

CAPITAL PUBLIC RADIO, INC.

FINANCIAL STATEMENTS
June 30, 2021 and 2020

CAPITAL PUBLIC RADIO, INC.

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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, 2021 and 2020, 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, 2021 and 2020, 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021, 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 22, 2021
Roseville, California

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 6,733,446	\$ 3,393,489
Investments	1,582,894	-
Contributions receivable, net	17,272	19,652
Accounts receivable, net	407,448	334,436
Capital campaign receivable, current portion, net	660,820	383,910
Other receivables	869,889	644,935
Prepaid expenses	97,547	14,575
Total current assets	<u>10,369,316</u>	<u>4,790,997</u>
Capital campaign receivable, net of current portion and allowance	636,308	886,272
Donated artwork	35,025	35,025
Broadcast license	4,933,842	4,933,842
Deposits	124,570	43,514
Property and equipment, net	<u>4,061,015</u>	<u>2,848,802</u>
Total assets	<u>\$ 20,160,076</u>	<u>\$ 13,538,452</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 560,951	\$ 436,417
Accrued rent	213,925	-
Accrued vacation	569,641	494,059
Retirement plan payable	26,339	19,495
Unearned revenue	65,237	87,053
Line of credit payable, current portion	24,844	96,582
Loan payable - related party, current portion	3,079,475	-
Capital lease obligation, current portion	<u>179,150</u>	<u>173,014</u>
Total current liabilities	4,719,562	1,306,620
Capital lease obligation, less current portion	<u>846,645</u>	<u>1,025,796</u>
Total liabilities	<u>5,566,207</u>	<u>2,332,416</u>
Net assets:		
Without donor restrictions:		
General operating	5,243,088	3,835,821
Designated:		
Investment in property and equipment	4,061,015	2,848,802
Donated artwork	<u>35,025</u>	<u>35,025</u>
Net assets without donor restrictions	<u>9,339,128</u>	<u>6,719,648</u>
With donor restrictions:		
Grants	1,392,197	643,438
Capital campaign	<u>3,862,544</u>	<u>3,842,950</u>
Net assets with donor restrictions	<u>5,254,741</u>	<u>4,486,388</u>
Total net assets	<u>14,593,869</u>	<u>11,206,036</u>
Total liabilities and net assets	<u>\$ 20,160,076</u>	<u>\$ 13,538,452</u>

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

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Revenue and support:			
Listener contributions	\$ 7,664,445	\$ -	\$ 7,664,445
Grant funding	855,178	3,249,380	4,104,558
Underwriting	2,658,376	-	2,658,376
Fundraising	1,182,031	607,535	1,789,566
Rental income	71,618	-	71,618
Other revenue	1,425,040	-	1,425,040
Net return on investments	(36,864)	-	(36,864)
Net realized and unrealized gain on investments	147,733	-	147,733
Non-cash:			
CSUS administrative support	2,992,940	-	2,992,940
In-kind donations	226,628	-	226,628
	<u>17,187,125</u>	<u>3,856,915</u>	<u>21,044,040</u>
Total revenue and support			
Net assets released from restriction:			
Capital campaign expenditures	587,941	(587,941)	-
Grant expenditures	2,500,621	(2,500,621)	-
	<u>3,088,562</u>	<u>(3,088,562)</u>	<u>-</u>
Total net assets released from restrictions			
	<u>20,275,687</u>	<u>768,353</u>	<u>21,044,040</u>
Total revenue and support and net assets released from restrictions			
Expenditures:			
Programs:			
Programming and production	9,248,286	-	9,248,286
Broadcasting	2,518,088	-	2,518,088
Marketing and promotion	1,528,944	-	1,528,944
Support:			
Membership development	2,471,165	-	2,471,165
Management and general	1,889,724	-	1,889,724
	<u>17,656,207</u>	<u>-</u>	<u>17,656,207</u>
Total expenditures			
Change in net assets	2,619,480	768,353	3,387,833
Net assets, beginning of year	6,719,648	4,486,388	11,206,036
Net assets, end of year	<u>\$ 9,339,128</u>	<u>\$ 5,254,741</u>	<u>\$ 14,593,869</u>

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

CAPITAL PUBLIC RADIO, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2021 and 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Revenue and support:			
Listener contributions	\$ 6,877,089	\$ -	\$ 6,877,089
Grant funding	678,019	2,203,066	2,881,085
Underwriting	2,592,770	-	2,592,770
Fundraising	808,529	1,760,060	2,568,589
Rental income	66,175	-	66,175
Other revenue	71,213	-	71,213
Net return on investments	891	-	891
Non-cash:			
CSUS administrative support	2,610,235	-	2,610,235
In-kind donations	386,210	-	386,210
	<u>14,091,131</u>	<u>3,963,126</u>	<u>18,054,257</u>
Net assets released from restriction:			
Capital campaign expenditures	573,602	(573,602)	-
Grant expenditures	1,921,778	(1,921,778)	-
	<u>2,495,380</u>	<u>(2,495,380)</u>	<u>-</u>
Total revenue and support and net assets released from restrictions	<u>16,586,511</u>	<u>1,467,746</u>	<u>18,054,257</u>
Expenditures:			
Programs:			
Programming and production	7,820,261	-	7,820,261
Broadcasting	1,494,763	-	1,494,763
Marketing and promotion	1,729,507	-	1,729,507
Support:			
Membership development	2,174,704	-	2,174,704
Management and general	1,846,146	-	1,846,146
	<u>15,065,381</u>	<u>-</u>	<u>15,065,381</u>
Change in net assets	1,521,130	1,467,746	2,988,876
Net assets, beginning of year	<u>5,198,518</u>	<u>3,018,642</u>	<u>8,217,160</u>
Net assets, end of year	<u>\$ 6,719,648</u>	<u>\$ 4,486,388</u>	<u>\$ 11,206,036</u>

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, 2021 and 2020

	Programming and Production	Broadcasting	Marketing and Promotion	Membership Development	Management and General	2021 Total
Personnel	\$ 4,230,036	\$ 1,106,238	\$ 706,763	\$ 954,679	\$ 939,187	\$ 7,936,903
Professional Fees	589,301	95,958	116,438	20,903	91,292	913,892
Research & Development	140,962	-	1,050	-	-	142,012
In-kind	1,609,784	643,914	321,957	321,957	321,957	3,219,569
Printing & Supplies	6,441	16,332	1,383	67,183	26,285	117,624
Telephone	22,745	134,829	125	4,217	14,318	176,234
Telemarketing	-	-	-	72,537	-	72,537
Postage & Freight	-	-	27,994	30,496	2,086	60,576
Travel & Training	20,714	147	859	462	57,170	79,352
Recruiting	-	-	-	-	30,724	30,724
Advertising	13,416	-	216,953	-	-	230,369
Utilities	78,033	211,224	15,255	15,255	50,372	370,139
Repairs & Maintenance	114,389	45,756	22,878	22,878	22,878	228,779
Program Acquisition	1,690,844	-	-	-	-	1,690,844
Dues and subscriptions	15,101	100	254	7,558	33,801	56,814
Bank Charges	-	-	-	126,094	1,275	127,369
Bad Debts	-	-	-	2,380	102,490	104,870
Outside Services	15,791	-	25,403	652,909	30,109	724,212
Web Maintenance & Hosting	56,456	-	-	-	-	56,456
Management Fees	-	-	-	-	8,315	8,315
Premiums	2,700	-	-	99,528	-	102,228
Rent	432,438	183,312	31,504	31,570	40,727	719,551
Depreciation	85,183	34,073	17,037	17,037	17,037	170,367
Insurance	39,727	15,891	7,945	7,945	7,945	79,453
Interest	-	-	-	-	43,295	43,295
Miscellaneous	84,225	30,314	15,146	15,577	48,461	193,723
Total functional expenses	\$ 9,248,286	\$ 2,518,088	\$ 1,528,944	\$ 2,471,165	\$ 1,889,724	\$ 17,656,207

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, 2021 and 2020

	Programming and Production	Broadcasting	Marketing and Promotion	Membership Development	Management and General	2020 Total
Personnel	\$ 3,656,445	\$ 258,811	\$ 1,023,231	\$ 857,572	\$ 766,860	\$ 6,562,919
Professional fees	346,809	41,802	153,984	52,799	105,194	700,588
Research and development	128,209	-	1,050	-	-	129,259
In-kind	1,474,995	589,998	294,999	294,999	341,453	2,996,444
Printing and supplies	1,842	22,073	5,075	68,798	29,507	127,295
Underwriting support	12,138	-	12,138	-	-	24,276
Telephone	24,066	124,285	549	2,506	13,669	165,075
Telemarketing	-	-	-	74,918	-	74,918
Postage and freight	-	-	26,076	28,407	1,134	55,617
Travel and training	73,280	2,908	3,654	9,119	57,221	146,182
Recruiting	-	-	-	-	9,182	9,182
Advertising	-	-	83,510	2,306	-	85,816
Utilities	63,252	193,146	12,650	12,650	47,075	328,773
Repairs and maintenance	111,312	44,525	22,262	22,262	22,262	222,623
Program acquisition	1,512,212	-	-	-	-	1,512,212
Dues and subscriptions	17,885	120	299	1,476	39,613	59,393
Bank charges	-	-	-	107,533	763	108,296
Bad debts	-	-	-	-	168,186	168,186
Outside services	-	-	21,538	495,922	25,340	542,800
Web maintenance and hosting	28,005	-	-	-	-	28,005
Management fees	-	-	-	-	17,285	17,285
Premiums	-	-	-	73,692	-	73,692
Rent	184,210	154,534	26,559	26,614	34,333	426,250
Depreciation	96,226	38,491	19,245	19,245	19,245	192,452
Insurance	39,640	15,856	7,928	7,928	7,928	79,280
Interest	-	-	-	-	92,749	92,749
Miscellaneous	49,735	8,214	14,760	15,958	47,147	135,814
Total functional expenses	<u>\$ 7,820,261</u>	<u>\$ 1,494,763</u>	<u>\$ 1,729,507</u>	<u>\$ 2,174,704</u>	<u>\$ 1,846,146</u>	<u>\$ 15,065,381</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,387,833	\$ 2,988,876
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	170,366	192,453
Net realized and unrealized gains	(147,733)	-
Donated securities	(74,555)	-
Contributions restricted for capital campaign	(679,995)	(1,821,350)
Discount on pledges	72,460	61,290
Provision for bad debts	104,870	168,186
Changes in operating assets and liabilities:		
Contributions receivable	(307,718)	(86,569)
Accounts receivable	(73,012)	123,852
Other receivables	(224,954)	(155,383)
Prepaid expenses	(82,972)	28,350
Deposits	(81,056)	6,522
Accounts payable	124,534	(227,348)
Accrued rent	213,925	-
Accrued vacation	75,582	99,726
Retirement plan payable	6,844	2,622
Unearned revenue	(21,816)	(13,175)
	<u>2,462,603</u>	<u>1,368,052</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(1,807,825)	-
Net proceeds from sale of investments	447,219	-
Cash paid for purchase and construction of property and equipment	(1,382,579)	(713,062)
	<u>(2,743,185)</u>	<u>(713,062)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from loan payable - related party	3,079,475	-
Contributions received restricted for capital campaign	785,817	3,132,839
Principal payments on note payable	(71,738)	(127,779)
Principal payments on line of credit	-	(115,000)
Principal payments on capital lease obligation	(173,015)	(208,563)
	<u>3,620,539</u>	<u>2,681,497</u>
Net cash provided by financing activities		
Net change in cash and cash equivalents	3,339,957	3,336,487
Cash and cash equivalents, beginning of year	<u>3,393,489</u>	<u>57,002</u>
Cash and cash equivalents, end of year	<u>\$ 6,733,446</u>	<u>\$ 3,393,489</u>
<u>Supplementary disclosure of cash flow information:</u>		
Interest paid	<u>\$ 43,295</u>	<u>\$ 92,749</u>

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

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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. Additionally, during 2021 the Station took over operations of two stations licensed to Humboldt State University and California State University, Chico.

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

The Station presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (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 - 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 FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*, 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.

Revenue for program underwriting is recorded on a pro rata basis for the period.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

In accordance with the provisions of FASB ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958). The ASU provides an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Station adopted the provisions of FASB ASC 606 as revised by ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The Station's other income received is not recognized as revenues until the revenue is earned, which is at the time when the services are provided. The Station has retrospectively adopted the new guidance as of June 30, 2021 with no changes to previously reported net assets.

Property and Equipment

Property and equipment are 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.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021 and 2020, the Station's uninsured cash balances totaled \$6,399,360 and \$2,843,039, respectively. 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, 2021 and 2020 totaled \$230,370 and \$85,816, respectively.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820). The amendments in this update are designed to improve the disclosure requirements in Subtopic 10 and provide users of the financial statements with information about assets and liabilities measured at fair value in the statements of financial position or disclosed in the notes to financial statements including 1) the valuation techniques and inputs that a reporting entity uses to arrive at its measures of fair value, including judgments and assumptions that the entity makes; 2) the uncertainty in the fair value measurements as of the reporting date; and 3) how changes in fair value measurements affect an entity's performance and cash flows. This ASU was later amended by ASU 2019-0, *Codification Improvements to Topic 326*, and ASU 2020-03, *Codification Improvements to Financial Instruments*. The Organization has retrospectively adopted these provisions with no change to revenue or net assets as of June 30, 2021.

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. Interest, dividends, and investment fees are shown as net return on investments in the statements of activities.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. Under ASU 2016-02, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The amendments in the update are effective for annual reporting periods beginning after December 15, 2020 with early application being permitted. Management is evaluating the impact on the financial statements.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through September 22, 2021, the date that the financial statements were available to be issued.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,733,446	\$ 3,393,489
Investments	1,582,894	-
Contributions receivable, net	17,272	19,652
Accounts receivable, net	407,448	334,436
Capital campaign receivable, net	660,820	383,910
Other receivables	<u>614,574</u>	<u>644,935</u>
Financial assets	10,016,454	4,776,422
Less those unavailable for general expenditure within one year, due to purpose and time restrictions stipulated by donors	<u>(4,618,433)</u>	<u>(3,600,116)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 5,398,021</u>	<u>\$ 1,176,306</u>

NOTE 4: CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Contributions and accounts receivable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 28,843	\$ 33,146
Less allowance for doubtful accounts	<u>(11,571)</u>	<u>(13,494)</u>
Contributions receivable, net	<u>\$ 17,272</u>	<u>\$ 19,652</u>
Accounts receivable	\$ 429,003	\$ 355,991
Less allowance for doubtful accounts	<u>(21,555)</u>	<u>(21,555)</u>
Accounts receivable, net	<u>\$ 407,448</u>	<u>\$ 334,436</u>
Capital campaign receivable	\$ 1,611,024	\$ 1,609,572
Less discount to present value	(72,460)	(97,954)
Less allowance for doubtful accounts	<u>(241,436)</u>	<u>(241,436)</u>
Capital campaign receivable, net	<u>\$ 1,297,128</u>	<u>\$ 1,270,182</u>
Accounts receivable - other	\$ 49,944	\$ 1,497
Accounts receivable - grants	<u>819,945</u>	<u>643,438</u>
Other accounts receivable	<u>\$ 869,889</u>	<u>\$ 644,935</u>

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4: CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (CONTINUED)

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 776,311	\$ 457,184
Less allowance for doubtful accounts	<u>(115,491)</u>	<u>(73,274)</u>
Current capital campaign receivable, net	<u>\$ 660,820</u>	<u>\$ 383,910</u>
Receivable in one to five years	\$ 834,713	\$ 1,152,388
Less discount to present value at 3.5%	(72,460)	(97,954)
Less allowance for doubtful accounts	<u>(125,945)</u>	<u>(168,162)</u>
Noncurrent capital campaign receivable, net	<u>\$ 636,308</u>	<u>\$ 886,272</u>

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, 2021:

	Fair Values as of June 30, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 1,037,370	\$ -	\$ -	\$ 1,037,370
Exchange-traded and closed-end funds	45,582	-	-	45,582
Government securities	<u>499,942</u>	<u>-</u>	<u>-</u>	<u>499,942</u>
	<u>\$ 1,582,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,582,894</u>

There were no investments held requiring fair value measurement as of June 30, 2020.

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 over the life of the capital lease agreement (Note 10), 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.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 7: PROPERTY AND EQUIPMENT

At June 30, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Tower	\$ 1,337,157	\$ 1,310,678
Engineering and production	1,813,614	1,773,214
Office equipment	318,626	318,626
Computer equipment	778,830	696,753
Expansion projects	3,207,797	1,974,173
Leasehold improvements	<u>664,257</u>	<u>664,257</u>
	8,120,281	6,737,701
Less accumulated depreciation and amortization	<u>(4,059,266)</u>	<u>(3,888,899)</u>
Property and equipment, net	<u>\$ 4,061,015</u>	<u>\$ 2,848,802</u>

NOTE 8: LINE OF CREDIT

At June 30, 2021 and 2020, 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.

At June 30, 2021 and 2020, the Station has available a \$400,000 revolving line of credit with a local bank that is secured by accounts receivable and equipment. The note was paid in full as of June 30, 2020.

During 2017, the local bank approved an additional non-revolving line of credit for \$500,000. At June 30, 2021 and 2020, \$24,844 and \$96,582, respectively, was included as note payable.

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. The note was paid in full as of June 30, 2020.

During 2021, the Station entered into a financing agreement with CSUS in the original amount of \$8,000,000 for various interior tenant improvements on a leased building in Sacramento, California. This leased building will serve as the headquarters for the Station once the interior tenant improvements are complete. As of June 30, 2021, the Station has drawn \$3,079,475 on the loan. As of June 30, 2021, the Station and CSUS were still negotiating a memorandum of understanding ("MOU") agreement. Management anticipates the MOU to include long-term financing terms, however no terms are currently available. Therefore, the entire \$3,079,475 drawn is presented as a current liability in the statements of financial position.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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:

<u>Year ending June 30:</u>	
2022	\$ 214,170
2023	214,170
2024	214,170
2025	214,170
2026	214,170
Thereafter	<u>89,113</u>
Total minimum lease payments	1,159,963
Less amount representing interest	<u>(134,168)</u>
Principal balance due on obligations under capital leases as of June 30, 2021	1,025,795
Less current portion	<u>(179,150)</u>
Total long-term obligations under capital lease	<u>\$ 846,645</u>

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.

On September 1, 2020, the Station entered into a lease agreement to rent office space and real property to serve as the headquarters of the Station. These obligations extend through 2036. The lease is for a term of 188 months with monthly payments beginning July 1, 2021 increasing by 2.5% annually.

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 \$425,611 and \$426,251 for the years ended June 30, 2021 and 2020, respectively.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10: LEASE COMMITMENTS (CONTINUED)

Operating Leases (Continued)

Future minimum lease payments at June 30, 2021, under agreements classified as operating leases with noncancelable terms, are as follows:

<u>Year ending June 30:</u>	
2022	\$ 732,198
2023	650,621
2024	652,291
2025	660,246
2026	673,117
Thereafter	<u>6,411,648</u>
Total minimum lease payments	<u>\$9,780,121</u>

Rental income on real properties sub-leased to others totaled \$71,618 and \$66,175, for the years ended June 30, 2021 and 2020, respectively.

Operating Leases - Income

Future minimum rental income on real properties sub-leased to others at June 30, 2021, under agreements classified as operating leases with noncancelable terms, are as follows:

<u>Year ending June 30:</u>	
2022	\$ 70,783
2023	72,274
2024	73,811
2025	75,393
2026	66,491
Thereafter	<u>219,175</u>
Total minimum rental income	<u>\$ 577,927</u>

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
James Irvine Foundation	\$ 200,000	\$ -
ARA Stabilization Grants	967,904	-
Sacramento Metro Cable TV	-	16,218
California Health Care Foundation	26,338	110,120
Northern California Collaboration	<u>197,955</u>	<u>517,100</u>
	<u>1,392,197</u>	<u>643,438</u>
Capital campaign	<u>3,862,544</u>	<u>3,842,950</u>
Total	<u>\$ 5,254,741</u>	<u>\$ 4,486,388</u>

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 12: RELATED PARTY TRANSACTIONS

Included in accounts payable at June 30, 2021 and 2020 was \$255,315 and \$143,134, respectively, 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, 2021 and 2020, are \$288,906 and \$243,907, respectively, in pledges from board and committee members, which are related to capital campaign fundraising revenues totaling \$149,000 and \$200 that were recognized during the years ended June 30, 2021 and 2020, respectively.

Included in accounts payable at June 30, 2021 and 2020, was \$3,866 and \$15,842, respectively, due to CSUS.

For the years ended June 30, 2021 and 2020, revenue received from CSUS and related auxiliaries for services, space, and programs was \$14,670 and \$19,110, respectively.

During the years ended June 30, 2021 and 2020, the Station incurred expenses of \$687,041 and \$205,269, respectively, for office building maintenance and various items other than salaries of CSUS personnel. The Station paid \$242,250 and \$238,500 to the Board of Trustees of CSUS for office building rent during the years ended June 30, 2021 and 2020, respectively.

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 10). During each of the years ended June 30, 2021 and 2020, the Station paid \$214,170 to CSUS in debt service relating to the Agreement. This included \$173,014 and \$167,089 in principal payments, and \$41,156 and \$47,081 in interest payments during the years ended June 30, 2021 and 2020, 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 the year ended June 30, 2020, the Station paid \$60,546 to CSUS in debt service relating to this financing agreement. This included \$59,754 in principal payments, and \$792 in interest payments during the year ended June 30, 2020. The financing agreement was paid in full as of June 30, 2020.

In 2021, the Station entered into a financing agreement with CSUS for various interior tenant improvements on a leased building in Sacramento, California (Note 9). The agreement provides for repayment of \$8,000,000 over a seven-year period. As of June 30, 2021, the Station and CSUS were still negotiating an MOU agreement, and has drawn \$3,079,475 on the loan. It is expected that the MOU will be completed and the Station will begin making payments relating to this MOU in 2022.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 13: GRANTS

The following is a list of the grants received during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Corporation for Public Broadcasting:		
Community service grant	\$ 1,010,175	\$ 1,427,956
State and local government grants	402,414	48,652
Corporate and foundation grants	375,565	341,477
Federal government grants	2,253,904	1,063,000
Other grants	<u>62,500</u>	<u>-</u>
 Total	 <u>\$ 4,104,558</u>	 <u>\$ 2,881,085</u>

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.

In April 2020, the Station was granted a loan from Five Star Bank in the amount of \$1,063,000 under the Paycheck Protection Program ("PPP") as part of the CARES Act. The note and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. As of June 30, 2020, the Station has substantially met the conditions of the loan and has received full loan forgiveness. For the year ended June 30, 2020, the Station recognized the full \$1,063,000 as a conditional grant on the statement of activities.

In February 2021, the Station was granted a loan from Five Star Bank in the amount of \$1,286,000 under the Paycheck Protection Program ("PPP") as part of the CARES Act. The note and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. As of June 30, 2021, the Station has substantially met the conditions of the loan and has received full loan forgiveness. For the year ended June 30, 2021, the Station recognized the full \$1,286,000 as a conditional grant on the statement of activities.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 14: NON-CASH SUPPORT AND EXPENDITURES

Administrative Support

During the years ended June 30, 2021 and 2020, 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, 2021 and 2020, donated services in the amount of \$2,992,940 and \$2,610,235, respectively, are reported as revenue and expense in the accompanying statement of activities.

In-kind Donations

During the years ended June 30, 2021 and 2020, the value of contributed materials, facilities, and services meeting the requirements for recognition in the financial statements amounted to \$226,628 and \$386,210, 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, 2021 and 2020, the Station received approximately 320 and 340 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 ended June 30, 2021 and 2020, was \$289,710 and \$217,781, 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, 2021 and 2020, 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, 2021 and 2020, the Station recognized capital campaign pledges totaling \$607,535 and \$1,760,060, respectively. As of June 30, 2021, \$1,611,024 was included in capital campaign receivable, less a present value discount and bad debt allowance of \$72,460 and \$241,436, respectively, resulting in a net receivable of \$1,297,128. As of June 30, 2020, \$1,609,572 was included in capital campaign receivable, less a present value discount and bad debt allowance of \$97,954 and \$241,436, respectively, resulting in a net receivable of \$1,270,182.

CAPITAL PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 18: RISKS AND UNCERTAINTIES

The COVID-19 coronavirus outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

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, 2021, 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 22, 2021.

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.

Proff Christensen Caniglia LLP

September 22, 2021
Roseville, California