



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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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:

- x Exercise professional judgment and maintain professional skepticism throughout the audit.
- x 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.
- x 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.
- x 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.
- x 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.

Los Angeles, California
October , 2024

Financial Statements

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

ASSETS		
	2024	2023
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	105,785	55,944
 Total assets	 \$ 8,457,957	 \$ 7,454,778
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 25,141	\$ 13,553
Accrued payroll liabilities	68,042	91,634
Operating lease liabilities	108,166	57,853
 Total liabilities	 201,349	 163,040
 NET ASSETS		
Without donor restrictions	6,594,560	5,968,806
With donor restrictions	1,662,048	1,322,932
 Total net assets	 8,256,608	 7,291,738
 Total liabilities and net assets	 \$ 8,457,957	 \$ 7,454,778

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)	-	-
	3,451,670	86,316	3,537,986	2,950,596
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
	2,573,116	-	2,573,116	2,532,600
CHANGE IN NET ASSETS	878,554	86,316	964,870	417,996
NET ASSETS, beginning of year	5,716,006	1,575,732	7,291,738	6,873,742
NET ASSETS, end of year	\$ 6,594,560	\$ 1,662,048	\$ 8,256,608	\$ 7,291,738

See accompanying notes.

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

	2024	2023
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	(364,788)	(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

See accompanying notes.

KCLU-FM California Lutheran University
Notes to Financial Statements

Cash equivalents

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Notes to Financial Statements

Accounting standard adopted

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

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Notes to Financial Statements

Note 4 – Property and Equipment

Property and equipment consisted of the following at May 31:

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

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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
	1,040,025	1,038,325
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	260,699	

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Notes to Financial Statements

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;

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Notes to Financial Statements

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Notes to Financial Statements

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.

KCLU-FM California Lutheran University
Notes to Financial Statements

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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Notes to Financial Statements

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

KCLU-FM California Lutheran University

Notes to Financial Statements

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
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 31, 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.