

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION KKJZ-FM

FINANCIAL STATEMENTS

June 30, 2019

(with comparative totals for 2018)

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee and Board of Directors of
California State University, Long Beach Research Foundation

We have audited the accompanying financial statements of California State University, Long Beach Research Foundation (Foundation) – KKJZ-FM (KKJZ-FM), a department of the Foundation, which comprise the statement of assets, liabilities, and net assets as of June 30, 2019, and the related statements of revenue, support, and expenses, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University, Long Beach Research Foundation – KKJZ-FM as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of California State University, Long Beach Research Foundation – KKJZ-FM, are intended to present the financial position, the changes in financial position, and cash flows of only the activities maintained by KKJZ-FM. They do not purport to, and do not, present fairly the financial position or the results of operations of the Foundation, as of and for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1, during the year ended June 30, 2019, the California State University, Long Beach Research Foundation – KKJZ-FM's adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited California State University, Long Beach Research Foundation – KKJZ-FM's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Winder, Inc.

Long Beach, California
September 27, 2019

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	June 30,	
	2019	2018
ASSETS		
Cash	\$ 113,627	\$ 119,491
Capital assets, net	223,730	106,000
TOTAL ASSETS	\$ 337,357	\$ 225,491
LIABILITIES		
Accrued expenses	\$ 43,313	\$ 76,727
Deferred revenue	70,314	42,764
	113,627	119,491
NET ASSETS		
Without donor restrictions	223,730	106,000
TOTAL LIABILITIES AND NET ASSETS	\$ 337,357	\$ 225,491

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**STATEMENT OF REVENUE, SUPPORT, AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Total	
	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Donations	\$ 1,422,717	\$ 1,251,023
Grant revenues	76,291	80,079
TOTAL REVENUES	1,499,008	1,331,102
EXPENSES		
Program services	1,356,278	1,306,102
Fundraising	25,000	25,000
TOTAL EXPENSES	1,381,278	1,331,102
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	117,730	-
NET ASSETS WITHOUT DONOR RESTRICTIONS		
AT BEGINNING OF YEAR	106,000	106,000
NET ASSETS WITHOUT DONOR RESTRICTIONS		
AT END OF YEAR	\$ 223,730	\$ 106,000

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Contractual services	\$ 1,077,178	\$ 25,000	\$ 1,102,178	\$ 1,071,985
Programming fees	175,000	-	175,000	160,416
Rent expense	51,942	-	51,942	50,923
Bank charges	30,298	-	30,298	27,778
Scholarships	20,000	-	20,000	20,000
Depreciation	<u>1,860</u>	<u>-</u>	<u>1,860</u>	<u>-</u>
 Total Expenses	 <u>\$ 1,356,278</u>	 <u>\$ 25,000</u>	 <u>\$ 1,381,278</u>	 <u>\$ 1,331,102</u>

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	For the Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 117,730	\$ -
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	1,860	-
Donated capital assets	(119,590)	-
Change in liabilities:		
Accrued expenses	(33,414)	32,998
Deferred revenues	27,550	(29,250)
Net Cash Provided By (Used In) Operating Activities	(5,864)	3,748
NET CHANGE IN CASH	(5,864)	3,748
CASH AT BEGINNING OF YEAR	119,491	115,743
CASH AT END OF YEAR	\$ 113,627	\$ 119,491

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – Summary of Significant Accounting Policies

Nature of Business

California State University, Long Beach Research Foundation (Foundation) holds a license from the Federal Communications Commission for noncommercial FM Station KKJZ, 88.1 (KKJZ-FM) with the main studio located on the campus of California State University, Long Beach (University). The Foundation has contracted with Global Jazz, Inc. (Global Jazz) to provide a source of programming, as well as programming services, for the station.

The Foundation also contracts with KKJZ Fundraising, Inc., a California corporation, to engage in fundraising activities on behalf of the Foundation. All donations generated by KKJZ Fundraising, Inc. are held by the Foundation and are utilized to subsidize costs incurred by Global Jazz to operate the radio station. Global Jazz is a California corporation that maintains its own accounting records for daily operations. As such, these financial statements reflect only activities maintained by the Foundation's KKJZ-FM, which maintains separate accounting records, and do not purport to represent the financial position and results of operations of the Foundation, Global Jazz, or the radio station in its entirety.

Recently Adopted Accounting Standard

During the year ended June 30, 2019, KKJZ-FM adopted Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities and applied changes retrospectively. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Foundation updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting and present the amounts for each of the classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on the existence and nature of donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants), where the use of these contributions are limited by donor-imposed stipulations with some donor stipulations either temporary in nature that may be or will be met either by actions, or with the passage of time. Other donor stipulations may be perpetual in nature, where the donor stipulates that corpus be maintained intact in perpetuity. As the donor-imposed stipulations are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions with donor-imposed stipulations whose stipulations are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements. As of June 30, 2019 and 2018, KKJZ-FM had no net assets with donor restrictions.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the revenue, support, and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions

Contributions, including unconditional promises to give, are recognized as support in the period received or pledged. Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and nature of any donor-imposed restrictions. All contributions are considered to be available without restrictions unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are donor-restricted support that increases net assets with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions released from net assets with donor restrictions.

If a donor restriction expires in the same reporting period that the contribution was made, the contribution is reported as net assets with donor restricted support and is also included in net assets without donor restrictions released from net assets with donor restrictions in that reporting period.

Capital Assets

Capital assets of KKJZ-FM are stated at cost or, if acquired by gift, at estimated fair value at the date of donation. Major renewals and betterments are charged to capital assets, while replacements, maintenance and repairs that do not improve or extend the life of the respective assets are currently expensed. Depreciation and amortization is charged on a straight-line basis over the lives of the assets, which is ten years.

Record collection items acquired on or after July 1, 1996 are capitalized at cost, if the items were purchased, or at their appraised or fair market value on the accession date, if the items were contributed. The value assigned to donated collection items was \$106,000 for the year ended June 30, 2019.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grantmaking organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and, thereby, to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in unrestricted net assets as earned. Unspent CSGs are reported as deferred revenue on the accompanying statement of assets, liabilities, and net assets.

NOTE 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ <u>113,627</u>
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The KKJZ-FM maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION
KKJZ-FM**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – Capital Assets

Capital assets activity for the years ended June 30, 2019 is summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Radio equipment	\$ 151,000	\$ 119,590	\$ -	\$ 270,590
Record collection	<u>106,000</u>	<u>-</u>	<u>-</u>	<u>106,000</u>
	257,000	119,590	-	376,590
Less accumulated depreciation and amortization	<u>(151,000)</u>	<u>(1,860)</u>	<u>-</u>	<u>(152,860)</u>
	<u>\$ 106,000</u>	<u>\$ 117,730</u>	<u>None</u>	<u>\$ 223,730</u>

NOTE 4 – Related-Party Transaction

KKJZ-FM paid the Foundation programming fees of \$175,000 for the year ended June 30, 2019.

NOTE 5 – Subsequent Events

KKJZ-FM has evaluated subsequent events from the statement of assets, liabilities, and net assets date through September 27, 2019, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.