



Report of Independent Auditors and
Financial Statements

**KCLU-FM California Lutheran University
A Public Telecommunications Division
Operated By California Lutheran University**

May 31, 2024 and 2023

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Report of Independent Auditors

The Board of Regents
KCLU-FM California Lutheran University

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KCLU-FM California Lutheran University, which comprise the statement of financial position as of May 31, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KCLU-FM California Lutheran University as of May 31, 2024, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 KCLU-FM California Lutheran University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Report on Summarized Comparative Information

We have previously audited KCLU-FM California Lutheran University's May 31, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2023, is consistent, in all material respects.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 KCLU-FM California Lutheran University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 GAAS 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 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 GAAS, 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 KCLU-FM California Lutheran University'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 KCLU-FM California Lutheran University'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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Los Angeles, California
October 29, 2024

Financial Statements

KCLU-FM California Lutheran University
Statements of Financial Position
May 31, 2024 and 2023

| ASSETS | | |
|--|--------------------------------|--------------------------------|
| | <u>2024</u> | <u>2023</u> |
| Accounts receivable | \$ 51,244 | \$ 95,095 |
| Contributions receivable | 62,336 | - |
| Prepaid expenses | 41,335 | 43,022 |
| Due from California Lutheran University, net | 3,059,476 | 2,464,724 |
| Beneficial interest in endowment funds invested by California Lutheran University | 1,576,860 | 1,460,026 |
| Property and equipment, net | 3,085,921 | 2,860,967 |
| Intangible assets | 475,000 | 475,000 |
| Operating lease right-of-use assets | <u>105,785</u> | <u>55,944</u> |
| Total assets | <u><u>\$ 8,457,957</u></u> | <u><u>\$ 7,454,778</u></u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 25,141 | \$ 13,553 |
| Accrued payroll liabilities | 68,042 | 91,634 |
| Operating lease liabilities | <u>108,166</u> | <u>57,853</u> |
| Total liabilities | <u>201,349</u> | <u>163,040</u> |
| NET ASSETS | | |
| Without donor restrictions | 6,594,560 | 5,968,806 |
| With donor restrictions | <u>1,662,048</u> | <u>1,322,932</u> |
| Total net assets | <u>8,256,608</u> | <u>7,291,738</u> |
| Total liabilities and net assets | <u><u>\$ 8,457,957</u></u> | <u><u>\$ 7,454,778</u></u> |

See accompanying notes.

KCLU-FM California Lutheran University
Statements of Activities
Years Ended May 31, 2024 and 2023

(With Summarized Comparative Information for the Year Ended May 31, 2023)

| | 2024 | | | 2023 |
|--|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Contributions | | | | |
| Donated facilities and administrative support from California Lutheran University | \$ 640,296 | \$ - | \$ 640,296 | \$ 599,465 |
| Private gifts and grants | 2,166,636 | 1,700 | 2,168,336 | 1,828,488 |
| Corporation for Public Broadcasting | - | - | - | - |
| Community service grants | 198,148 | - | 198,148 | 191,547 |
| Underwriting income | 355,273 | - | 355,273 | 375,487 |
| Change in beneficial interest | 30,517 | 145,416 | 175,933 | (44,391) |
| Net assets released from restriction | 60,800 | (60,800) | - | - |
| | <u>3,451,670</u> | <u>86,316</u> | <u>3,537,986</u> | <u>2,950,596</u> |
| EXPENSES | | | | |
| Program expenses | | | | |
| Local programming and production | 289,113 | - | 289,113 | 296,980 |
| Broadcasting | 329,689 | - | 329,689 | 340,688 |
| Program information and promotion | 713,238 | - | 713,238 | 676,647 |
| Support expenses | | | - | |
| Management and general | 944,864 | - | 944,864 | 910,768 |
| Fundraising and membership development | 296,212 | - | 296,212 | 307,517 |
| | <u>2,573,116</u> | <u>-</u> | <u>2,573,116</u> | <u>2,532,600</u> |
| CHANGE IN NET ASSETS | 878,554 | 86,316 | 964,870 | 417,996 |
| NET ASSETS, beginning of year | <u>5,716,006</u> | <u>1,575,732</u> | <u>7,291,738</u> | <u>6,873,742</u> |
| NET ASSETS, end of year | <u>\$ 6,594,560</u> | <u>\$ 1,662,048</u> | <u>\$ 8,256,608</u> | <u>\$ 7,291,738</u> |

See accompanying notes.

KCLU-FM California Lutheran University
Statements of Cash Flows
Years Ended May 31, 2024 and 2023

| | 2024 | 2023 |
|--|------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 964,870 | \$ 417,996 |
| Adjustments to reconcile change in net assets to net cash flows provided by operating activities | | |
| Depreciation | 139,826 | 140,781 |
| Amortization of operating lease right-of-use assets | (49,841) | 29,150 |
| Contributions restricted for long-term investments | (1,700) | (1,200) |
| Change in beneficial interest | (175,933) | 44,391 |
| Changes in assets and liabilities | | |
| Accounts receivable | 43,851 | (55,483) |
| Contribution receivable | (62,336) | - |
| Prepaid expenses | 1,687 | (4,174) |
| Due from California Lutheran University, net | (594,752) | (568,802) |
| Accounts payable | 11,588 | (733) |
| Accrued payroll liabilities | (23,592) | 3,637 |
| Operating lease liabilities | 50,313 | (28,614) |
| NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES | 303,982 | (23,051) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Distributions for long-term investments in beneficial interest | 60,800 | 60,050 |
| Purchases for long-term investments in beneficial interest | (1,700) | (1,200) |
| Acquisition of property and equipment | (364,780) | (37,000) |
| NET CASH USED IN INVESTING ACTIVITIES | (305,680) | 55,070 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Contributions restricted for long-term investments | 1,700 | 1,200 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 1,700 | 1,200 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 62,336 | 33,219 |
| CASH AND CASH EQUIVALENTS, beginning of year | - | - |
| CASH AND CASH EQUIVALENTS, end of year | \$ - | \$ - |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest paid | \$ 75,491 | \$ 73,484 |
| Income taxes paid | \$ - | \$ - |
| SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES | | |
| Forgiveness of PPP Small Business Loan | \$ - | \$ (105,014) |

See accompanying notes.

KCLU-FM California Lutheran University

Notes to Financial Statements

Note 1 – Organization

KCLU-FM California Lutheran University (the Station) is a noncommercial radio station operated by California Lutheran University (the University). The accounts and reports of the Station are maintained as a separate fund in the University's general accounting system and have been identified and segregated from the books of the University for these financial statements.

Note 2 – Significant Accounting Policies

The significant accounting policies that relate to the Station are summarized below.

Basis of presentation – The Station is a department of the University, not a distinct legal entity, and its financial statements have been prepared in the same manner as those of the University. The Station maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Station as a whole. For the purpose of financial reporting, the Station's resources are classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and types of transactions affecting each category follow:

- *Net assets without donor restrictions* – Net assets without donor restrictions are free of donor-imposed restrictions. The board has designated a portion of net assets without donor restrictions to function as endowment. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donors' stipulations results in the release of such restrictions.
- *Net assets with donor restrictions* – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the University. Net assets with donor restrictions are designated by donors for specific purposes and include unconditional pledges and accumulated appreciation on donor-restricted endowments that have not been appropriated by the board of trustees for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the University to use a portion of income earned on the related investments for specific purposes.
- *Expiration of donor-imposed restrictions* – Net assets are released from donor restrictions by incurring expenses to satisfy the restricted purposes and by occurrence of events specified by the donors, including the passage of time. Donor restrictions on long-lived assets or cash to construct or acquire long-lived assets are considered to have expired when the assets are placed in service.

KCLU-FM California Lutheran University

Notes to Financial Statements

Revenue recognition – Revenues from sources other than contributions are recognized when a service has been completed and generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income earned on endowment donor-restricted funds is initially classified as net assets with donor restrictions and is reclassified as net assets without donor restrictions when appropriated for expenditure for their intended purpose.

General support from California Lutheran University, private gifts and grants, and Corporation for Public Broadcasting community service grants – These revenue sources are considered non-reciprocal, meaning the granting agency or contributor has not received a direct benefit in exchange for the resources provided. These unconditional revenues, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction between the applicable classes of net assets. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. There were no conditional promises to give at May 31, 2024 and 2023.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Contributions of general support, facilities, and administrative support from the University are recognized as revenue at fair value in the period received and are reported as increases in net assets without donor restrictions. Such contributions amounted to \$640,296 and \$599,465, respectively, for the years ended May 31, 2024 and 2023. The fair value was derived from the cost of the services provided and was recorded as program and support expenses on the statements of activities for the years ended May 31, 2024 and 2023.

Contributions of nonfinancial assets– The University reports the estimated fair value of donated goods and services as public support, without donor restrictions, and immediately thereafter, as expenses when donated to the Organization. The University did not monetize any contribute deeds nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

Underwriting income – The Station does receive underwriting income from business entities for on-air promotions. This is recognized at the time the promotion is aired and results in accounts receivable for unpaid balances at year end.

Prior year summarized comparative financial information – The financial statements include certain prior year summarized comparative information in total, but not by function. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles in the United States (U.S. GAAP). Accordingly, such information should be read in conjunction with the Station's financial statements for the year ended May 31, 2023, from which the summarized information was derived.

KCLU-FM California Lutheran University

Notes to Financial Statements

Cash equivalents – The Station considers all highly liquid investments, except those held for long-term investment, with original maturities of three months or less when purchased, to be cash equivalents. The Station had no cash equivalents at May 31, 2024 and 2023.

Accounts receivable – Accounts receivable are carried at the unpaid balance on the original amount billed, less an estimate made for credit losses, if deemed necessary. Management determines an allowance for credit losses based on historical experience and management's evaluation of current and reasonably supportable expected future economic conditions and the donor's willingness to pay. There was no allowance for credit losses at May 31, 2024 and 2023. Accounts receivable are written off when deemed uncollectible. Receivables are generally unsecured and noninterest-bearing.

Contributions receivable – Unconditional promises to give are recorded as contributions receivable and revenue in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. Contributions receivable are classified as donor restrictions based on time restrictions. Unconditional promises to give due in subsequent years are reported at their net realizable value using a present value technique, determined using a risk-free interest rate. The Station had no conditional contributions receivable at May 31, 2024.

Beneficial interest in endowment funds invested by California Lutheran University – The University manages the endowment on behalf of the Station. The proceeds of the endowment benefit the radio station's operations and are included in change in beneficial interest in the statement of activities. Therefore, the Station has a beneficial interest in these funds.

Property and equipment and intangible assets – Purchased assets are recorded at cost. Donated assets are recorded at fair value or appraised value on the date of donation. Intangible assets are non-monetary assets without physical substance. The Station's intangible assets consist of a Federal Communications Commission broadcasting license acquired for \$475,000 during the year ended May 31, 2013. The license, determined to have an indefinite useful life, is not amortized, but instead is tested for impairment at least annually. There were no impairment charges recorded during the years ended May 31, 2024 and 2023.

The Station depreciates its purchased assets, with the exception of certain intangible assets, on a straight-line basis over the estimated useful life of the vehicle (5 years), equipment (3–10 years), and property (10–40 years). Normal repair and maintenance expenses are charged to operations as incurred. The Station capitalizes property and equipment acquisitions in excess of \$10,000.

Impairment of long-lived assets – The Station reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

KCLU-FM California Lutheran University

Notes to Financial Statements

Leases – The Station recognizes an operating lease liability and a right-of-use (ROU) asset for all leases, including operating leases with an expected term greater than 12 months on its statements of financial position. Operating lease ROU assets and liabilities are recognized on the statements of financial position at commencement date, which is the date that the Station gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum rental payments using a risk-free incremental borrowing rate in effect at the time of the lease commencement. The borrowing rate ranged from 1.92%–4.87% for the years ended May 31, 2024 and 2023, respectively. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Operating lease cost is recognized on a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended.

Income tax status – The Internal Revenue Service has determined that the University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as a non-profit organization. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

The University, of which the Station is a department, follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability or expense has been recognized by the University for uncertain tax positions as of and for the years ended May 31, 2024 and 2023.

Use of estimates – The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain amounts presented in the prior year summarized financial information has been reclassified to conform to the current year presentation. Reclassifications of prior year amounts had no impact on net assets.

Advertising costs – Advertising costs were \$93 and \$2,326 for the years ended May 31, 2024 and 2023, respectively, and are expensed when incurred and recorded in fundraising expenses.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. These expenses require allocation on a full-time-equivalent or square-footage basis that is consistently applied. The expenses that are allocated include interest, depreciation, salaries and wages, employee benefits, occupancy and utilities, services, supplies, and other.

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Notes to Financial Statements

Accounting standard adopted – On June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL), which requires the establishment of an allowance for estimated credit losses on financial assets, including trade and other receivables and contract assets, at each reporting date. The Organization adopted the new standard on June 1, 2023, using the modified-retrospective approach, which did not have a significant effect on the financial statements as of and for the year ended May 31, 2023. Therefore, there was no cumulative effect to beginning retained earnings as it was determined to be immaterial.

Note 3 – Fair Value Measurements

Accounting Standards Codification (ASC) 820 defines fair value as 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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels are defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following table summarizes financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of May 31, 2024 and 2023:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---------------------|-------------|-------------|---------------------|
| Assets | | | | |
| Beneficial interest in endowment funds | | | | |
| invested by California Lutheran University 2024 | <u>\$ 1,576,860</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,576,860</u> |
| Beneficial interest in endowment funds | | | | |
| invested by California Lutheran University 2023 | <u>\$ 1,460,026</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,460,026</u> |

KCLU-FM California Lutheran University

Notes to Financial Statements

The following methods and assumptions were used to estimate the fair value for each class of financial instruments measured at fair value:

Beneficial interest in endowment funds invested by California Lutheran University – The Station's endowment funds are held by the University. The beneficial interest in endowment funds invested by the University consists of cash equivalents, equities, fixed income, partnerships, and other funds with both observable and unobservable inputs, held at fair value. The beneficial interest in endowment funds follows the investment strategy of the University and does not require advance notice for redemption. The objective of the investments held by the University is to provide a predictable funding stream for its programs while protecting the purchase power of the endowment fund. As the beneficial interest in endowment funds is based on significant unobservable inputs, the entire beneficial interest is classified as Level 3. While the Station 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 financial instruments could result in a different estimate of fair value at the reporting date.

The fair value of the underlying investments that make up the University's endowment funds is based on valuations provided by the external investment managers. The quantitative assumptions used by management in establishing fair value include the Station's share of the endowment portfolio. The University's Investment Committee and management, in conjunction with the external investment advisors, monitor and analyze the valuation of the investments on a quarterly basis. The Investment Committee reports to the board of regents of the University. The valuations consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. All investment objectives and strategies used by the fund managers comply with the University's Investment Policy.

The following table presents a reconciliation of the statements of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended May 31, 2024 and 2023.

| | Balance May 31, 2023 | Net Realized and Unrealized Gains Included in Change in Net Assets | Purchases, Issuances, and Settlement, net | Net Transfers in (out) of Level 3 | Balance May 31, 2024 |
|--|-------------------------|---|---|---|-------------------------|
| Assets | | | | | |
| Beneficial interest in endowment funds invested by California Lutheran University | \$ 1,460,026 | \$ 177,634 | \$ (60,800) | \$ - | \$ 1,576,860 |
| | | | | | |
| | Balance May 31, 2022 | Net Realized and Unrealized Losses Included in Change in Net Assets | Purchases, Issuances, and Settlement, net | Net Transfers in (out) of Level 3 | Balance May 31, 2023 |
| Assets | | | | | |
| Beneficial interest in endowment funds invested by California Lutheran University | \$ 1,563,267 | \$ (43,191) | \$ (60,050) | \$ - | \$ 1,460,026 |

KCLU-FM California Lutheran University

Notes to Financial Statements

Note 4 – Property and Equipment

Property and equipment consisted of the following at May 31:

| | <u>2024</u> | <u>2023</u> |
|-------------------------------|----------------------------|----------------------------|
| Property | \$ 4,820,576 | \$ 4,820,576 |
| Equipment | 955,905 | 591,125 |
| Vehicles | <u>53,264</u> | <u>53,264</u> |
| | 5,829,745 | 5,464,965 |
| Less accumulated depreciation | <u>(2,743,824)</u> | <u>(2,603,998)</u> |
| Property and equipment, net | <u><u>\$ 3,085,921</u></u> | <u><u>\$ 2,860,967</u></u> |

Note 5 – Interfund Transactions and Concentration of Credit Risk

One checking account is used for all of the University's funds, which is also used as a depository for the Station's receipts. If the Station has a share of this common checking account at year end, it would be reported in an asset account "Due from California Lutheran University." The account "Due to California Lutheran University" represents the Station's balance due to the University for funds used in excess of deposits made into this checking account at year end and includes a portion of long-term debt incurred by the University on the Station's behalf. The Station pays interest to the University on the allocated portion of debt.

Due from California Lutheran University and Due to California Lutheran University are as follows at May 31:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------------|----------------------------|
| Due from California Lutheran University | \$ 3,952,727 | \$3,430,552 |
| Due to California Lutheran University for capital improvements | <u>(893,251)</u> | <u>(965,828)</u> |
| Due from California Lutheran University, net | <u><u>\$ 3,059,476</u></u> | <u><u>\$ 2,464,724</u></u> |

Cash and cash equivalents held by the University in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. Investments held by the University are diversified in order to limit credit risk and are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. In addition to credit risk, investments are also subject to overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

KCLU-FM California Lutheran University

Notes to Financial Statements

Note 6 – Net Assets

Net assets with donor restrictions consist of the following at May 31:

| | 2024 | 2023 |
|---|----------------------------|----------------------------|
| Net assets held in perpetuity | | |
| Endowment funds | \$ 1,040,025 | \$ 1,038,325 |
| | <u>1,040,025</u> | <u>1,038,325</u> |
| Net assets restricted for time and purpose | | |
| Gifts and other unexpended revenues and gains available for | | |
| Scholarships, instruction, and other departmental support | 108,525 | 108,525 |
| Accumulated gains on endowment | <u>260,699</u> | <u>176,082</u> |
| | <u>369,224</u> | <u>284,607</u> |
| Total net assets with donor restrictions | <u><u>\$ 1,409,249</u></u> | <u><u>\$ 1,322,932</u></u> |

Net assets without donor restrictions consist of the following at May 31:

| | 2024 | 2023 |
|------------------------------------|----------------------------|----------------------------|
| Operations | \$ 6,318,423 | \$ 5,723,186 |
| Endowment funds – board-designated | <u>276,137</u> | <u>245,620</u> |
| | <u><u>\$ 6,594,560</u></u> | <u><u>\$ 5,968,806</u></u> |

Note 7 – Endowment

The Station's endowment consists of the beneficial interest in endowment funds invested by the University, which consist of approximately 300 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The University's governing board has interpreted the California-enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the board of regents. See Note 2 for further information on net asset classifications.

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The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as donor-restricted until it is appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Station considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the University and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the University; and
7. The investment policies of the University.

Endowment net asset composition by type of fund consisted of the following as of May 31, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|----------------------------|
| Donor-restricted endowment funds | \$ - | \$ 1,300,722 | \$ 1,300,722 |
| Board-designated endowment funds | <u>276,137</u> | <u>-</u> | <u>276,137</u> |
| Total endowment net assets | <u><u>\$ 276,137</u></u> | <u><u>\$ 1,300,722</u></u> | <u><u>\$ 1,576,859</u></u> |

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Changes in endowment net assets for the year ended May 31, 2024, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| Endowment net assets, May 31, 2023 | \$ 245,620 | \$ 1,214,406 | \$ 1,460,026 |
| Investment return | | | |
| Investment income, net of fees of \$5,403 | 1,862 | 8,806 | 10,668 |
| Net appreciation – realized and unrealized | 28,655 | 136,610 | 165,265 |
| Total investment return | 30,517 | 145,416 | 175,933 |
| Contributions | - | 1,700 | 1,700 |
| Appropriation of endowment assets for expenditure | - | (60,800) | (60,800) |
| Appropriation of endowment assets for expenditure | - | - | - |
| Endowment net assets, May 31, 2024 | <u>\$ 276,137</u> | <u>\$ 1,300,722</u> | <u>\$ 1,576,859</u> |

Endowment net asset composition by type of fund consists of the following as of May 31, 2023:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|---------------------|
| Donor-restricted endowment funds | \$ - | \$ 1,214,406 | \$ 1,214,406 |
| Board-designated endowment funds | 245,620 | - | 245,620 |
| Total endowment net assets | <u>\$ 245,620</u> | <u>\$ 1,214,406</u> | <u>\$ 1,460,026</u> |

Changes in endowment net assets for the year ended May 31, 2023, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Endowment net assets, May 31, 2022 | \$ 252,531 | \$ 1,310,736 | \$ 1,563,267 |
| Investment return | | | |
| Investment income, net of fees of \$5,857 | 2,095 | 10,385 | 12,480 |
| Net depreciation—realized and unrealized | (9,006) | (47,865) | (56,871) |
| Total investment return | (6,911) | (37,480) | (44,391) |
| Contributions | - | 1,200 | 1,200 |
| Appropriation of endowment assets for expenditure expenditure | - | (60,050) | (60,050) |
| Other changes | | | |
| Transfers | - | - | - |
| Endowment net assets, May 31, 2023 | <u>\$ 245,620</u> | <u>\$ 1,214,406</u> | <u>\$ 1,460,026</u> |

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Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Station to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in net assets with donor restrictions as of May 31, 2024 and 2023.

Return objectives and risk parameters – The University has adopted investment and spending policies that attempt to be prudent and provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the long-term minimum need of the endowment is to exceed a total return averaging at least the annual spending rate plus inflation, fees, and costs. Actual returns in any year may vary from this amount. The long-term objective is to build endowment value over time by achieving incremental returns in excess of need while appropriately managing portfolio risk.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – The University has a policy of appropriating for distribution each year 5.00% of its endowment fund's average fair value for the twelve quarters prior to and including December 31 of the preceding fiscal year end. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow at an average of 4.00% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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Note 8 – Commitments and Contingencies

The Station has operating lease commitments for offsite transmitter towers through August 2026. Lease expense associated with these leases totaled approximately \$31,712 for each of the years ended May 31, 2024 and 2023. Future minimum lease payments on leases in effect on May 31, 2024, are as follows:

| | |
|--|-------------------|
| Years Ending May 31, | |
| 2025 | \$ 32,616 |
| 2026 | 33,931 |
| 2027 | 22,317 |
| 2028 | 18,623 |
| 2029 | <u>9,917</u> |
| Total lease payments | 117,404 |
| Less imputed interest | <u>(9,238)</u> |
| Operating lease liabilities as of May 31, 2024 | <u>\$ 108,166</u> |

For the year ended May 31, 2024, supplemental cash flow information related to leases was as follows:

| | |
|--|------------|
| Operating cash flows from finance leases (i.e., interest) | \$ 2,588 |
| Financing cash flows from finance leases (i.e., principal portion) | \$ 29,124 |
| Weighted-average remaining lease term | 3.78 years |
| Weighted-average discount rate | 3.81% |

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Note 9 – Liquidity and Availability

The following table reflects the Station's financial assets as of May 31, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

| | 2024 | 2023 |
|---|----------------------------|----------------------------|
| Financial assets | | |
| Accounts receivable | \$ 51,244 | \$ 95,095 |
| Contribution receivable | 62,336 | - |
| Due from California Lutheran University | 3,952,727 | 3,430,552 |
| Beneficial interest in endowment funds invested by California Lutheran University | <u>1,576,860</u> | <u>1,460,026</u> |
| Total financial assets | 5,643,167 | 4,985,673 |
| Less those unavailable for general expenditure within one year | | |
| Board-designated endowments | (276,137) | (245,620) |
| Perpetual and term endowments subject to appropriation beyond one year | <u>(1,300,722)</u> | <u>(1,214,406)</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 4,066,308</u></u> | <u><u>\$ 3,525,647</u></u> |

Endowment funds consist of donor-restricted endowments and funds designated by the board as the quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure. Income from board-designated endowment has been internally designated for special projects. The Station does not intend to spend from the board-designated endowment other than for special projects and has deducted the funds from financial assets available in the table above. However, these amounts could be made available if necessary. As part of the Station's liquidity plan, it structures its financial assets to be available as obligations become due. Cash is held in interest-bearing bank accounts and is invested in short-term fixed-income accounts.

Note 10 – Functional Allocation of Expenses

Expenses by function and nature consisted of the following for the year ended May 31, 2024:

| | Local Programming and Production | Broadcasting | Program Information and Promotion | Management and General | Fundraising and Membership Development | Total |
|-------------------------------|--|--------------------------|---|---------------------------|--|---------------------------|
| Salaries and wages | \$ 167,671 | \$ 167,671 | \$ 120,723 | \$ 80,482 | \$ 134,137 | \$ 670,684 |
| Employee benefits | 40,289 | 40,289 | 29,008 | 19,339 | 32,231 | 161,156 |
| Services, supplies, and other | 51,738 | 77,607 | 560,565 | 681,686 | 82,781 | 1,454,377 |
| Occupancy and utilities | 14,317 | 21,475 | 1,432 | 11,452 | 22,906 | 71,582 |
| Depreciation | - | - | - | 139,826 | - | 139,826 |
| Interest | <u>15,098</u> | <u>22,647</u> | <u>1,510</u> | <u>12,079</u> | <u>24,157</u> | <u>75,491</u> |
| Total operating expenses | <u><u>\$ 289,113</u></u> | <u><u>\$ 329,689</u></u> | <u><u>\$ 713,238</u></u> | <u><u>\$ 944,864</u></u> | <u><u>\$ 296,212</u></u> | <u><u>\$2,573,116</u></u> |

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Expenses by function and nature consisted of the following for the year ended May 31, 2023:

| | Local Programming and Production | Broadcasting | Program Information and Promotion | Management and General | Fundraising and Membership Development | Total |
|-------------------------------|--|-------------------|---|---------------------------|--|--------------------|
| Salaries and wages | \$ 165,681 | \$ 165,681 | \$ 119,290 | \$ 79,527 | \$ 132,544 | \$ 662,723 |
| Employee benefits | 43,883 | 43,883 | 31,596 | 21,064 | 35,106 | 175,532 |
| Services, supplies, and other | 55,421 | 83,132 | 522,561 | 643,800 | 88,675 | 1,393,589 |
| Occupancy and utilities | 17,298 | 25,947 | 1,730 | 13,839 | 27,677 | 86,491 |
| Depreciation | - | - | - | 140,781 | - | 140,781 |
| Interest | 14,697 | 22,045 | 1,470 | 11,757 | 23,515 | 73,484 |
| | <u>\$ 296,980</u> | <u>\$ 340,688</u> | <u>\$ 676,647</u> | <u>\$ 910,768</u> | <u>\$ 307,517</u> | <u>\$2,532,600</u> |
| Total operating expenses | <u>\$ 296,980</u> | <u>\$ 340,688</u> | <u>\$ 676,647</u> | <u>\$ 910,768</u> | <u>\$ 307,517</u> | <u>\$2,532,600</u> |

Note 11 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Station has evaluated subsequent events through October 29, 2024, which is the date the financial statements were available to be issued. The Station recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Station does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.