and 2015, the fair value of the investments held with the Foundation is \$21,206 and \$-0-. 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, 2016 and 2015 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 as listed below. The restriction will be removed as the goals are met. The first five goals have been met prior to June 30, 2016. An allowance has not been provided and a discount has not been included as management believes that 100% of these receivables are collectable.

KHSU's Capital Campaign Goals

	2016	2015
1 Emergency Power at KHSU Studios	\$ 100,000	\$ 100,000
2 Upgrade Del Norte Signal	80,000	80,000
3 Replace Aging and Obsolete Studio Equipment	150,000	150,000
4 Protect and preserve KHSU Service in Garberville and Ferndale-Fortuna	90,000	90,000
5 Second News and Information Service	140,000	140,000
6 Establish Fund for New Initiatives	190,000	190,000
Total	\$ 750,000	\$ 750,000

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

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Restricted receivables for capital projects are due as follows:

Year Ending June 30	Cash
2017	\$ 4,151
2018	1,769
	\$ 5,920

(5) Property and Equipment

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	581,867	-	-	581,867
Accumulated Depreciation	(417,238)	(39,192)	-	(456,430)
Net Capital Assets	\$ 164,629	\$ (39,192)	\$ -	\$ 125,437

A summary of the property and equipment at June 30, 2015 follows:

	July 1, 2014	Additions	Disposals	June 30, 2015
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	581,867	-	-	581,867
Accumulated Depreciation	(355,772)	(61,466)	-	(417,238)
Net Capital Assets	\$ 226,095	\$ (61,466)	\$ -	\$ 164,629

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

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

During the years ended June 30, 2016 and 2015, depreciation expense of \$39,192 and \$61,466 was allocated to the following functional expenses:

Functional Expense	2016	2015
Program and Production	\$ 12,532	\$ 21,160
Broadcasting	26,660	40,306
	\$ 39,192	\$ 61,466

(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:

	2016	2015
Institutional support	\$ 227,195	\$ 256,644
Physical plant operations	27,160	25,885
Total donated facilities and administrative support	\$ 254,355	\$ 282,529

(8) Leases

The Station entered into operating leases in the prior years for tower antennas and buildings. During the years ended June 30, 2016 and 2015, the lease expense was \$28,385 and \$27,597, respectively.

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

Year Ending June 30	Total Rent Due
2017	\$ 28,417
2018	29,495
2019	29,893
2020	29,941
2021	29,990
Thereafter	141,088
	\$ 288,824

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

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(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 worker's 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, 2016

	Program services		Total program services
	Program and production	Broadcasting	
Salaries, payroll taxes, and employee benefits	\$ 180,512	\$ 101,763	\$ 282,275
Supplies and other services			
Advertising	-	-	-
Audit expenses	-	-	-
Bank charges	-	-	-
Communications	754	6,287	7,041
Computer networks	-	3,216	3,216
Contractual services	-	875	875
Equipment	52	687	739
Events	-	-	-
Hospitality expense	-	-	-
Indirect cost expense	5,070	-	5,070
Investment services fee	5	-	5
Memberships	-	-	-
Postage and freight	-	547	547
Operating expense	-	-	-
Printing	582	-	582
Programming costs and other fees	204,305	-	204,305
Space rental	-	29,935	29,935
Subscriptions	1,919	10	1,929
Supplies and services	30,937	21,364	52,301
Telephone - usage charges	-	7,405	7,405
Travel in state	-	971	971
Travel out of state	-	-	-
	243,624	71,297	314,921
Total supplies and other services			
Depreciation	12,532	26,660	39,192
Donated facilities, equipment and administrative support from Humboldt State University	-	-	-
Total expenses	\$ 436,668	\$ 199,720	\$ 636,388

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

Statement of Functional Expenses (Continued)

Year Ended June 30, 2016

	Support services		Total support services	2016 Totals
	Fund-raising and membership	Management and general		
Salaries, payroll taxes, and employee benefits	\$ 145,310	176,428	\$ 321,738	\$ 604,013
Supplies and other services				
Advertising	44,798	-	44,798	44,798
Audit expenses	-	-	-	-
Bank charges	-	-	-	-
Communications	-	4,002	4,002	11,043
Computer networks	756	4,305	5,061	8,277
Contractual services	199	23,527	23,726	24,601
Equipment	-	355	355	1,094
Events	-	450	450	450
Hospitality expense	5,450	4,650	10,100	10,100
Indirect cost expense	277	23,825	24,102	29,172
Investment services fee	-	32	32	37
Memberships	2,213	1,073	3,286	3,286
Postage and freight	1,838	5,192	7,030	7,577
Operating expenses	-	44	44	44
Printing	10,517	526	11,043	11,625
Programming costs and other fees	-	282	282	204,587
Space rental	-	200	200	30,135
Subscriptions	290	179	469	2,398
Supplies and services	32,969	13,419	46,388	98,689
Telephone - usage charges	-	1,607	1,607	9,012
Travel in state	531	1,221	1,752	2,723
Travel out of state	-	1,865	1,865	1,865
Total supplies and other services	99,838	86,754	186,592	501,513
Depreciation	-	-	-	39,192
Donated facilities, equipment and administrative support from Humboldt State University	-	254,355	254,355	254,355
Total expenses	\$ 245,148	\$ 517,537	\$ 762,685	\$ 1,399,073