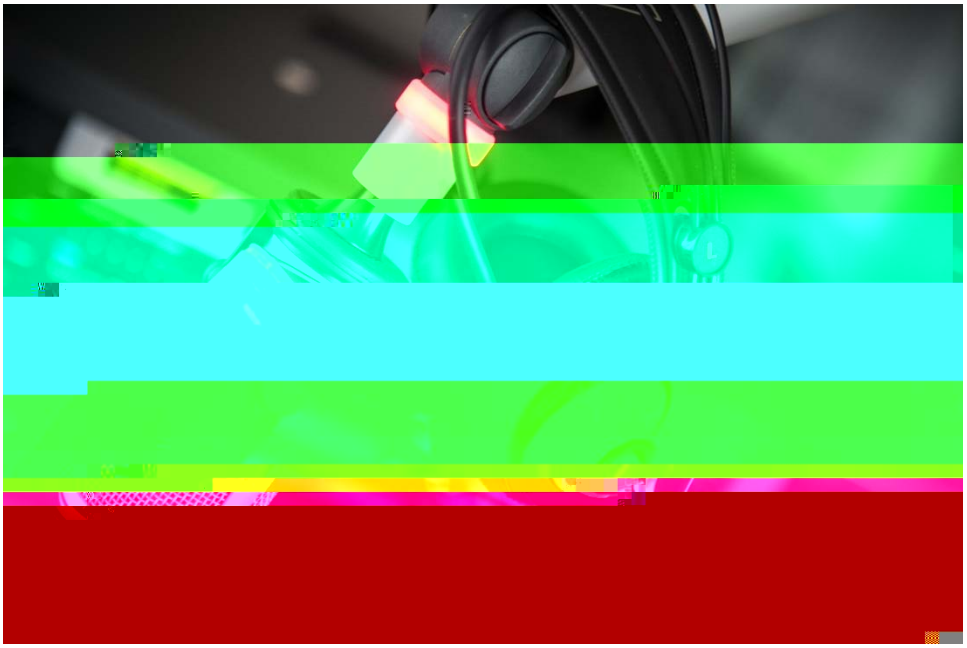

Report of Independent Auditors
and Financial Statements for

KCLU-FM California Lutheran University

A Public Telecommunications Division
Operated by California Lutheran University

May 31, 2017 and 2016

CONTENTS

Certified Public Accountants | Business Consultants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCLU-FM California Lutheran University as of May 31, 2017 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally

KCLU-FM CALIFORNIA LUTHERAN UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2017 and 2016

ASSETS

	2017	2016
Accounts receivable	$ 14,027	$ 34,754
Prepaids	26,528	27,355
Beneficial interest in endowment funds invested by California Lutheran University	1,305,355	1,183,618
Transmission, property and equipment, net	3,484,271	3,652,047
Other intangible assets	475,000	475,000
TOTAL ASSETS	$ 5,305,181	$ 5,372,774

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Due to California Lutheran University, net	$ 866,988	$ 1,082,170
Accounts payable	9,611	13,472
Accrued payroll liabilities	91,287	67,901
TOTAL LIABILITIES	967,886	1,163,543
NET ASSETS		
Unrestricted	3,105,023	3,081,824
Temporarily restricted	221,572	117,407
Permanently restricted	1,010,700	1,010,000
TOTAL NET ASSETS	4,337,295	4,209,231
TOTAL LIABILITIES AND NET ASSETS	$ 5,305,181	$ 5,372,774

See accompanying notes.

KCLU‑FM CALIFORNIA LUTHERAN UNIVERSITY
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2017 WITH SUMMARIZED TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions					
General support from California Lutheran University	$ 75,000	$ -	$ -	$ 75,000	$ 75,000
Donated facilities and administrative support from California Lutheran University	215,873	-	-	215,873	197,830
Private gifts and grants	1,540,222	-	700	1,540,922	2,307,018
Special events revenue	80	-	-	80	5,322
Corporation for public broadcasting Community service grants	146,978	-	-	146,978	132,413
Change in beneficial interest	16,872	104,165	-	121,037	8,947
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,995,025	104,165	700	2,099,890	2,726,530
EXPENSES					
Program expenses					
Local programming and production	271,119	-	-	271,119	239,963
Broadcasting	316,288	-	-	316,288	281,847
Program information and promotion	552,556	-	-	552,556	512,782
Support expenses					
Management and general	542,696	-	-	542,696	507,593
Fundraising and membership development	289,167	-	-	289,167	258,984
TOTAL EXPENSES	1,971,826	-	-	1,971,826	1,801,169

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See accompanying notes.

KCLUζFM CALIFORNIA LUTHERAN UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 128,064	$ 925,361
Adjustments to reconcile change in net assets to net cash flows (used in) from operating activities:		
Depreciation	167,776	167,776
Contributiu		

See accompanying notes.

Note 1 – Organization

KCLU-FM California Lutheran University (the “Station”) is a noncommercial radio station owned and operated by California Lutheran University (the “University”). The accounts and reports of the Station are a part of the University’s

Note 2 – Significant Accounting Policies (continued)

Revenue recognition – Revenues from sources other than contributions are recognized when a service has been completed and generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Income earned on endowment donor-restricted funds is initially classified as temporarily restricted net assets and is reclassified as unrestricted net assets when expenses are incurred for their intended purpose.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of n

Note 2 – Significant Accounting Policies (continued)

Transmission, property and equipment and other intangible assets

Note 3 – Fair Value Measurements (continued)

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, 2017 and 2016:

		Total	Level 1	Level 2	Level 3
Assets					
Beneficial interest in endowment funds invested by California Lutheran University	2017	$ 1,305,355	$ -	$ -	$ 1,305,355
Beneficial interest in endowment funds invested by California Lutheran University	2016	$ 1,183,618	$ -	$ -	$ 1,183,618

The fair value of securities is based on valuations provided by the external investment managers. The 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 methods and assumptions were used to estimate the fair value for each class of financial instrument 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 follow the investment strategy of the University and do not require advance notice for redemption. The objective of the investments held by the University is to provide a predictabla ╗ aa de

Note 3 – Fair Value Measurements (continued)

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, 2017 and 2016:

	Balance May 31, 2016	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, 2017
Assets					
Be ¿ ﻗ tE Mﺸﺂ M					

Note 4 – Restriction and Limitation on Net Asset Balances (continued)

Unrestricted net assets consist of the following on May 31:

	2017	2016
Operations	$ 761,060	$ 611,793
Endowment Funds	181,609	164,737
Investment in transmission, property and equipment, net	2,162,354	2,305,294
	$ 3,105,023	$ 3,081,824

Note 6 – Interfund Transactions and Concentration Concentration

Note 7 – Endowment (continued)

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 Station

7. The investment policies of the Station

Endowment net asset composition by type of fund consists of the following as of May 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 113,046	$ 1,010,700	$ 1,123,746
Board-designated endowment funds	181,609	-	-	181,609
Total endowment net assets	$ 181,609	$ 113,046	$ 1,010,700	$ 1,305,355

Changes in endowment net assets for the year ended May 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2016	$ 164,737	$ 8,881	$ 1,010,000	$ 1,183,618
Investment return				
Investment income, net of fees of $5,534	1,320	8,150	-	

Note 7 – Endowment (continued)

Endowment net asset composition by type of fund consists of the following as of May 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,010,000	$ 1,010,000
Board-designated endowment funds				

Note 7 – Endowment (continued)

Return objectives and risk parameters – The Station 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