

MUNGER & COMPANY, CPAs

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**KSDS San Diego's Jazz 88.3
Audited Financial Statements
June 30, 2016**

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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 were engaged to audit 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, 2016, 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

KSDS San Diego's Jazz 88.3 had a certain cash balance with the Foundation that totaled \$17,000 at 6/30/16. In addition, the net change in that cash account was more than \$90,000 for the year ended June 30, 2016. The cash account for KSDS was increased for the approximately \$17,000 of cash held by the Foundation for KSDS. We were not able to examine the support for these items and they have been included in membership revenue totaling \$17,000. However, some items would be charged to various expenses, revenues and assets and liabilities. In addition, the District maintained cash accounts on behalf of KSDS and it was not reconciled. The account needed additional increases to that general ledger cash account of approximately \$154,000. There was not enough information for us to determine whether the accounts to be recorded were revenues, expenses, or receivables or payables. This item was recorded in the statement of financial position for the \$154,000 to adjust the cash balance to actual. However, the statement of activities had that amount recorded as membership revenue. We were not able to review the activity for this account to determine if this entry was appropriate. As these items are presented in the statement of financial position and statement of activities as of June 30, 2016, and for the year ended June 30, 2016, respectively we were not able to determine that they were properly reported. As a result, we were unable to determine whether any adjustments were necessary relating to the these items.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

February 12, 2017

A handwritten signature in blue ink, appearing to read "Addie Munger".

Munger & Company, CPAs

KSDS Jazz 88
Statement of Financial Position
June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash	\$ 768,313	\$ 275,465
Capital Assets - Station Equipment	446,394	446,394
Less Accumulated Depreciation	<u>(386,084)</u>	<u>(366,198)</u>
Net Equipment	<u>60,310</u>	<u>80,196</u>
TOTAL ASSETS	<u>\$ 828,623</u>	<u>\$ 355,661</u>
LIABILITIES:		
Expense Reimbursement Due to SDCCD	\$ 1,256,617	\$ 921,487
NET ASSETS (DEFICIT):		
Unrestricted Net Assets (Deficit)	<u>\$ (427,994)</u>	<u>\$ (565,826)</u>
TOTAL NET ASSETS (Deficit)	<u>(427,994)</u>	<u>(565,826)</u>
TOTAL LIABILITIES & NET ASSETS (DEFICIT)	<u>\$ 828,623</u>	<u>\$ 355,661</u>

The Accompanying Notes are an integral part of the Financial Statements

KSDS Jazz 88
Statement of Activities
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
REVENUES:		
Grants - Corporation for Public Broadcasting	\$ 141,563	\$ 96,207
Other Grants	51,716	40,090
Program Underwriting	73,435	52,097
Listener Events & Fundraising	8,899	14,392
Memberships	579,094	393,275
Car Donations	40,164	51,545
Miscellaneous Income	861	1,885
Sub-total Local Revenue	895,732	649,491
SDCCD - Direct Support		
SDCCD - Direct Support - Cash Transfer	135,000	135,000
Sub-Total - Direct Revenue	1,030,732	784,491
SDCCD - Institutional Support		
Personnel and Benefits	502,388	477,764
Other Indirect Costs - 30% of personnel	193,340	208,348
Sub-Total - Indirect Revenue	695,728	686,112
 Total Revenues	 1,726,460	 1,470,603
EXPENSES:		
Local Expenses		
Management	39,858	85,851
Fundraising & Member Development	184,782	218,860
Miscellaneous	-	8,287
Sub-total Local Expenses	224,640	312,998
Depreciation	19,886	19,886
 Direct Expenses Reimbursed to SDCCD		
Personnel- Direct	493,978	533,792
Personnel Benefits - Direct	150,487	160,700
Supplies and Other	3,909	7,074
Indirect Support - SDCCD		
Personnel - Institutional	375,962	348,609
Personnel Benefits - Institutional	126,426	128,943
Indirect Costs - 30% of Personnel	193,340	208,348
Sub-total SDCCD Expenses	1,344,102	1,387,466
 Total Expenses	 1,588,628	 1,720,350
 Change In Net Assets	 \$ 137,832	 \$ (249,747)
Beginning Net Assets (Deficit)	(565,826)	(316,079)
Ending Net Assets (Deficit)	\$ (427,994)	\$ (565,826)

The Accompanying Notes are an integral part of the Financial Statements

KSDS Jazz 88
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
CASH FLOWS FROM - OPERATING ACTIVITIES:		
Change In Net Assets	\$ 137,832	\$ (249,747)
Adjustments to Reconcile Change in Net Assets		
To Net Cash Provided (Used) by Operating Activities:		
Depreciation	19,886	19,886
Increase/(Decrease) in Reimbursement Due to SDCCD	335,130	375,151
Net Change in Cash and Cash Equivalents	492,848	145,290
Cash and Cash Equivalents at:		
Beginning of Year	275,465	130,175
End of Year	\$ 768,313	\$ 275,465

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, 2016

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. Temporarily restricted net assets as of June 30, 2016.

KSDS San Diego's Jazz 88.3
Notes to Financial Statements
For the Year Ended June 30, 2016

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, 2016.

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, 2016, 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 \$312,656 for management and general, \$184,782 for fundraising, and \$1,091,190 for program expenses for the year ended June 30, 2016.

KSDS San Diego's Jazz 88.3
Notes to Financial Statements
For the Year Ended June 30, 2016

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, 2016. 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, 2016.

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, 2016 was \$141,563, 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, 2016

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, 2016.

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, 2016, respectively. In addition, the District provided indirect support totaling \$695,728 which included personnel, operating expenses, and other indirect costs calculated at 30 per cent for the year ending June 30, 2016.

As of June 30, 2016, San Diego's Jazz 88.3 had liabilities to the District of \$1,256,617.

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 12, 2017, 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 \$427,994 for the year ended June 30, 2016. 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.