

KCBX, Inc.
Financial Statements
September 30, 2024 and 2023



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Independent Auditors' Report on the Financial Statements

To the Board of Directors
KCBX, Inc.
San Luis Obispo, California

Opinion

We have audited the accompanying financial statements of KCBX, Inc. ("the Organization"), a California non-profit organization, which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Independent Auditors' Report on the Financial Statements – Continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Caliber Audit & Attest, LLP

San Luis Obispo, California
January 27, 2025

KCBX, Inc.

Statements of Financial Position
Years Ended September 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 416,850	\$ 396,062
Investments	160,902	146,993
Pledge and underwriting receivables, net of allowance for doubtful accounts of \$3,500	44,417	42,161
Prepaid expenses	26,090	287,327
Deposits	3,689	2,589
Property and equipment, net of accumulated depreciation	223,242	71,446
Intangibles, net of accumulated amortization	-	11,107
Total assets	<u>\$ 875,190</u>	<u>\$ 957,685</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 56,106	\$ 16,918
Accrued expenses	2,417	1,950
Accrued compensation and vacation	62,290	55,791
Total liabilities	<u>120,813</u>	<u>74,659</u>
Commitments and Contingencies		
Net Assets		
Without donor restrictions		
Undesignated	476,213	755,755
Board designated endowment	25,523	15,319
Invested in property and equipment	223,242	71,446
Invested in intangibles (radio license)	-	11,107
Total without donor restrictions	<u>724,978</u>	<u>853,627</u>
With donor restrictions		
Restricted in perpetuity - endowment	29,399	29,399
Total with donor restrictions	<u>29,399</u>	<u>29,399</u>
Total net assets	<u>754,377</u>	<u>883,026</u>
Total liabilities and net assets	<u>\$ 875,190</u>	<u>\$ 957,685</u>

See Notes to Financial Statements.

KCBX, Inc.

Statement of Activities
Year Ended September 30, 2024

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
<i>Public support:</i>			
Contributions	\$ 914,804	\$ -	\$ 914,804
In-kind contributed rent	41,998	-	41,998
In-kind services	29,305		29,305
Community service grant	154,711	45,391	200,102
Other grants	13,008	-	13,008
Fundraising events, net of direct costs of \$578,888	124,705	-	124,705
Total support	<u>1,278,531</u>	<u>45,391</u>	<u>1,323,922</u>
<i>Revenue:</i>			
Underwriting	340,255	-	340,255
Other income	4,158	-	4,158
Interest and dividend income	4,191	-	4,191
Net return on investments	18,751		18,751
Total revenue	<u>367,355</u>	<u>-</u>	<u>367,355</u>
Net assets released from restrictions	45,391	(45,391)	-
Total public support and revenues	<u>1,691,277</u>	<u>-</u>	<u>1,691,277</u>
Functional Expenses:			
Program services	1,450,486	-	1,450,486
Management and general	257,205	-	257,205
Fundraising	112,235	-	112,235
Total functional expenses	<u>1,819,926</u>	<u>-</u>	<u>1,819,926</u>
Change in net assets	<u>\$ (128,649)</u>	<u>\$ -</u>	<u>\$ (128,649)</u>

See Notes to Financial Statements.

KCBX, Inc.

Statement of Activities
Year Ended September 30, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
<i>Public support:</i>			
Contributions	\$ 929,503	\$ -	\$ 929,503
In-kind contributed rent	41,998	-	41,998
In-kind services	27,990	-	27,990
Community service grants	149,538	44,120	193,658
Other grants	30,000	-	30,000
Fundraising events, net of direct costs of \$560,520	99,335	-	99,335
Total support	<u>1,278,364</u>	<u>44,120</u>	<u>1,322,484</u>
<i>Revenue:</i>			
Underwriting	328,705	-	328,705
Other income	7,599	-	7,599
Interest and dividend income	2,332	-	2,332
Realized gain on investments	3,928	-	3,928
Total revenue	<u>342,564</u>	<u>-</u>	<u>342,564</u>
Net assets released from restrictions	44,120	(44,120)	-
Total public support and revenues	<u>1,665,048</u>	<u>-</u>	<u>1,665,048</u>
Functional Expenses:			
Program services	1,395,241	-	1,395,241
Management and general	211,076	-	211,076
Fundraising	93,138	-	93,138
Total functional expenses	<u>1,699,455</u>	<u>-</u>	<u>1,699,455</u>
Change in net assets	<u>\$ (34,407)</u>	<u>\$ -</u>	<u>\$ (34,407)</u>

See Notes to Financial Statements.

KCBX, Inc.

Statement of Functional Expenses
Year Ended September 30, 2024

	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Personnel costs:				
Salaries and wages	\$ 561,808	\$ 170,811	\$ 47,120	\$ 779,739
Sales contract	90,672	-	-	90,672
Payroll taxes	44,403	11,624	3,207	59,234
Total personnel costs	<u>696,883</u>	<u>182,435</u>	<u>50,327</u>	<u>929,645</u>
Bank and credit card fees	23,417	31	23,308	46,756
Depreciation and amortization	20,874	527	175	21,576
Insurance	62,713	15,730	4,439	82,882
Miscellaneous	9,826	2,783	28,863	41,472
Occupancy	64,282	12,053	4,018	80,353
Professional fees	17,207	40,148	-	57,355
Repairs and maintenance	734	184	-	918
Programing and product fees	536,876	-	-	536,876
Supplies	10,109	1,896	632	12,637
Telephone	<u>7,565</u>	<u>1,418</u>	<u>473</u>	<u>9,456</u>
Total functional expenses	<u>\$ 1,450,486</u>	<u>\$ 257,205</u>	<u>\$ 112,235</u>	<u>\$ 1,819,926</u>

See Notes to Financial Statements.

KCBX, Inc.

Statement of Functional Expenses
Year Ended September 30, 2023

	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Personnel costs:				
Salaries and wages	\$ 535,167	\$ 139,931	\$ 38,602	\$ 713,700
Sales contract	83,911	-	-	83,911
Payroll taxes	42,016	9,497	2,620	54,133
Total personnel costs	661,094	149,428	41,222	851,744
Bank and credit card fees	22,939	41	22,770	45,750
Depreciation and amortization	27,706	620	207	28,533
Insurance	64,446	14,231	4,020	82,697
Miscellaneous	12,254	3,809	22,260	38,323
Occupancy	73,471	4,400	1,466	79,337
Professional fees	14,882	34,726	-	49,608
Repairs and maintenance	974	244	-	1,218
Programing and product fees	498,396	-	-	498,396
Supplies	11,113	2,084	694	13,891
Telephone	7,966	1,493	499	9,958
Total functional expenses	\$ 1,395,241	\$ 211,076	\$ 93,138	\$ 1,699,455

See Notes to Financial Statements.

KCBX, Inc.

Statements of Changes in Net Assets
Year Ended September 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<i>Year Ended September 30, 2022</i>	\$ 888,034	\$ 29,399	\$ 917,433
Change in net assets	<u>(34,407)</u>	<u>-</u>	<u>(34,407)</u>
<i>Year Ended September 30, 2023</i>	853,627	29,399	883,026
Change in net assets	<u>(128,649)</u>	<u>-</u>	<u>(128,649)</u>
<i>Year Ended September 30, 2024</i>	<u>\$ 724,978</u>	<u>\$ 29,399</u>	<u>\$ 754,377</u>

See Notes to Financial Statements.

KCBX, Inc.

Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (128,649)	\$ (34,407)
<i>Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	21,576	28,533
Unrealized gain on investments	(18,751)	(3,928)
<i>Changes in operating assets and liabilities:</i>		
Pledge and underwriting receivables, net	(2,256)	(7,449)
Prepaid expenses	261,237	(38,119)
Inventory of supplies	(1,100)	
Accounts payable	39,188	11,314
Accrued expenses	467	(8,582)
Accrued compensation and vacation	6,499	8,113
Net cash provided by (used in) operating activities	<u>178,211</u>	<u>(44,525)</u>
<i>Cash flows from investing activities:</i>		
Purchase of property and equipment	(162,265)	(21,011)
Purchase of investments	(1,162)	(7,020)
Proceeds from sale of investments	6,004	8,568
Net cash used in investing activities	<u>(157,423)</u>	<u>(19,463)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	20,788	(63,988)
<i>Cash and cash equivalents, beginning of year</i>	<u>396,062</u>	<u>460,050</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 416,850</u></u>	<u><u>\$ 396,062</u></u>
<i>Noncash financing activities:</i>		
In-kind donations of transmitter location	<u><u>\$ 41,998</u></u>	<u><u>\$ 41,998</u></u>

See Notes to Financial Statements.

KCBX, Inc.

Notes to Financial Statements

Note 1. Operations and Summary of Significant Accounting Policies

Nature of operations:

KCBX, Inc. (“the Organization”) is a California non-profit corporation, organized to enlighten and enrich the quality of life for the Central Coast of California listeners and users with interests in news, public affairs, and alternative musical arts, and encourage an interest in and appreciation of fine arts and local, national and global issues. As an NPR station, KCBX, Inc. puts the community in touch with the world. The Organization was established in July 1975 and is located at 4100 Vachell Lane, San Luis Obispo, California.

The Organization is governed by an elected board of directors and officers responsible for the development of policies. Staff conducts the Organization’s activities in accordance with board-established policy.

Basis of accounting:

The financial statements are presented on an accrual basis, which recognizes income when performance obligations are met, and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial statement presentation and net assets:

The Organization has presented its financial statements in accordance with GAAP for not-for profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions or with donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

KCBX, Inc.

Notes to Financial Statements

Support revenue and contributions:

All public support revenue is considered to be available for use without donor restriction unless specifically restricted by the donor or the terms of a grant. Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made.

Contributions: The Organization receives contributions to support operating activities. These contributions can be from individuals, foundations, corporation or trusts. The Organization records contributions receivable, net of allowances for estimated uncollectible amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received.

Contributions of assets other than cash, which consist primarily of donated investment securities, are recorded at estimated fair market value at the time of receipt and are liquidated as soon as feasible.

Revenues from grant agreements that represent exchange transactions are recognized as the revenue is earned over the grant term, if any. The Organization currently does not have any grants that are considered exchange transactions.

Community Service and Rural Support Grants: KCBX receives annual grants from the Corporation for Public Broadcasting (CPB). During the year ended September 30, 2024 and 2023, the grant totaled \$200,102 and \$193,658, of which \$45,391 and \$44,120 was restricted in that funds must be used to purchase national programming. The CPB grant consists of approximately 12% of the organization's revenue in 2024 and 2023.

In-kind contributions: The Organization recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed. During the year ended September 30, 2024 and 2023, the in-kind contributions for rent and services totaled \$71,303 and \$69,988, respectively.

The Organization receives services from many volunteers who give significant amounts of their time to the programs of the Organization. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

The donated assets and use of facilities recorded by the Organization have been recorded at fair values, based on management's estimate of fair value on a non-recurring basis from comparisons of similar assets or services or from the value as provided by the donor. This is considered Level 2 of the fair value hierarchy (see fair value Level descriptions in Note 5).

KCBX, Inc.

Notes to Financial Statements

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain donated use of facilities could result in a different fair value measurement at the reporting date.

Revenue recognition:

The Organization has several revenue streams that are accounted for as reciprocal exchange transactions including underwriting and certain components of the Live Oak Music Festival.

Underwriting revenue:

The Organization follows the accrual method to recognize revenue from the underwriters of its programing (underwriting), who are thanked with messages within KCBX's programming (spots). Underwriting is recognized as revenue included in net assets without donor restrictions as the spots are run and results in accounts receivable for unpaid balances at year end.

The beginning and ending contract balances are as follows:

	<u>2024</u>	<u>2023</u>
Pledge receivables	\$ 5,035	\$ 7,130
Underwriting receivables	42,882	38,531
	<u>47,917</u>	<u>45,661</u>
Less allowance for doubtful accounts	(3,500)	(3,500)
Net pledge and underwriting receivables	<u><u>\$ 44,417</u></u>	<u><u>\$ 42,161</u></u>

Fundraising:

The Live Oak Music Festival is the primary fundraising event for KCBX. The Organization recognizes revenue from ticket sales and other items for sale, which are generated from the music festival event. Revenue is recognized at the point in time when the live event occurs, and the performance obligation is met.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the

KCBX, Inc.

Notes to Financial Statements

program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Use of estimates:

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents:

The Organization considers cash equivalents to be all short-term securities purchased with a maturity of three months or less.

Concentrations of credit risk:

The Organization maintains cash balances with financial institutions located in California. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The cash balances from time to time can exceed this limit.

Investment valuation and income recognition:

The Organization's investments are stated at fair market value in the statement of financial position, with all gains and losses included in the statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurement.

Investments acquired by gift are recorded at their fair market value at the date of the gift.

Investments are made according to the investment policy adopted by the Organization's Board of Directors. These guidelines provide for a balanced diversified portfolio with investments in equities and fixed income securities and all assets should have readily ascertainable market value and be readily marketable. These guidelines are periodically reviewed and modified.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year, or since the acquisition date, if acquired during the year.

Pledge receivables:

The promise-to-give receivable is based on donor contribution pledges. All pledge receivables are expected to be collected in less than one year.

KCBX, Inc.

Notes to Financial Statements

Underwriting receivables:

Accounts receivable relate to amounts for underwriting revenue. Management has determined that an allowance for credit losses would be \$3,500 based on the Organization's credit policies, prior collection experience, and the type of customers associated with the Organization.

Property and equipment:

Purchased property and equipment are stated at cost and donated assets are valued at their estimated fair value on the date donated. Property and equipment additions over \$500 are recorded. All assets are depreciated over estimated useful lives on a straight line basis. Repairs and maintenance and small equipment purchases are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the statement of activities.

Estimated useful lives are as follows:

	<u><i>Years</i></u>
Leasehold improvements	7 – 40
Furniture and fixtures	7
Office equipment	5 - 7
Broadcast equipment	5 – 7

Compensated absences:

The Organization allows all full-time employees to receive compensation for vacation leave. The estimate related to compensated absences is based on vacation hours available and current pay rates. The obligation for compensated absences has been recorded to accrued compensation and vacation.

Income tax status:

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. The Organization is not a private foundation. Management is not aware of any transactions that would impact the Organization's tax-exempt status.

For the years ended September 30, 2024 and 2023, management of the Organization is not aware of any material uncertain tax positions to be accounted for in the financial statements under the principles of the *Income Taxes* topic of the FASB (*ASC*). The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

KCBX, Inc.

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All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Advertising:

The Organization expenses advertising costs as incurred. There were no advertising costs for the year ended September 30, 2024 and 2023.

Recent accounting pronouncements:

The Organization adopted Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in ASC 326 consists primarily of trade accounts receivables.

The Company adopted the standard effective October 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new or enhanced disclosures only.

Note 2. Liquidity and Availability

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 416,850	\$ 396,062
Board designated endowments	25,523	15,319
Pledge and underwriting receivables, net	44,417	42,161
	<u>\$ 486,790</u>	<u>\$ 453,542</u>

As part of KCBX's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures liabilities, and other obligations come due. In addition, the KCBX invests cash in excess of daily requirements in assets that are readily marketable. This amount is represented above as board designated endowments.

KCBX, Inc.

Notes to Financial Statements

Note 3. Property and Equipment

Major classes of property and equipment and accumulated depreciation are as follows at September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 122,424	\$ 122,424
Furniture and fixtures	25,153	25,153
Office equipment	36,036	33,695
Broadcast equipment	566,318	554,041
Construction in progress	147,648	-
	<u>897,579</u>	<u>735,313</u>
Less accumulated depreciation	(674,337)	(663,867)
Total property and equipment	<u>\$ 223,242</u>	<u>\$ 71,446</u>

Depreciation expense for the years ended September 30, 2024 and 2023 was \$10,469 and \$11,866.

Note 4. Intangibles

Amortizable intangible assets and accumulated amortization at September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Broadcast license	\$ 265,000	\$ 265,000
Less accumulated depreciation	(265,000)	(253,893)
Total intangibles	<u>\$ -</u>	<u>\$ 11,107</u>

Amortization expense for the year ended September 30, 2024 and 2023 was \$11,107 and \$16,667, respectively.

KCBX, Inc.

Notes to Financial Statements

Note 5. Investments and Fair Value Measurements

Investments consist of the following at September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Certificate of deposit	\$ 105,980	\$ 102,276
Mutual fund	54,922	44,717
Total investments	<u>\$ 160,902</u>	<u>\$ 146,993</u>

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The investments are valued on a recurring basis based on quoted market prices and are all considered Level 1.

Note 6. Endowment Funds

The Organization's endowment (the Endowment) consists of one fund with funds to be held in perpetuity established by donors in order for the earnings to provide funding for specific activities and general operations.

KCBX, Inc.

Notes to Financial Statements

The Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by KCBX in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Investment and Spending Policies:

The KCBX investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current income (dividend and interest) and aggregate return from capital appreciation, in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to produce a minimum annual compound total rate of return in excess of inflation in order to support KCBX's spending needs.

At September 30, 2024 and 2023, the Organization's endowment net asset includes an endowment fund designed to provide current income to the operating account of KCBX with a secondary goal of long-term growth of the fund to assist in the fulfillment of the mission of KCBX. The Organization's investment policy is to reinvest the proceeds from the original endowment as a board designated fund until such time as the fund is sufficient in size to make annual distributions of the investment earnings from the fund to support the operation of KCBX. No annual distribution is required or was made during the year ended September 30, 2024 and 2023. At September 30, 2024 and 2023, the endowment fund had a balance of \$29,399 and there was no increase in this account during the year as the net asset return is reinvested as board designated endowment. The board designated endowment had a balance of \$25,523 and \$15,319 at September 30, 2024 and 2023.

KCBX, Inc.

Notes to Financial Statements

From time to time, donor-restricted endowment funds may have fair market values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such amounts as of September 30, 2024 and 2023.

Note 7. Operating Leases and Donated Transmitter Locations

KCBX has various operating agreements that have a term of less than one year, for facilities, storage and transmitter locations. Several of the transmitter location are provided as a \$1 lease per year and others at a reduced rent resulting in in-kind contributions of support for KCBX. The valuation of the in-kind rent is based on the fair market value. During the year ended September 30, 2024 and 2023, KCBX recorded in-kind rent revenue and expense in the amount of \$41,998 for both years.

Note 8. Net Assets with Donor Restrictions

As of September 30, 2024 and 2023, net assets with donor restrictions are restricted for the following purpose:

	<u>2024</u>	<u>2023</u>
Net assets held in perpetuity		
Endowment to support operations	<u>\$ 29,399</u>	<u>\$ 29,399</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Corporation for Public Broadcasting, restricted	<u>\$ 45,391</u>	<u>\$ 44,120</u>

Note 9. Functionalized Expenses – Methods Used for Allocations

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll, taxes and benefits, bank and credit card fees, depreciation, insurance, occupancy, professional fees, repairs and maintenance, supplies, and telephone which are allocated on the basis of estimates of time and effort. The remaining expenses are directly tracked by program or function.

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Notes to Financial Statements

Note 10. Retirement Savings Plan

KCBX participates in CalSavers retirement savings program which is available for all eligible employees. Contributions are funded entirely by employees. There are no fees paid by the Organization and KCBX is not a fiduciary of the program.

Note 11. Commitments and Contingencies

The Organization receives funds through grants from various agencies. Grants can be subject to audit by the corresponding oversight agency as to allowable costs paid with the funds.

Note 12. Concentrations

The Organization had a concentration of pledge and underwriting receivables, whereby the balance of underwriter's receivable balances were greater than 10% of the total pledge and underwriting receivables as of September 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Concentration A	19%	17%
Concentration B	0%	12%

Note 13. Related Party Transactions

KCBX receives donations from board members, who are considered related parties to the Organization.

Note 14. Subsequent Events

The date to which events occurring after September 30, 2024 have been evaluated for possible adjustment to the financial statements or disclosure is January 27, 2025, which is the date on which the financial statements were available to be issued.