CAPITAL PUBLIC RADIO, INC.

FINANCIAL STATEMENTS
June 30, 2019 and 2018

CAPITAL PUBLIC RADIO, INC.

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capital Public Radio, Inc.
Sacramento, California

We have audited the accompanying financial statements of Capital Public Radio, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditor's 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 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 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 Capital Public Radio, Inc. as of June 30, 2019 and 2018, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019, on our consideration of Capital Public Radio, Inc.'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 solely 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 the effectiveness of Capital Public Radio, Inc.'s 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 Capital Public Radio, Inc.'s internal control over financial reporting and compliance.

Propp Christensen Caniglia LLP

September 18, 2019
Roseville, California

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	$ 57,002	$ 603,834
Investments	-	54,753
Contributions receivable, net	18,211	17,354
Accounts receivable, net	458,288	454,208
Capital campaign receivable, net	2,394,404	150,017
Other receivables	489,552	317,131
Prepaid expenses	42,925	11,998
Total current assets	3,460,382	1,609,295
Capital campaign receivable, net of current portion and allowance	331,615	372,048
Donated artwork	35,025	35,025
Broadcast license	4,933,842	4,933,842
Deposits	50,036	53,030
Property and equipment, net	2,328,193	1,840,525
Total assets	$ 11,139,093	$ 8,843,765

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities:		
Accounts payable	$ 663,765	$ 439,190
Accrued vacation	394,333	346,094
Retirement plan payable	16,873	15,474
Unearned revenue	100,228	66,766
Line of credit	279,607	775,000
Note payable, current portion	59,754	116,435
Capital lease obligation, current portion	167,089	161,367
Total current liabilities	1,681,649	1,920,326
Note payable, less current portion	-	59,755
Capital lease obligation, less current portion	1,240,284	1,407,372
Total liabilities	2,921,933	3,387,453
Net assets:		
Without donor restrictions:		
General operating	2,835,300	2,201,805
Designated:		
Investment in property and equipment	2,328,193	1,840,525
Donated artwork	35,025	35,025
Net assets without donor restrictions	5,198,518	4,077,355
With donor restrictions:		
Grants	362,150	411,346
Capital campaign	2,656,492	967,611
Net assets with donor restrictions	3,018,642	1,378,957
Total net assets	8,217,160	5,456,312
Total liabilities and net assets	$ 11,139,093	$ 8,843,765

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

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenue and support:			
Listener contributions	$ 6,124,690	$ -	$ 6,124,690
Grant funding	709,007	848,089	1,557,096
Advertising and underwriting	3,097,973	-	3,097,973
Fundraising	800,147	2,721,622	3,521,769
Rental income	67,271	-	67,271
Other revenue	52,033	-	52,033
Net return on investments	4,506	-	4,506
Non-cash:			
CSUS administrative support	2,004,902	-	2,004,902
In-kind donations	432,152	-	432,152
Total revenue and support	13,292,681	3,569,711	16,862,392
Net assets released from restriction:			
Capital campaign expenditures	1,032,741	(1,032,741)	-
Grant expenditures	897,285	(897,285)	-
Total net assets released from restrictions	1,930,026	(1,930,026)	-
Total revenue and support and net assets released from restrictions	15,222,707	1,639,685	16,862,392
Expenditures:			
Programs:			
Programming and production	6,761,366	-	6,761,366
Broadcasting	2,229,367	-	2,229,367
Marketing and promotion	1,394,629	-	1,394,629
Support:			
Membership development	2,092,448	-	2,092,448
Management and general	1,623,734	-	1,623,734
Total expenditures	14,101,544	-	14,101,544
Change in net assets	1,121,163	1,639,685	2,760,848
Net assets, beginning of year	4,077,355	1,378,957	5,456,312
Net assets, end of year	$ 5,198,518	$ 3,018,642	$ 8,217,160

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Revenue and support:			
Listener contributions	$ 6,002,380	$ -	$ 6,002,380
Grant funding	536,251	697,348	1,233,599
Advertising and underwriting	2,773,299	-	2,773,299
Fundraising	783,159	473,033	1,256,192
Rental income	92,684	-	92,684
Other revenue	130,032	-	130,032
Net return on investments	4,906	-	4,906
Non-cash:			
CSUS administrative support	1,613,069	-	1,613,069
In-kind donations	504,171	-	504,171
Total revenue and support	12,439,951	1,170,381	13,610,332
Net assets released from restriction:			
Grant expenditures	573,002	(573,002)	-
Total revenue and support and net assets released from restrictions	13,012,953	597,379	13,610,332
Expenditures:			
Programs:			
Programming and production	6,559,662	-	6,559,662
Broadcasting	2,030,962	-	2,030,962
Marketing and promotion	1,056,193	-	1,056,193
Support:			
Membership development	2,188,415	-	2,188,415
Management and general	1,571,931	-	1,571,931
Total expenditures	13,407,163	-	13,407,163
Change in net assets	(394,210)	597,379	203,169
Net assets, beginning of year	4,471,565	781,578	5,253,143
Net assets, end of year	$ 4,077,355	$ 1,378,957	$ 5,456,312

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

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2019 and 2018

	Programming and Production	Broadcasting	Marketing and Promotion	Membership Development	Management and General	2019 Total
Personnel	$ 2,843,415	$ 1,064,330	$ 488,373	$ 782,498	$ 719,289	$ 5,897,905
Professional fees	274,308	51,879	360,976	58,118	134,306	879,587
Research and development	123,969	-	2,819	-	-	126,788
In-kind	1,218,528	487,411	243,705	243,705	243,705	2,437,054
Printing and supplies	984	18,985	615	69,949	41,303	131,836
Underwriting support	34,573	-	34,573	-	-	69,146
Telephone	35,624	140,258	-	2,018	12,069	189,969
Telemarketing	-	-	-	42,323	-	42,323
Postage and freight	-	-	23,312	25,396	2,404	51,112
Travel and training	144,322	13,970	11,248	43,802	75,139	288,481
Recruiting	-	-	-	-	39,412	39,412
Advertising	-	-	87,326	4,576	-	91,902
Utilities	68,123	191,209	13,620	13,620	42,093	328,665
Repairs and maintenance	98,586	39,434	19,717	19,717	19,717	197,171
Program acquisition	1,458,269	-	-	-	-	1,458,269
Dues and subscriptions	10,943	390	573	9,502	29,215	50,623
Bank charges	-	-	-	98,046	788	98,834
Outside services	-	-	38,201	546,671	23,406	608,278
Web maintenance and hosting	48,458	-	-	-	-	48,458
Management fees	-	-	-	-	23,075	23,075
Premiums	-	-	-	59,195	-	59,195
Rent	190,211	159,569	27,424	27,481	35,452	440,137
Depreciation	85,154	34,061	17,030	17,030	17,030	170,305
Insurance	56,463	22,585	11,293	11,293	11,293	112,927
Interest	-	-	-	-	97,606	97,606
Miscellaneous	69,436	5,286	13,824	17,508	56,432	162,486
Total functional expenses	$ 6,761,366	$ 2,229,367	$ 1,394,629	$ 2,092,448	$ 1,623,734	$ 14,101,544

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

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the Years Ended June 30, 2019 and 2018

	Programming and Production	Broadcasting	Marketing and Promotion	Membership Development	Management and General	2018 Total
Personnel	$ 2,778,896	$ 999,378	$ 449,688	$ 753,946	$ 755,625	$ 5,737,533
Professional fees	193,705	23,801	103,930	66,247	94,019	481,702
Research and development	115,615	-	788	-	-	116,403
In-kind	1,058,620	423,448	211,724	211,724	211,724	2,117,240
Printing and supplies	3,625	14,678	14,190	70,987	39,043	142,523
Underwriting support	25,884	-	25,884	-	-	51,768
Telephone	33,098	117,215	719	17,046	7,167	175,245
Telemarketing	-	-	-	42,798	-	42,798
Postage and freight	-	-	19,312	21,038	4,036	44,386
Travel and training	114,263	19,690	14,301	60,140	70,742	279,136
Recruiting	-	-	-	-	1,825	1,825
Advertising	-	-	76,759	8,136	-	84,895
Utilities	71,522	191,316	14,249	14,249	48,312	339,648
Repairs and maintenance	95,502	38,201	19,100	19,100	19,100	191,003
Program acquisition	1,623,897	-	-	-	-	1,623,897
Dues and subscriptions	7,045	-	330	11,259	34,980	53,614
Bank charges	-	-	-	97,829	500	98,329
Bad debts	-	-	-	115,118	-	115,118
Outside services	-	-	41,634	526,103	23,815	591,552
Web maintenance and hosting	54,452	-	-	-	-	54,452
Management fees	-	-	-	-	22,826	22,826
Premiums	-	-	-	81,273	-	81,273
Rent	173,372	145,443	24,996	25,048	32,313	401,172
Depreciation	87,784	35,114	17,557	17,557	17,557	175,569
Insurance	52,778	21,111	10,556	10,556	10,556	105,557
Interest	-	-	-	-	104,839	104,839
Miscellaneous	69,604	1,567	10,476	18,261	72,952	172,860
Total functional expenses	$ 6,559,662	$ 2,030,962	$ 1,056,193	$ 2,188,415	$ 1,571,931	$ 13,407,163

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

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 2,760,848	$ 203,169
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	170,305	175,569
Net realized and unrealized gains	-	(1,681)
Donated securities	-	(32,593)
Contributions received restricted for capital campaign	(515,270)	(213,166)
Provision for bad debts	-	115,118
Changes in operating assets and liabilities:		
Contributions receivable	(857)	44,182
Accounts receivable	(4,080)	69,055
Capital campaign receivable	(2,203,954)	(328,963)
Other receivables	(172,421)	57,810
Prepaid expenses	(30,927)	76,730
Deposits	2,994	7,696
Accounts payable	224,575	(121,861)
Accrued vacation	48,239	42,938
Other employee benefits payable	1,399	(4,341)
Unearned revenue	33,462	53,203
Net cash provided by operating activities	314,313	142,865
Cash flows from investing activities:		
Net proceeds from sale of investments	54,753	32,193
Cash paid for purchase and construction of property and equipment	(657,973)	(164,872)
Net cash used in investing activities	(603,220)	(132,679)
Cash flows from financing activities:		
Contributions received restricted for capital campaign	515,270	213,166
Principal payments on note payable	(116,436)	(112,447)
Proceeds from line of credit	-	200,000
Principal payments on line of credit	(495,393)	-
Principal payments on capital lease obligation	(161,366)	(155,841)
Net cash provided by financing activities	(257,925)	144,878
Net change in cash and cash equivalents	(546,832)	155,064
Cash and cash equivalents, beginning of year	603,834	448,770
Cash and cash equivalents, end of year	$ 57,002	$ 603,834
Supplementary disclosure of cash flow information:		
Interest paid	$ 97,606	$ 104,839

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

NOTE 1: NATURE OF ORGANIZATION

Capital Public Radio, Inc. (the "Station") is a nonprofit auxiliary organization of California State University, Sacramento ("CSUS"). Its purpose is to provide a trusted source of information, music, arts, and entertainment for curious and thoughtful people in an efficient, sustainable way, strengthening the civic and cultural life of the community served. CSUS owns the licenses under which the Station is allowed to broadcast.

The Station also manages programs and operates the non-commercial radio station KUOP (FM) in Stockton, California. University of the Pacific ("UOP") owned the license under which KUOP was allowed to broadcast until January 2009, when CSUS purchased the license.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Station have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation
In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of net assets classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Station has retrospectively adopted the provision as of June 30, 2019.

The Station presents its financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Station is required to report information regarding its financial position and activities according to the following two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets that are not subject to stipulations;

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition
In accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 958-605, *Not-for-Profit Entities – Revenue Recognition* (FASB ASC 958-605), unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give (pledges) are recognized as revenues once a valid pledge has been received. The receivable and the corresponding revenue are recognized concurrently. Conditional contributions and pledges are recorded when the conditions have been met.

Grants without donor restrictions are recognized as support in the statement of activities upon receipt or accrual. The Station reports certain grants as restricted support if they are received with grantor stipulations that limit their use.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)
Revenue for program underwriting is recorded on a pro rata basis for the period.

Receivable balances are stated at unpaid balance, less an allowance for doubtful accounts. The Station provides for losses on receivable balances using the allowance method. This method is based on experience and other circumstances which may affect the collectability of the balance. Uncollectible receivables are charged off when management determines the receivable will not be collected.

Property and Equipment
Property and equipment is stated at cost or, if donated, at fair market value when it is received. The Station provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated lives of these assets range from 5 to 30 years. Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Equipment purchased with grant funds from the National Telecommunications and Information Administration ("NTIA") is to revert to that agency if the Station wishes to dispose of the equipment within ten years from the date of the grant.

Donated Assets
In accordance with the provisions of FASB ASC 958-605, donated marketable securities, artwork, and other non-cash donations received are valued at fair value at the date of contribution.

Donations of property and equipment (and other assets with explicit restrictions regarding their use) and contributions of cash that must be used to acquire such assets are reported as restricted contributions. The Station reports gifts of artwork as assets without donor restrictions because there are no donor stipulations specifying how the donated assets must be used.

Donated Services
Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Station. Volunteers also provide assistance in program and supporting services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 are not met.

Cash and Cash Equivalents
Cash equivalents consist of all highly liquid investments with original maturities of three months or less.

Investments
Marketable equity securities and debt securities which are held to maturity are valued at fair market value with realized and unrealized gains and losses reflected in the statement of activities.

The following is a summary of net return on investments as of June 30, 2019 and 2018.

	2019	2018
Interest income	$ 4,506	$ 3,225
Unrealized gains	-	1,681
Net return on investments	$ 4,506	$ 4,906

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Broadcast Rights
Programming broadcast rights are expensed annually as purchased.

Concentration of Credit Risk
Financial instruments which potentially subject the Station to concentrations of credit risk consist principally of contribution receivables, cash deposits, and investments at brokerage firms. The Station does not generally require collateral for receivables, and operations are dependent upon these contributions. The Station's contributors are primarily located within and are dependent upon the economy of the broadcast areas of Stockton and the greater Sacramento area. The Station does not believe a material risk of loss exists with respect to its financial position due to this concentration of credit risk.

The Station maintains its cash and cash equivalents in bank deposit accounts. These accounts are insured by the Federal Deposit Insurance Corporation up to $250,000 per financial institution for each category of legal ownership. As of June 30, 2019, there were no uninsured cash balances. As of June 30, 2018, the Station's uninsured cash balances totaled $304,725. The Station has not experienced any losses on these accounts, and management believes the Station is not exposed to any significant risk on cash accounts.

For those investments held by a broker who is a member of the Securities Investor Protection Corporation, the cash and securities are insured up to $500,000 in the event the brokerage firm goes out of business.

Functional Expenses
Functional expenses are allocated to program and supporting services based on direct expenditures incurred. Expenses not directly chargeable to a particular functional category are allocated based on an analysis of personnel time and space or other resources utilized for the related activities.

Income Taxes
The Station is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and from franchise taxes under the provisions of California Revenue and Taxation Code Section 23701d, except as they may be levied for unrelated business income. After they are filed, the Station's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Use of Estimates
The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures at the date of the financial statements and that also affect reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising
Advertising expense for the years ended June 30, 2019 and 2018 totaled $57,102 and $84,895, respectively.

Reclassifications
Certain items in the 2018 financial statements have been reclassified, with no effect to change in retained earnings to conform to the 2019 financial statement presentation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Station has implemented the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Station determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value, (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Station has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Station's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Station's own data.

The fair values of investments are based on unadjusted quoted market prices within active markets and are therefore valued at Level 1 of the fair value hierarchy.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through September 18, 2019, the date that the financial statements were available to be issued.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Station's liquidity management, the Station has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Station's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	$ 57,002	$ 603,834
Investments	-	54,753
Contributions receivable, net	18,211	17,354
Accounts receivable, net	458,288	454,208
Capital campaign receivable, net	2,394,404	150,017
Other receivables	478,552	317,131
Financial assets	3,406,457	1,597,297
Less those unavailable for general expenditure within one year, due to purpose and time restrictions stipulated by donors	(2,687,027)	(1,006,909)
Financial assets available to meet cash needs for expenditures within one year	$ 719,430	$ 590,388

NOTE 4: CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Contributions and accounts receivable consist of the following at June 30, 2019 and 2018:

	2019	2018
Contributions receivable	$ 33,750	$ 28,213
Less allowance for doubtful accounts	(15,539)	(10,859)
Contributions receivable, net	$ 18,211	$ 17,354
Accounts receivable	$ 479,843	$ 475,763
Less allowance for doubtful accounts	(21,555)	(21,555)
Accounts receivable, net	$ 458,288	$ 454,208
Capital campaign receivable	$ 2,868,921	$ 680,253
Less discount to present value	(36,664)	(51,950)
Less allowance for doubtful accounts	(106,238)	(106,238)
Capital campaign receivable, net	$ 2,726,019	$ 522,065
Accounts receivable - other	$ 2,845	$ 19,732
Accounts receivable - grants	486,707	286,346
Accounts receivable - related party	-	11,053
Other accounts receivable	$ 489,552	$ 317,131

In 2016, the Station began a capital campaign designed to raise funds for building expansion. The unconditional promises to give reported as capital campaign receivable consist of the following at June 30, 2019 and 2018:

	2019	2018
Receivable in less than one year	$ 2,487,071	$ 177,782
Less allowance for doubtful accounts	(92,667)	(27,765)
Current capital campaign receivable, net	$ 2,394,404	$ 150,017
Receivable in one to five years	$ 381,850	$ 502,471
Less discount to present value at 3.5%	(36,664)	(51,950)
Less allowance for doubtful accounts	(13,571)	(78,473)
Noncurrent capital campaign receivable, net	$ 331,615	$ 372,048

NOTE 5: FAIR VALUE MEASUREMENTS

The following table set forth by level, within the fair value hierarchy, the Station's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2018:

	Fair Values as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Exchange-traded and closed-end funds	$ 54,753	$ -	$ -	$ 54,753

NOTE 6: BROADCAST LICENSE PURCHASE

In 2008, on behalf of the Station, CSUS entered into an Asset Purchase Agreement to purchase the broadcast license of FM station KUOP from the University of the Pacific. The terms of the Asset Purchase Agreement established the purchase price at $4,700,000, of which $4,000,000 was to be paid in cash, and the remaining $700,000 was considered underwriting.

In addition to the purchase price, the Station incurred $233,842 in legal, appraisal, and escrow closing costs related to the purchase. The cost of the broadcast license totaling $4,933,842 has been capitalized. The broadcast license is deemed to have an indefinite life and, as such, is not subject to amortization. The Station will review the license for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

NOTE 7: PROPERTY AND EQUIPMENT

At June 30, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Tower	$ 1,304,830	$ 1,301,748
Engineering and production	1,659,826	1,579,476
Office equipment	314,069	310,109
Computer equipment	681,087	657,644
Expansion projects	1,400,571	859,364
Leasehold improvements	664,257	658,326
	6,024,640	5,366,667
Less accumulated depreciation and amortization	(3,696,447)	(3,526,142)
Property and equipment, net	$ 2,328,193	$ 1,840,525

NOTE 8: LINE OF CREDIT

At June 30, 2019 and 2018, the Station had a letter of credit in the amount of $50,000 available at a local bank in the event that tower equipment on the Walnut Grove site were removed.

The Station has available a $600,000 line of credit with a local bank that is secured by accounts receivable and equipment. The Station drew $50,000 on the line of credit during 2017, and $115,000 and $275,000 was payable at June 30, 2019 and 2018, respectively.

During 2017, the local bank approved an additional line of credit for $500,000. The Station drew $200,000 and $300,000 on the line of credit during 2018 and 2017, and $164,607 and $500,000 was payable at June 30, 2019 and 2018, respectively.

NOTE 9: NOTE PAYABLE

During 2013, the Station entered into a financing agreement with CSUS in the original amount of $750,000 for the construction of a new tower to broadcast KXPR. The financing agreement provides for an interest rate of 3.5% per annum with quarterly principal and interest payments of $30,273 for a period of 7 years, maturing in December of 2019.

NOTE 10: LEASE COMMITMENTS

Capital Lease

In accordance with the terms of the KUOP Facilities Agreement, as previously referred to herein, the Station has entered into a long-term capital lease financing agreement with CSUS relating to the purchase of the broadcast license referred to in Note 6.

The following is a schedule of future minimum capital lease payments:

Year ending June 30:	
2020	$ 214,170
2021	214,170
2022	214,170
2023	214,170
2024	214,170
Thereafter	535,426
Total minimum lease payments	1,606,276
Less amount representing interest	(198,903)
Principal balance due on obligations under capital leases as of June 30, 2019	1,407,373
Less current portion	(167,089)
Total long-term obligations under capital lease	$ 1,240,284

Operating Leases

The Station leases office space and real property upon which towers are located. These obligations extend through 2033. These leases include the lease of a public radio station facility located at California State University, Sacramento. The lease is for a term of thirty years with semi-annual payments beginning in May 2004. Each installment of rent payable is secured by a pledge of all Station revenues as set forth in the lease.

Certain real property leases contain renewal options up to five years. Several of the real property leases contain an escalation clause which requires additional rent on each anniversary date of the lease. Rent expense totaled $440,136 and $401,173 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments at June 30, 2019, under agreements classified as operating leases with noncancelable terms, are as follows:

Year ending June 30:	
2020	$ 398,754
2021	398,723
2022	368,350
2023	301,822
2024	267,511
Thereafter	2,423,525
Total minimum lease payments	$ 4,158,685

NOTE 10: LEASE COMMITMENTS (CONTINUED)

Operating Leases (Continued)
Rental income on real properties sub-leased to others totaled $67,271 and $92,684, for the years ended June 30, 2019 and 2018, respectively.

Future minimum rental income on real properties sub-leased to others at June 30, 2019, under agreements classified as operating leases with noncancelable terms, are as follows:

Year ending June 30:	
2020	$ 64,690
2021	1,832
Total minimum rental income	$ 66,522

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2019 and 2018:

	2019	2018
Healthcare reporting grants	$ 162,150	$ 242,544
California dream project	200,000	168,802
	362,150	411,346
Capital campaign	2,656,492	967,611
Total	$ 3,018,642	$ 1,378,957

NOTE 12: RELATED PARTY TRANSACTIONS

Included in other receivables at June 30, 2018, was $16,873, due from the Capital Public Radio Endowment, Inc. (the "Endowment") for property taxes, audit fees, and/or insurance premiums the Station paid on behalf of the Endowment. Included in accounts payable at June 30, 2019 was $25,425, due to the Endowment.

In 2016, the Station began a capital campaign intended to raise funds for the expansion of its building. Included in capital campaign receivables at June 30, 2019 and 2018, are $292,838 and $409,505, respectively, in pledges from board and committee members, which are related to capital campaign fundraising revenues totaling $65,100 and $265,000 that were recognized during the years ended June 30, 2019 and 2018, respectively.

Included in accounts payable at June 30, 2019 and 2018, was $43,427 and $36,058, respectively, due to CSUS.

For the years ended June 30, 2019 and 2018, revenue received from CSUS and related auxiliaries for services, space, and programs was $29,385 and $56,490, respectively.

During the years ended June 30, 2019 and 2018, the Station incurred expenses of $169,695 and $188,467, respectively, for office building maintenance and various items other than salaries of CSUS personnel. The Station paid $239,013 and $242,251 to the Board of Trustees of CSUS for office building rent during the years ended June 30, 2019 and 2018, respectively.

NOTE 12: RELATED PARTY TRANSACTIONS (CONTINUED)

The Station entered the KUOP Facilities Agreement (the "Agreement") with CSUS on August 14, 2008. The Agreement provides for the financing of certain costs related to the Asset Purchase Agreement between CSUS and the University of the Pacific to secure the purchase of the broadcast license of the FM broadcasting station KUOP (Note 6). The terms of the Agreement, which were amended in 2013, provide for a long-term capital lease financing arrangement between the Station and CSUS, which requires the repayment of $3,000,000 at 3.5% interest in annual installments over a period of 18 years (Note 9). During each of the years ended June 30, 2019 and 2018, the Station paid $214,170 to CSUS in debt service relating to the Agreement. This included $161,367 and $155,840 in principal payments, and $52,803 and $58,330 in interest payments during the years ended June 30, 2019 and 2018, respectively.

The Station entered into a financing agreement for the construction of the new KXPR tower (Note 9). The agreement provides for repayment of $750,000 over a seven-year period at 3.5% interest. During each of the years ended June 30, 2019 and 2018, the Station paid $121,092 to CSUS in debt service relating to this financing agreement. This included $116,435 and $112,448 in principal payments, and $4,657 and $8,644 in interest payments during the years ended June 30, 2019 and 2018, respectively.

NOTE 13: GRANTS

The following is a list of the grants received during the years ended June 30, 2019 and 2018:

	2019	2018
Corporation for Public Broadcasting:		
Community service grant	$ 717,927	$ 726,923
State and local government grants	58,207	100,420
Corporate and foundation grants	780,962	406,256
Total	$ 1,557,096	$ 1,233,599

The Corporation for Public Broadcasting ("CPB") is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby enhance the quality of programming and expand the scope of public broadcasting services.

According to the CPB Radio CSG General Provisions and Eligibility Criteria, a certain portion of the funds may be used as specified in Section 396(k)(7) of the Communications Act of 1934, 47 U.S.C. 396(k)(7), which provides that these funds "may be used at the discretion of the Grantees for purposes related primarily to the production or acquisition of programming." This portion of the Grants may also be used to sustain activities begun with previous CPB CSG funds. The remaining portion of the funds must be used as specified in Section 396(k)(3)(A)(iii) of the Communications Act of 1934, which provides that these funds are "solely to be used for acquiring or producing programming that is to be distributed nationally and is designed to serve the needs of a national audience." Each CSG must be expended within two years of the initial grant authorization.

NOTE 14: NON-CASH SUPPORT AND EXPENDITURES

Administrative Support
During the years ended June 30, 2019 and 2018, CSUS provided numerous services for the Station. Amounts are calculated on the basis of percentage of use by the Station in relationship to the total respective University costs as recorded in the respective University financial reports. During the years ended June 30, 2019 and 2018, donated services in the amount of $2,004,902 and $1,613,069, respectively, are reported as revenue and expense in the accompanying statement of activities.

In-kind Donations
During the years ended June 30, 2019 and 2018, the value of contributed materials, facilities, and services meeting the requirements for recognition in the financial statements amounted to $432,152 and $504,171, respectively. The in-kind donations are reported as revenue and expense in the accompanying statement of activities.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Station in meeting its program objectives. During the years ended June 30, 2019 and 2018, the Station received approximately 655 and 747 volunteer hours, respectively.

NOTE 15: RETIREMENT PLAN

Effective October 1, 2010, the Station adopted a new Internal Revenue Code Section 401(k) plan. All employees are eligible on the date of hire to participate in salary deferrals to the plan; however, employees must have 1,000 hours of service to be eligible for matching and profit sharing contributions. For all eligible employees, the Station will match 100% of employees' respective salary contributions up to 5% of their compensation. The total retirement plan contribution for the years ending June 30, 2019 and 2018, was $195,309 and $190,251, respectively.

NOTE 16: UNRELATED BUSINESS INCOME TAXES

While the Station is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively, net income generated by unrelated business activities is taxable as unrelated business income. Unrelated business activities conducted by the Station include advertising income from the Station's quarterly program guide and rentals of tower space.

For the years ended June 30, 2019 and 2018, net income as calculated for income tax purposes was not sufficient to yield any income tax expense. In addition, the Station has been determined by the Internal Revenue Code not to be a private foundation within the meaning of Section 509(a) of the Code.

NOTE 17: CAPITAL CAMPAIGN

In 2016, the Station began a capital campaign designed to raise funds for building expansion. During the years ended June 30, 2019 and 2018, the Station recognized capital campaign pledges totaling $2,721,622 and $473,033, respectively. As of June 30, 2019, $2,868,921 was included in capital campaign receivable, less a present value discount and bad debt allowance of $36,664 and $106,238, respectively, resulting in a net receivable of $2,726,019. As of June 30, 2018, $680,253 was included in capital campaign receivable, less a present value discount and bad debt allowance of $51,950 and $106,238, respectively, resulting in a net receivable of $522,065.

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INDEPENDENT AUDITOR'S 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
Capital Public Radio, Inc.
Sacramento, California

We have audited, 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, the financial statements of Capital Public Radio, Inc., a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2019.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital Public Radio, Inc.'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*.

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 Capital Public Radio, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capital Public Radio, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Propp Christensen Caniglia LLP

September 18, 2019
Roseville, California