

2170 S. El Camino Real, Suite 213
Oceanside, CA 92054
(760) 730-8020
www.mungercpa.com

**KSDS San Diego's Jazz 88.3
Audited Financial Statements
June 30, 2017**

Table of Contents

| | <u>Page No.</u> |
|----------------------------------|-----------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| AUDITED FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 -9 |

2170 S. El Camino Real, Suite 213
Oceanside, CA 92054
(760) 730-8020
www.mungercpa.com

INDEPENDENT AUDITOR'S REPORT

KSDS San Diego's Jazz 88.3
To the Board of Directors of
San Diego City College Foundation and District

We have audited the accompanying financial statements of KSDS San Diego's Jazz 88.3 (KSDS, a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KSDS San Diego's Jazz 88.3 as of June 30, 2017, and the changes 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.

February 8, 2018



Munger & Company, CPAs

KSDS Jazz 88
Statement of Financial Position
June 30, 2017
(With Comparative Totals for June 30, 2016)

| ASSETS: | <u>2017</u> | <u>2016</u> |
|---|--------------------------|--------------------------|
| Cash | \$ 167,020 | \$ 768,313 |
| Prepays | 238 | - |
| Capital Assets - Station Equipment | 446,394 | 446,394 |
| Less Accumulated Depreciation | <u>(405,970)</u> | <u>(386,084)</u> |
| Net Equipment | <u>40,424</u> | <u>60,310</u> |
| TOTAL ASSETS | <u><u>\$ 207,682</u></u> | <u><u>\$ 828,623</u></u> |
| LIABILITIES: | | |
| Expense Reimbursement Due to SDCCD | \$ 619,461 | \$ 1,256,617 |
| NET ASSETS (DEFICIT): | | |
| Unrestricted Net Assets (Deficit) | <u>\$ (411,779)</u> | <u>\$ (427,994)</u> |
| TOTAL NET ASSETS (Deficit) | <u>(411,779)</u> | <u>(427,994)</u> |
| TOTAL LIABILITIES & NET ASSETS (DEFICIT) | <u><u>\$ 207,682</u></u> | <u><u>\$ 828,623</u></u> |

The Accompanying Notes are an integral part of the Financial Statements

KSDS Jazz 88
Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

| | 2017 | 2016 |
|--|--------------|--------------|
| REVENUES: | | |
| Grants - Corporation for Public Broadcasting | \$ 134,299 | \$ 141,563 |
| Other Grants | 7,231 | 51,716 |
| Program Underwriting | 8,193 | 73,435 |
| Listener Events & Fundraising | - | 8,899 |
| Memberships | 573,809 | 579,094 |
| Car Donations | 16,633 | 40,164 |
| Miscellaneous Income | 5,283 | 861 |
| Sub-total Local Revenue | 745,448 | 895,732 |
| SDCCD - Direct Support | | |
| SDCCD - Direct Support - Cash Transfer | 135,000 | 135,000 |
| Sub-Total - Direct Revenue | 880,448 | 1,030,732 |
| SDCCD - Institutional Support | | |
| Personnel and Benefits | 638,261 | 502,388 |
| Other Indirect Costs - 30% of personnel | 179,267 | 193,340 |
| Sub-Total - Indirect Revenue | 817,528 | 695,728 |
| Total Revenues | 1,697,976 | 1,726,460 |
| EXPENSES: | | |
| Local Expenses | | |
| Management | 54,783 | 39,858 |
| Fundraising & Member Development | 191,789 | 184,782 |
| Sub-total Local Expenses | 246,572 | 224,640 |
| Depreciation | 19,886 | 19,886 |
| Direct Expenses Reimbursed to SDCCD | | |
| Personnel- Direct | 430,837 | 493,978 |
| Personnel Benefits - Direct | 166,721 | 150,487 |
| Supplies and Other | 217 | 3,909 |
| Indirect Support - SDCCD | | |
| Personnel - Institutional | 490,626 | 375,962 |
| Personnel Benefits - Institutional | 147,635 | 126,426 |
| Indirect Costs - 30% of Personnel | 179,267 | 193,340 |
| Sub-total SDCCD Expenses | 1,415,303 | 1,344,102 |
| Total Expenses | 1,681,761 | 1,588,628 |
| Change In Net Assets | \$ 16,215 | \$ 137,832 |
| Beginning Net Assets (Deficit) | (427,994) | (565,826) |
| Ending Net Assets (Deficit) | \$ (411,779) | \$ (427,994) |

The Accompanying Notes are an integral part of the Financial Statements

KSDS Jazz 88
Statement of Cash Flows
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

| | 2017 | 2016 |
|--|------------|------------|
| CASH FLOWS FROM - OPERATING ACTIVITIES: | | |
| Change In Net Assets | \$ 16,215 | \$ 137,832 |
| Adjustments to Reconcile Change in Net Assets | | |
| To Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 19,886 | 19,886 |
| Increase/(Decrease) in Prepaid Expenses | (238) | |
| Increase/(Decrease) in Reimbursement Due to SDCCD | (637,156) | 335,130 |
| Net Change in Cash | (601,293) | 492,848 |
| Cash at: | | |
| Beginning of Year | 768,313 | 275,465 |
| End of Year | \$ 167,020 | \$ 768,313 |

The Accompanying Notes are an integral part of the Financial Statements

KSDS San Diego's Jazz 88.3
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

KSDS San Diego's Jazz 88.3 (the Station) is on the campus of the San Diego City College Foundation (the Foundation). KSDS San Diego's Jazz 88.3's purpose is to provide education and experience in operating a non-profit non-commercial educational radio station, licensed to the San Diego Community College, which also provides a community service to the County of San Diego. The San Diego City College Foundation provides custodial services of managing and disbursing funds, and oversight by the Foundation's Board of Directors.

KSDS also receives substantial institutional support from the San Diego Community College District (the District).

The radio station was founded in 1951, began programming jazz in 1973 and became San Diego's only full-time jazz radio station in 1985. KSDS San Diego's Jazz 88.3 broadcasts 24 hours a day from the campus of San Diego City College with 22,000 watts at 88.3 on the FM radio dial. KSDS has a license with the FCC. If the FCC were to revoke the license, KSDS would not be able to conduct its radio broadcasts.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Financial Accounting Standards Board and is presented utilizing the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*.

Basis of Presentation

KSDS San Diego's Jazz 88.3 reports its activities in accordance with accounting principles for non-profit organizations. The Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions or stipulations as to purpose of use.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Station or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Station does not have any temporarily restricted net assets as of June 30, 2017.

KSDS San Diego's Jazz 88.3
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed restrictions of investing the principal contribution in perpetuity and the investment income be used for the Stations' operations and programs. The Station does not have any permanently restricted net assets as of June 30, 2017.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on hand and highly liquid investments with original or remaining maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as investments.

Member Pledges Receivable

The Station engages in periodic on-air pledge drives which make appeals to encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Contributions, including unconditional membership pledges are recognized as revenue in the period received. However, uncollected pledges are not enforced against contributors. Accordingly, pledges that are expected to be collected within one year are recorded at net realizable value. At June 30, 2017, KSDS did not have any member pledges receivable.

Property and Equipment: Property and equipment is recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment is capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. Depreciation is computed using the straight-line method over the useful lives of the assets, which is generally ten years for station equipment.

Fundraising

Fundraising costs incurred in one period may result in contributions that will be received in future periods. However, fundraising costs are expensed as incurred.

Donated Goods and Services

The Stations receives donated services from unpaid volunteers and students who assist in fundraising and special projects. No amounts have been recognized in the statements for activities because the criteria for recognition have not been satisfied.

Functional Expenses

The costs of providing various programs and other activities are estimated to be approximately \$341,821 for management and general, \$191,789 for fundraising, and \$1,148,152 for program expenses for the year ended June 30, 2017.

KSDS San Diego's Jazz 88.3
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 2. Concentration of Credit Risk and Uncertainties

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

KSDS San Diego's Jazz 88.3 bank accounts are maintained by the San Diego City College Foundation. Cash in banks for KSDS San Diego's Jazz 88.3 did exceed federally insured limits for the years ended June 30, 2017. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 at one institution.

Note 3. Equipment

KSDS San Diego's Jazz 88.3 has acquired substantial broadcast equipment over a period of many years, either by purchase or donation. The cost basis of this equipment is \$446,394. The average age of this equipment is approximately 14 years. Accordingly, much of the equipment is fully depreciated. KSDS San Diego's Jazz 88.3 has included all broadcast equipment in the basic financial statements. In addition, KSDS San Diego's Jazz 88.3 has the usage of various office furniture and equipment and computers provided by the District, which has not been valued but is included in institutional support. Depreciation has been recorded on the straight-line basis in the amount of \$19,886 for year ended June 30, 2017.

Note 4. Lease of Facilities

KSDS San Diego's Jazz 88.3 occupies facilities at San Diego City College, comprised of 2,970 square feet, which are provided at no direct cost to KSDS San Diego's Jazz 88.3; however, such costs have been included in indirect costs provided by the District.

Note 5. Corporation for Public Broadcasting

KSDS San Diego's Jazz 88.3 receives grant funds from Corporation for Public Broadcasting (CPB), which mandates certain compliance requirements be met in order to continue to receive funding from them. CPB is a private, non-profit foundation funded by Congress. The amount granted for the year ended June 30, 2017 was \$134,299, consisting of a Community Service Grant (CSG). In fiscal year 2003, KSDS San Diego's Jazz 88.3 qualified as a Level 7 grantee. As a condition of the grants, KSDS San Diego's Jazz 88.3 is required to file Annual Financial Reports, including audited financial statements, with the CPB.

KSDS San Diego's Jazz 88.3
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6. Support and Other Revenues

KSDS San Diego's Jazz 88.3 receives grants from non-profit foundations and organizations, memberships and pledge drives from the public, and programming fee underwriting from business and industry. KSDS San Diego's Jazz 88.3 occasionally receives in-kind contributions. The Station did not receive in-kind contributions for the year ended June 30, 2017.

KSDS San Diego's Jazz 88.3 also receives direct support from San Diego Community College District in the amount of \$135,000 for the year ended June 30, 2017, respectively. In addition, the District provided indirect support totaling \$817,528 which included personnel, operating expenses, and other indirect costs calculated at 30 per cent for the year ending June 30, 2017.

As of June 30, 2017, San Diego's Jazz 88.3 had liabilities to the District of \$619,461.

Note 7. Retirement Plans

The District's academic and nonacademic personnel are covered by various retirement plans depending on their job classification. The District pays these expenses on behalf of the Station and they are included with other fringe benefits contributed to the Station.

Note 8. Management's Review

KSDS management has evaluated subsequent events through February 8, 2018, the date the financial statements were available to be issued. Management is aware that subsequent to year end, the District is overtaking the accounting from the Foundation.

Note 9. Management's Plans

The net deficit on the statement of financial position totaled a negative \$411,779 for the year ended June 30, 2017. KSDS is financially dependent on San Diego City College to support them. In addition, there is a possibility that continued support from the CPB, contributors, and the District in subsequent years could be reduced or eliminated. Without the ongoing financial support from District or College Foundation, KSDS would be not able to continue.