

**Chico State Enterprises**  
(Formerly The CSU, Chico Research Foundation)  
**North State Public Radio,  
DBA KCHO-Chico and  
KFPR-Redding**

Financial Statements and Supplemental Information  
June 30, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Chico State Enterprises (formerly, The CSU, Chico Research Foundation)  
North State Public Radio (dba KCHO-Chico and KFPR-Redding)

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Chico State Enterprises (formerly, The CSU, Chico Research Foundation) North State Public Radio, dba KCHO-Chico and KFPR-Redding (the "Station"), which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Station'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 the business-type activities of the Station as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with principles generally accepted in the United States of America.

### Transactions with Related Parties

As explained in Note 2 to the financial statements, the Station is part of Chico State Enterprises (formerly, The CSU, Chico Research Foundation) ("CSE") and affiliated with California State University, Chico (the "University") and has entered into transactions with these related parties. The Station is economically dependent on CSE and the Station. Our opinion is not modified with respect to this matter.

**INDEPENDENT AUDITORS' REPORT,  
CONTINUED**

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020, on our consideration of the Station'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 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 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 Station's internal control over financial reporting and compliance.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 13, 2020

**MANAGEMENT DISCUSSION AND ANALYSIS**  
(Required Supplementary Information)

## Introduction and Reporting Entity

The following discussion and analysis is an overview of the financial position and activities of Chico State Enterprises (Formerly The CSU, Chico Research Foundation) (CSE), North State Public Radio (NSPR), dba KCHO- Chico and KFPR- Redding Radio Station (the Station) for the years ended June 30, 2019, and 2018. Management of the Station has prepared the following discussion, and it should be read with the financial statements and related footnotes that follow this section.

The Station is licensed to CSE and operated by University Public Engagement of California State University, Chico (the University). The Station is an auxiliary component unit of CSE and operates under the same governing body.

The Station has significant relationships with the University and CSE. CSE is a not-for-profit auxiliary organization of the University and the official licensee for the Station. The University provides significant financial support to the Station in the form of cash for specific operating expenses, indirect administrative support, and the use of certain office furniture and fixtures. CSE provides human resources and payroll along with accounts payable and receivable services to the Station. The Station's operations rely significantly upon continued financial support from the University and administrative support from CSE.

The Corporation for Public Broadcasting is a key public funder for the Station. The annual grant is administered by the Chico State Enterprises' Office of Research and Sponsored Programs (RESP) and accounts for about 12% of annual income. Subscription (membership) revenues are the largest source of income, at approximately \$460,000 annually or 27%. Corporate sponsorship via program underwriting is a significant revenue resource accounting for approximately 18% of operating funds.

The Station began broadcasting in 1969 from the campus of the University. Today the Station broadcasts to at least some part of the 12 counties that make up the University's service area, extending from the city of Weed to the north to Yuba City to the south. The cities of Chico and Redding comprise the Station's largest audience and membership base. In rural mountain communities in Trinity County, NSPR is the only radio station, and small communities such as Susanville to the east, Mt. Shasta to the north, and Hayfork to the west value the Station as a source of outstanding local, regional, national and international programming. The Station complies with all FCC regulations for the Emergency Alerts System with weekly tests from across the region and critical weather and road alerts.

Every public radio station sets its own programming lineup. North State Public Radio is an affiliate of NPR, American Public Media, Public Radio International, and the Public Radio Exchange. The Station purchases programming from these national producers, along with independent national, regional, and local producers. A committed news team provides 15 newscasts per week, with at least one weekly feature story.

Listeners rely upon news and information from Station anchor programs *Morning Edition*, *All Things Considered*, and *Fresh Air*. Other popular programs include *Marketplace*, *Live From Here with Chris Thile*, *This American Life*, and *Wait, Wait ... Don't Tell Me*. NSPR focuses primarily on news and information from a variety of programs, but also airs more than 10 hours of weekly original classical music programming and 12 hours of evening jazz. From midnight to 6 a.m., the Station carries live news from the BBC. A complete program guide is maintained online at [www.mynspr.org](http://www.mynspr.org) and hard copies are mailed to members at least twice a year.

The Station's signal is distributed over two full-power transmitters and eight translators covering Northern California with a population of approximately 480,000. A live web stream is available at [www.mynspr.org](http://www.mynspr.org) and it reaches outside the terrestrial broadcast region to national and international listeners. NPR One, a mobile application, is localized to feature stories from NSPR. The Station is active on social media, with Facebook and Twitter accounts that are updated daily. Many local shows including *The Blue Dot Report*, *Cultivating Place*, *Nancy's Bookshelf*, *Weekend Showcase*, *Up the Road*, and *Songs from Studio C* are podcasted and can be found online and in the iTunes Store.

The Station operates out of modern studios at 35 Main Street in downtown Chico. Staff participate in national conferences and professional development, as well as nonprofit resource groups in Butte, Tehama, Shasta, and Siskiyou Counties. All local nonprofits have free access to post community events for on-air and online exposure at <http://mynspr.org/community-calendar>.

This year, the Station celebrated its 50th anniversary by hosting a community-wide party. The Station also participated in many community events, including outreach at the Chico Farmers Market, Red Bluff Business Fair, public school and university career days, job fairs, and an author talk in conjunction with the Redding Public Library. A collaboration with the North Valley Community Foundation and the Shasta Regional Community Foundation spotlighted non-profit and social service providers in a bi-weekly feature, *Common Ground for Common Good*.

### **Overview of the Financial Statements**

The financial statements of the Station consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows (direct method). These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Station adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments. The Station has not identified any assets or liabilities that should be classified as deferred inflows or outflows of resources.

The Statement of Net Position includes Assets, Liabilities, and Net Position of the Station as of June 30, 2019 and 2018. This statement is classified into Current and Non-Current Assets and Liabilities, with Net Position classified as Restricted and Unrestricted. The Statement of Revenues, Expenses, and Changes in Net Position depicts the operating revenues and expenses resulting in Net Operating Revenues, which is then combined with Nonoperating Revenues (Expenses) to provide the total Change in Net Position. The Statement of Functional Expenses reflects program and supporting services among various functional expense classifications. The Statement of Cash Flows shows the sources and uses of cash from operating activities, cash flows from non-capital financing activities, cash flows from capital and related financing activities and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

## Financial Highlights

The financial position of the Station decreased during the last fiscal year. Net Position totaled (\$285,560) as of June 30, 2019 and (\$255,448) as of June 30, 2018. The Station's Net Position decreased by \$30,112 for the fiscal year 2018–19, primarily due to an increase in operating expenses.

The Station's Operating Revenues totaled \$1,718,792 in fiscal year 2018–19 compared to \$1,677,773 in fiscal year 2017–18. The Station's revenues include contributions received from listeners during on-air membership drives, monies from business, industry and nonprofit organizations through on-air underwriting, a major operating grant from the Corporation for Public Broadcasting and support, both direct and indirect, from the University. The Station received support during the current fiscal year for repairs as a result of the Carr Fire in Redding. The Station's Operating Expenses totaled \$1,749,320 in fiscal year 2018–19 compared to \$1,674,940 in fiscal year 2017–18. The Net Operating Loss for fiscal year 2018–19 was (\$30,528), which included non-cash depreciation expense of \$11,824, while the Net Operating Income for 2017–18 was \$2,833, which also included non-cash depreciation expense of \$5,391. The Station's Nonoperating Revenues were \$416 in fiscal year 2018–19 compared to \$1,967 in fiscal year 2017–18.

The Station's property and equipment, net of accumulated depreciation, totaled \$44,918 and \$48,272 at June 30, 2019, and 2018, respectively. Equipment additions totaled \$8,470 and \$36,666 at June 30 2019, and 2018, respectively.



**CHICO STATE ENTERPRISES** (Formerly The CSU, Chico Research Foundation)  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2019

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**Financial Analysis of the Statements**

**Condensed Statements of Net Position**

June 30	2019	2018
<b>ASSETS</b>		
Current assets	\$ 141,290	\$ 97,833
Capital assets - net	44,918	48,272
<b>TOTAL ASSETS</b>	<b>186,208</b>	<b>146,105</b>
<b>LIABILITIES</b>		
Current liabilities	89,572	45,953
Advances from related party	382,196	355,600
<b>TOTAL LIABILITIES</b>	<b>471,768</b>	<b>401,553</b>
<b>NET POSITION</b>		
Net investment in capital assets	44,918	48,272
Restricted for:		
Endowment	88,090	67,578
Unrestricted	(418,568)	(371,298)
<b>TOTAL NET POSITION</b>	<b>\$ (285,560)</b>	<b>\$ (255,448)</b>

Current Assets consist of cash and cash equivalents, investments, accounts receivable, and prepaid expenses. Capital assets are presented net of accumulated depreciation of \$559,446 and \$547,622 at June 30, 2019 and 2018, respectively. Current liabilities consist of accounts payable and accrued expenses.

**CHICO STATE ENTERPRISES** (Formerly The CSU, Chico Research Foundation)  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2019

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

Years Ended June 30	2019	2018
<b>OPERATING REVENUES</b>		
Related-party support	\$ 740,325	\$ 754,710
Subscription revenue	461,964	492,830
Grant revenue	201,535	197,495
Other contributions	314,968	232,738
<b>TOTAL OPERATING REVENUES</b>	<b>1,718,792</b>	<b>1,677,773</b>
<b>OPERATING EXPENSES</b>		
Program services	1,097,350	1,037,874
Supporting services	651,970	637,066
<b>TOTAL OPERATING EXPENSES</b>	<b>1,749,320</b>	<b>1,674,940</b>
<b>Net Operating Income (Loss)</b>	<b>(30,528)</b>	<b>2,833</b>
<b>Nonoperating Revenues</b>	<b>416</b>	<b>1,967</b>
<b>Increase (Decrease) in Net Position</b>	<b>(30,112)</b>	<b>4,800</b>
<b>Net Position - Beginning of Year</b>	<b>(255,448)</b>	<b>(260,248)</b>
<b>Net Position - End of Year</b>	<b>\$ (285,560)</b>	<b>\$ (255,448)</b>

Operating Revenues consist of related party support, subscription revenue, grant revenue and other contributions. Operating Expenses consist primarily of broadcasting, programming and production, management and general, fundraising and depreciation expense. Non-operating Revenues consist of net investment earnings.

**Condensed Statements of Cash Flow**

Years Ended June 30	2019	2018
Cash provided (used) by:		
Operating activities	\$ 8,449	\$ 19,379
Capital and related financing activities	18,125	22,664
Investing activities	(20,096)	(36,725)
<b>Net Increase in Cash and Cash Equivalents Cash and</b>	<b>6,478</b>	<b>5,318</b>
<b>Cash Equivalents - Beginning of Year</b>	<b>21,340</b>	<b>16,022</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 27,818</b>	<b>\$ 21,340</b>

The net cash provided by operating activities totaled \$8,449 and \$19,379 for the fiscal years 2018-19 and 2017-18, respectively.

### **Other Significant Matters**

FY19 was dominated by fires, in geography and programming. Because of the Carr Fire in Redding, KFPR was off air from July 27 until December 19, 2018. During that time, about one-third of our listening audience could not hear us and our membership revenue saw a marked decrease from the area.

On November 8, 2018, Northern California suffered the deadliest wildfire in state history. The Camp Fire killed 85 people, leveled the town of Paradise, displaced more than 20,000 people and burned up 15% of the county's housing inventory in a single day. NSPR news coverage would be dominated by this single event for months. Out of that coverage came a daily show, After Paradise, which focused on getting information vital to the recovery of victims and the community. After six weeks, the show transitioned from daily to weekly. It aired weekly through May 2019, the six-month anniversary of the disaster.

The NSPR news team's hard work and high-quality reporting was honored by their peers with a National Edward R. Murrow Award for Broadcast Excellence. The news team continues to report on all aspects of the area's recovery, with weekly check-ins with government and recovery agencies and breaking news reports and long-form reporting.

The region's fires also were the focus of FY19's series Common Ground for Common Good, a collaboration with the North Valley Community Foundation and the Shasta Regional Community Foundation. CG4CG highlighted community agencies providing social services to Carr and Camp fire victims.

Finally, NSPR worked with Chico State University journalism students on a series called Since You Asked, which answers listener-submitted questions. NSPR got community-centered, original reporting and the CSU students received valuable on-air and production experience for their journalism education.

### **Request for Information**

This financial report is designed to provide readers with a general overview of the Station's finances and to account for the funding it receives. Additional details can be requested by contacting the Station as follows:

North State Public Radio  
35 Main Street, #101  
Chico, CA 95928  
[www.mynspr.org](http://www.mynspr.org)  
530.898.5896

## **FINANCIAL SECTION**

**CHICO STATE ENTERPRISES** (Formerly The CSU, Chico Research Foundation)  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
 STATEMENTS OF NET POSITION

June 30	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 27,818	\$ 21,340
Investments	88,090	67,578
Accounts receivable	25,017	8,915
Prepaid expense	365	-
<b>Total Current Assets</b>	141,290	97,833
<b>Noncurrent Assets</b>		
Capital assets - net	44,918	48,272
<b>TOTAL ASSETS</b>	186,208	146,105
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	83,425	31,827
Advances from grantors	6,147	14,126
<b>Total Current Liabilities</b>	89,572	45,953
<b>Noncurrent Liabilities</b>		
Advances from related party	382,196	355,600
<b>TOTAL LIABILITIES</b>	471,768	401,553
<b>NET POSITION</b>		
Net investment in capital assets	44,918	48,272
Restricted for:		
Expendable - endowment	88,090	67,578
Unrestricted	(418,568)	(371,298)
<b>TOTAL NET POSITION</b>	\$ (285,560)	\$ (255,448)

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

**CHICO STATE ENTERPRISES** (Formerly The CSU, Chico Research Foundation)  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30	2019	2018
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Related-party support:		
General appropriations	\$ 433,852	\$ 453,927
Facilities and administrative support	306,473	300,783
Subscription revenue	461,964	492,830
Grant revenue	201,535	197,495
Other contributions	314,968	232,738
<b>TOTAL OPERATING REVENUES</b>	<b>1,718,792</b>	<b>1,677,773</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Program services:		
Programming and production	537,075	755,706
Broadcasting	560,275	282,168
<b>Total Program Services</b>	<b>1,097,350</b>	<b>1,037,874</b>
Supporting services:		
Management and general	409,394	415,901
Fundraising	230,752	215,774
Depreciation	11,824	5,391
<b>Total Supporting Services</b>	<b>651,970</b>	<b>637,066</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,749,320</b>	<b>1,674,940</b>
<b>Net Operating Income (Loss)</b>	<b>(30,528)</b>	<b>2,833</b>
<b>Nonoperating Revenues</b>		
Investment income - net	416	1,967
<b>Increase (Decrease)in Net Position</b>	<b>(30,112)</b>	<b>4,800</b>
<b>Net Position - Beginning of Year</b>	<b>(255,448)</b>	<b>(260,248)</b>
<b>Net Position - End of Year</b>	<b>\$ (285,560)</b>	<b>\$ (255,448)</b>

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

**CHICO STATE ENTERPRISES** (Formerly The CSU, Chico Research Foundation)  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
**STATEMENTS OF CASH FLOWS**

Years Ended June 30	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Subscription revenue	\$ 461,964	\$ 492,830
Grant revenue	193,556	202,143
Other receipts	298,866	271,212
Payments to suppliers	(430,034)	(470,601)
Payments to employees	(515,904)	(476,205)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,448</b>	<b>19,379</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Advances from related party	26,596	59,330
Acquisition of capital assets	(8,470)	(36,666)
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCNG ACTIVITIES</b>	<b>18,126</b>	<b>22,664</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(20,096)	(36,725)
<b>Increase in Cash and Cash Equivalents</b>	<b>6,478</b>	<b>5,318</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>21,340</b>	<b>16,022</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 27,818</b>	<b>\$ 21,340</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Net operating income (loss)	\$ (30,528)	\$ 2,833
Adjustments to reconcile net operating income (loss) to net cash used by operating activities:		
Depreciation expense	11,824	5,391
Change in assets and liabilities:		
Accounts receivable	(16,102)	38,474
Prepaid expenses	(365)	1,765
Accounts payable and accrued expenses	51,598	(33,732)
Advances from grantors	(7,979)	4,648
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 8,448</b>	<b>\$ 19,379</b>

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** KCHO-FM Radio (the Station) is licensed to Chico State Enterprises (formerly The CSU, Chico Research Foundation) (CSE) and operated by the University Public Events of California State University, Chico (the University). The Station is a fund within CSE and operates under the same governing body. These financial statements do not include financial data for the remainder of CSE's funds. The Station provides programs for residents in its northern California service area as well as providing instructional support in various areas for students of the College of Communication. The Station simultaneously broadcasts its programs on its Redding radio station, KFPR-FM.

**Basis of Presentation** Pursuant to the requirements established by the Chancellor of the California State University, the Station has adopted the provisions of Statement No. 35 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. With minor exceptions, this statement provides that public colleges and universities are subject to the financial reporting requirements of GASB Statement No. 34, which is applicable to state and local governments. The Station adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments. The Station has not identified any assets or liabilities which should be classified as deferred inflows or outflows of resources.

The financial statements are prepared using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

**Cash and Cash Equivalents** The Station's cash is deposited jointly with CSE's funds. Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and present insignificant risk of change in value because of a change in interest rates. They consist of cash on hand and in commercial checking, money market, and savings accounts in addition to deposits in the Local Agency Investment Fund (LAIF).

LAIF is managed by the state of California. The fair value of CSE's investment in LAIF is the same as the carrying value of the pool shares. There are no LAIF funds invested in derivatives as of June 30, 2019 and 2018. Oversight of LAIF is provided by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The chairman of the LIAB is the State treasurer or their designated representative. The Station is considered to be a voluntary participant in the LAIF investment pool.



**CHICO STATE ENTERPRISES** (Formerly The CSU, Chico Research Foundation)

**North State Public Radio, dba KCHO-Chico and KFPR-Redding**

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

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**Capital Assets** Capital assets are recorded at cost or, if acquired by gift, at estimated market value at the date of acquisition. Expenditures for repairs and maintenance are charged to operating expense as incurred. Expenditures for new construction, major renewals and replacements, and equipment over \$5,000 are capitalized.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method with a half-year taken in the first year. Useful lives range from five to ten years for broadcasting and other equipment. Depreciation expense was not allocated between functions and amounted to \$11,824 and \$5,391 for the years ended June 30, 2019 and 2018, respectively.

**Advances From Grantors** Advances from grantors include amounts received from grantor agencies that have not yet been earned.

**Accrued Expenses** Compensated absences costs are accrued when earned by the employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the Station.

**Net Position** The Station's net position is classified as follows:

*Net Investment in Capital Assets:* Represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred for capital assets, but not yet expended, such amounts are not included as a component of invested in capital assets - net of related debt.

*Restricted Net Position - Expendable:* Includes resources in which the Station is legally or contractually obligated to spend in accordance with restrictions imposed by donors or by funding sources.

*Unrestricted Net Position:* Represents resources derived from operating and nonoperating activities. These resources may be used for current operations, capital expenditures, or for any other purpose, at the discretion of the governing board.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

**Operating and Nonoperating Revenues (Expenses)** All revenues that relate to the ongoing operations of the Station are included in operating revenues. Gains and losses not directly related to the ongoing operations are reported as nonoperating.

**Operating Expenses** Administrative overhead charges are included in operating expenses and are charged to the general administration function.

**Contributed Personnel Services** The estimated fair value of contributed professional and volunteer services is not recorded as the Station does not have a measurable basis for the value of such services.

**In-Kind Contributions** The estimated fair value of in-kind contributions are recorded only if the Station has a measurable basis for the value of such services or products. Donated transmission time, advertising, equipment, and accounting and computer services are not recorded as the Station does not have a measurable basis for the value of such services.

**CHICO STATE ENTERPRISES** (Formerly The CSU, Chico Research Foundation)

**North State Public Radio, dba KCHO-Chico and KFPR-Redding**

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

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**Facilities and Administrative Support** Donated facilities from the University consist of office and studio space and related occupancy costs which are recorded in revenue and expense at their fair rental value. Administrative support provided by the University consists of allocated costs of the University, the Central Business Affairs office, and certain other expenses incurred on behalf of the Station.

**Advertising** Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2019 and 2018, totaled \$35,885 and \$49,019, respectively.

**Income Taxes** The Station is included with the Foundation for income tax purposes. The Foundation is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code*. However, income from certain activities not directly related to the tax-exempt purpose is subject to taxation as unrelated business income. Expenses associated with the unrelated business income exceed the income or are insignificant. Accordingly, no provision for income taxes has been recorded. The Foundation functionally supports the University and has been classified in accordance with Section 509(a)(3), Type III.

**Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** Management has evaluated subsequent events through February 13, 2020, the date which the report was available to be issued.

**Reclassifications** Certain reclassifications have been made to prior-year amounts to conform with current-year presentation.

## 2. RELATED ORGANIZATIONS

The Station operates as an auxiliary component unit of CSE, which is a not-for-profit auxiliary of the University. CSE is the official licensee for the Station. CSE administers campus programs, grants and contracts, and other activities related to the University community, and performs certain accounting functions for the Station. The value of services provided is determined by CSE's management with reference to their cost and are included in these financial statements.

The University provides significant financial support to the Station in the form of budgeted campus positions, cash for operating expenses, indirect administrative support, and use of certain office furniture and fixtures.

University support for the years ended June 30, 2019 and 2018, consisted of general appropriations of \$433,852 and \$453,927, respectively, to cover personnel costs and operating expenses; and facilities and administrative support of \$306,473 and \$300,783, respectively, for indirect administrative costs.

Operations are contingent upon continued support from both CSE and the University.

### **3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

#### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Station's deposits may not be returned. The Station's cash is deposited jointly with CSE's funds. CSE does not have a policy for custodial credit risk. The risk is mitigated in that the CSE's deposits are maintained at financial institutions that are collateralized as required by state law.

#### **Credit Risk**

The Station's investment policy does not limit its investment choices. The Station's deposits in LAIF are unrated.

#### **Concentration of Credit Risk**

The Station's investments are managed jointly with the CSE's funds. The Station does not believe they hold any financial instruments which potentially subject them to concentrations of credit risk.

#### **Interest Rate Risk**

Interest rate risk is the risk whereby changes in market interest rates could adversely affect the fair value of an investment. CSE does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The average maturity for deposits held within LAIF is less than one year.

### **4. CAPITAL ASSETS**

The University and CSE have purchased certain equipment for the exclusive use of the Station. Legal title to these assets resides with the University and CSE. This equipment is included as capital assets in the accompanying statement of net position. There are liens recorded against some broadcast transmission equipment items received from grants to ensure their continued use for the granted purpose, usually for ten-year periods.

**CHICO STATE ENTERPRISES** (Formerly The CSU, Chico Research Foundation)  
**North State Public Radio, dba KCHO-Chico and KFPR-Redding**  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years Ended June 30, 2019 and 2018

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Capital asset activity was as follows:

June 30, 2019	Beginning Balance	Additions	Retirements	Ending Balance
<b>Depreciable Capital Assets</b>				
Broadcasting and other equipment	\$ 595,894	\$ 8,470	\$ -	\$ 604,364
Less: Accumulated depreciation	(547,622)	(11,824)	-	(559,446)
<b>Total Net Capital Assets</b>	<b>\$ 48,272</b>	<b>\$ (3,354)</b>	<b>\$ -</b>	<b>\$ 44,918</b>
<hr/>				
June 30, 2018	Beginning Balance	Additions	Retirements	Ending Balance
<b>Depreciable Capital Assets</b>				
Broadcasting and other equipment	\$ 559,229	\$ 36,665	\$ -	\$ 595,894
Less: Accumulated depreciation	(542,231)	(5,391)	-	(547,622)
<b>Total Net Capital Assets</b>	<b>\$ 16,998</b>	<b>\$ 31,274</b>	<b>\$ -</b>	<b>\$ 48,272</b>

## 5. ADVANCES FROM RELATED PARTY

The Station received a cash advance of \$384,169 from CSE's general fund during the year ended June 30, 2016. These funds are due back to the general fund over approximately the next three years. As the Station is a component of CSE, this advance was established as an inter-company transaction with flexible terms. CSE and the Station are currently re-negotiating the terms and no principal was paid during the year ended June 30, 2019. The balance of the cash advance for the years ended June 30, 2019 and 2018, is \$382,196 and \$355,600, respectively.

## 6. SELF-INSURANCE

The Station, in association with CSE, participates with other auxiliaries and universities in the CSURMA, a public entity risk pool currently operating as a common risk management and insurance program. The Foundation pays an annual premium to CSURMA for its general liability, property, unemployment, and workers' compensation insurance coverage. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the risk pool.

CSURMA is economically dependent on its members for funding and has secured a commitment from members to provide sufficient cash flow to meet its operating needs and to fund losses over a period of time. The CSURMA has reinsurance policies through a joint powers authority as well as commercial companies.

## 7. COMMITMENTS AND CONTINGENCIES

### State Allowances, Awards, and Grants

The Station received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

## **OTHER REPORT SECTION**

**INDEPENDENT AUDITORS' 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 of  
Chico State Enterprises (formerly, The CSU, Chico Research Foundation)  
North State Public Radio (dba KCHO-Chico and KFPR-Redding)

We have audited, in accordance with the 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 Chico State Enterprises (formerly, The CSU, Chico Research Foundation) North State Public Radio, dba KCHO-Chico and KFPR-Redding (the "Station"), which comprise the statement of net position as of June 30, 2019, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2020.

***Internal Control Over Financial Reporting***

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Station'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*.

**INDEPENDENT AUDITORS' 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*, CONTINUED**

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

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 13, 2020