

KHSU-FM RADIO  
A Public Broadcasting Entity Operated by  
Humboldt State University

**ACCOUNTANTS' REPORT AND  
FINANCIAL STATEMENTS**  
June 30, 2011 and 2010



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June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Humboldt State University and  
KHSU-FM Radio

We have audited the accompanying financial statements of the business-type activities of KHSU-FM Radio, a Public Telecommunications Entity operated by Humboldt State University, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of KHSU-FM Radio's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 KHSU-FM Radio at June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages three through six is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements of KHSU-FM Radio taken as a whole. The other supplementary information on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements of KHSU-FM Radio. Such information had been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Aycock and Edgmon  
December 19, 2011

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Year Ended June 30, 2011

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**Introduction**

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of KHSU-FM (the Station) for the year ended June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follows this section.

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities. Note A to Financial Statements further describes the organization and nature of activities of KHSU-FM and the basis of presentation of these financial statements.

The financial statements include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These statements are supplemented in the annual report by Notes to Financial Statements, required supplementary or statistical information, and this section (the Management's Discussion and Analysis). All sections must be considered together to obtain a complete understanding of the financial picture of the Station.

Balance Sheet: The Balance Sheet includes all assets and liabilities. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. It also identifies major categories of restrictions on the net assets of the Station.

Statements of Revenues, Expenses, and Changes in Net Assets: The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year on an accrual basis, and the resulting effect of operations on net assets of the Station.

Statement of Cash Flows: The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, capital, financing, and investing activities.

**Reporting Entity**

Note A to Financial Statements describes the relationships between Humboldt State University and its auxiliary corporations, the Humboldt State University Sponsored Programs Foundation and Humboldt State University Advancement Foundation, relevant to the operation of KHSU-FM.

**Analytical Overview**

Management is most concerned about revenue and expenses. Combined operating and non-operating revenue increased \$21,767 from \$1,041,614 in FY09/10 to \$1,063,381 in FY10/11. Underwriting revenue decreased by \$7,088 which can be attributed to an economic environment that has seen marketing and advertising expenditures by businesses shrink. Membership revenue increased slightly, up by \$10,647. Investment earnings of the station's endowment have rebounded as the stock market recovered.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2011

**Analytical Overview - Continued**

Total expenses decreased \$44,861 due to a decrease in programming expenses which was slightly offset by an increase in support services. This reflects higher costs to acquire programming, as well as the impact of recent personnel changes. FY10/11 was a year in which the full annual impact of hires made in FY09/10 was realized. Station management expects the cost of acquired programming to rise, and will have to either continue to raise additional funds to handle these costs or eliminate some programs.

The following discussion highlights management's understanding on the key financial aspects of the Station's financial activities. Included are comparative analysis of current and prior year activities and balances; a discussion of restrictions of the Station's net assets; a discussion of capital assets; and factors impacting future reporting periods.

Comparative Analysis of Current and Prior Year Activities and Balances

A summary of key financial statement information is used as a basis for reviewing current year results in comparison with the prior year.

	<u>FY 2010/11</u>	<u>FY 2009/10</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 103,649	\$ 118,904	\$ (15,255)
Noncurrent assets	<u>222,303</u>	<u>150,496</u>	<u>71,807</u>
<b>Total Assets</b>	<u>\$ 325,952</u>	<u>\$ 269,400</u>	<u>\$ 56,552</u>
<b>Liabilities</b>			
Current liabilities	\$ 83,958	\$ 23,574	\$ 60,384
Deferred revenue	<u>33,110</u>	<u>43,328</u>	<u>(10,218)</u>
<b>Total Liabilities</b>	<u>\$ 117,068</u>	<u>\$ 66,902</u>	<u>\$ 50,166</u>
<b>Net Assets</b>			
Unrestricted	\$ 92,386	\$ 142,136	\$ (49,750)
Capital assets	<u>116,498</u>	<u>60,362</u>	<u>56,136</u>
<b>Total Net Assets</b>	<u>\$ 208,884</u>	<u>\$ 202,498</u>	<u>\$ 6,386</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2011

**Analytical Overview - Continued**

	<u>FY 2010/11</u>	<u>FY 2009/10</u>	<u>Change</u>
<b>Operating Revenue</b>			
Business and industry	\$ 183,640	\$ 173,190	\$ 10,450
In-kind support	23,496	30,584	(7,088)
<b>Total Operating Revenue</b>	<u>\$ 207,136</u>	<u>\$ 203,774</u>	<u>\$ 3,362</u>
<b>Non-Operating Revenue</b>			
Membership	\$ 287,850	\$ 277,203	\$ 10,647
HSU appropriations	136,710	195,279	(58,569)
HSU indirect support	169,236	185,987	(16,751)
CPB grants	163,911	156,607	7,304
Digital Radio Conversion Grant	72,123	-	72,123
Other	26,415	22,764	3,651
<b>Total Non-Operating Revenue</b>	<u>\$ 856,245</u>	<u>\$ 837,840</u>	<u>\$ 18,405</u>
<b>Expenses</b>			
Programming	\$ 265,047	\$ 312,700	\$ (47,653)
Broadcasting/Technical	136,593	149,129	(12,536)
Fund-raising	212,691	218,462	(5,771)
Management and general	442,664	421,565	21,099
<b>Total Expenses</b>	<u>\$ 1,056,995</u>	<u>\$ 1,101,856</u>	<u>\$ (44,861)</u>
<b>Beginning Net Assets</b>	\$ 202,498	\$ 262,740	\$ (60,242)
Change in net assets	6,386	(60,242)	66,628
<b>Ending Net Assets</b>	<u>\$ 208,884</u>	<u>\$ 202,498</u>	<u>\$ 6,386</u>

Investments

During FY08/09 the Station invested \$100,000 of its operating reserves with the Humboldt State University Advancement Foundation ("HSUAF"). HSUAF invests in a portfolio of stocks and bonds with a long-term focus. This investment declined with the stock market turmoil in FY08/09, but recovered in FY10/11. At the end of the fiscal year it was valued at \$105,805.

Long-term Debt

KHSU-FM, as an individual program within Humboldt State University, has no long-term debt. Obligations of Humboldt State University and its auxiliaries are reflected in those organizations' financial statements and are not meaningful with respect to the operation of the Station.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Year Ended June 30, 2011

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**Analytical Overview - Continued**

Factors Impacting Future Periods

Overall economic conditions and financial pressures upon the State of California (which in turn affects the support Humboldt State University can provide) and the federal budget (which will impact Corporation for Public Broadcasting funding) means the Station faces potential decreases in revenue for the next fiscal year and beyond. Humboldt State University has already indicated it will be decreasing its direct support by \$20,000 a year over the next year.

Countering this trend is the increase in listener support, which reflects the value that the KHSU audience places on the station's success. Management intends to enhance efforts to increase this support in the next year, as well as reduce expenses to operate within the station's means.

The Station also faces some large capital equipment needs over the next several years relating to its transmitters, translators, microwave systems and studio equipment. Management is placing increased emphasis on grants in order to fund some of those equipment purchases. The Station was awarded a \$95,000 grant from the Corporation for Public Broadcasting for digital conversion of its main transmitter and a \$14,419 digital conversion grant from OES in FY09/10. The station was awarded two grants from the Public Telecommunication Facilities Program of the U.S. Department of Commerce: \$30,000 for an emergency power generator for its studios and \$67,844 for new studio equipment in FY 10/11. However, the Station will still need to fund a portion of these costs from fund-raising or operating reserves and has not begun to utilize the grant funds. Special capital fund-raising in FY 11/12 is planned to raise fund for these equipment needs.

**STATEMENT OF NET ASSETS**

June 30, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ -	\$ 76,961
Accounts receivable	8,183	8,570
Grants receivable	72,123	-
Pledges receivable	23,143	27,579
Employee receivable	200	-
Prepaid expenses	-	5,794
Total Current Assets	103,649	118,904
Noncurrent Assets		
Capital assets, depreciated	357,093	504,956
Accumulated depreciation	(240,595)	(444,594)
Total Net Capital Assets	116,498	60,362
Quasi-Endowment	105,805	90,134
Total Noncurrent Assets	222,303	150,496
<b>TOTAL ASSETS</b>	<b>\$ 325,952</b>	<b>\$ 269,400</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Advances from affiliates	\$ 48,785	\$ -
Accounts payable	14,334	4,216
Deferred revenue	33,110	43,328
Accrued salaries and vacation benefits	20,839	19,358
Total Current Liabilities	117,068	66,902
Net Assets		
Invested in capital assets	116,498	60,362
Unrestricted net assets	92,386	142,136
Total Net Assets	208,884	202,498
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 325,952</b>	<b>\$ 269,400</b>

The accompanying notes to financial statements are an integral part of this statement.

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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

For the Years Ended June 30, 2011 and 2010

	2011	2010
<b>REVENUES</b>		
Operating Revenues		
Business and industry	\$ 183,640	\$ 173,190
Underwriting trades	23,496	30,584
Total Operating Revenues	207,136	203,774
 <b>OPERATING EXPENSES</b>		
Program Services		
Programming and production	265,047	312,700
Broadcasting	136,593	149,129
Total Program Services	401,640	461,829
Support Services		
Management and general	440,299	421,565
Fund-raising and memberships	212,691	218,462
Total Support Services	652,990	640,027
Total Operating Expenses	1,054,630	1,101,856
 <b>OPERATING INCOME (LOSS)</b>	(847,494)	(898,082)
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
General appropriation from Humboldt State University	136,710	195,279
Donated facilities and administrative support from Humboldt State University	169,236	185,987
Corporation for Public Broadcasting grant	163,911	156,607
Digital radio conversion grant	72,123	-
Memberships	287,850	277,203
Donations	-	3,590
Investment earnings (losses)	17,639	8,085
Investment management expense	(2,365)	-
Other income (expenses)	8,776	11,089
Total Nonoperating Revenues (Expenses)	853,880	837,840
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	6,386	(60,242)
 <b>NET ASSETS - BEGINNING OF YEAR</b>	202,498	262,740
 <b>NET ASSETS - END OF YEAR</b>	\$ 208,884	\$ 202,498

The accompanying notes to financial statements are an integral part of this statement.

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**STATEMENT OF CASH FLOWS**

For the Years Ended June 30, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from business and industry	\$ 173,810	\$ 186,188
Cash payments to suppliers for goods and services	(345,117)	(392,190)
Cash payments to employees for service	(483,788)	(470,114)
Net Cash Flows Provided by (Used) by Operating Activities	(655,095)	(676,116)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
General appropriations from Humboldt State University	136,710	195,278
Nongovernmental grants and contracts received	163,911	156,496
Advances from affiliates	48,785	-
Memberships received	292,286	264,136
Special events receipts	8,777	9,447
Other income	-	3,591
Private gifts received	-	1,639
Net Cash Flows Provided by (Used) by Noncapital Financing Activities	650,469	630,587
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital assets acquired	(72,335)	-
Net Cash Flows Provided by (Used) by Capital and Related Financing Activities	(72,335)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	-	527
Net Cash Flows Provided by (Used) by Investing Activities	-	527
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(76,961)	(45,002)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	76,961	121,963
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ -	\$ 76,961
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Donated facilities and administrative support from Humboldt State University	169,236	185,987
In-kind trades from business and industry	23,496	30,584

The accompanying notes to financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS**

For the Years Ended June 30, 2011 and 2010

	2011	2010
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (847,494)	\$ (898,082)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	16,197	13,303
Donated facilities and administration	169,236	185,987
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	387	3,713
(Increase) decrease in employee expenses	(200)	-
(Increase) decrease in prepaid expenses	5,794	3,284
Increase (decrease) in accounts payable	9,722	2,422
Increase (decrease) in deferred underwriting	(10,218)	14,409
Increase (decrease) in accrued vacation	1,481	(1,152)
Net Cash Used in Operating Activities	\$ (655,095)	\$ (676,116)

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011 and 2010

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Activities

KHSU-FM Radio ("Station") is operated by Humboldt State University ("University") in Arcata, California, under a license granted by the Federal Communications Commission. All amounts contained in this report are included in the audited financial statements of Humboldt State University, a component unit of the State of California. The Station is part of the University and as such, is exempt from federal and state income taxes.

The Humboldt State University Sponsored Programs Foundation ("Sponsored Program Foundation"), an auxiliary organization of the University, provided certain functions for the Station under an operating agreement with the University. The functions are performed under the direction of the University and include employing the number of full-time and part-time staff as the University deems necessary to operate the Station, and providing payroll, benefit administration services, and related human resources services, and performing other functions necessary for the operation of the Station. The Humboldt State University Advancement Foundation ("Advancement Foundation"), an auxiliary organization of the University, manages and invests the Station's surplus operating funds under an agreement to Quasi-Endow those funds. The Sponsored Program Foundation and the Advancement Foundation are affiliated organization component units and as such their financial data will be included in the financial statements of the University.

The financial statements present only the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows of the Station and does not purport to, and does not, present fairly the financial position of Humboldt State University as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, the Station's financial reporting provides a comprehensive, entity-wide perspective of the Station's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Revenue Recognition

Unconditional contributions, pledges, and grants are recorded as revenues in the accompanying statement of revenues, expenses, and changes in net assets when verifiable, measurable, and probable of collection and eligibility requirements are met. In-kind contributions, other than the contribution from the University, are recognized as revenue at the estimated fair market value at the date of the gift.

The portion of the University's indirect costs attributable to the Station's operations and the value of space provided to the Station by the University are included as revenues and expenses, and are computed in accordance with guidelines established by the Corporation for Public Broadcasting.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011 and 2010

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and Cash Equivalents

Cash balances of the Station are included in accounts maintained by the Sponsored Programs Foundation. The Station's surplus operating funds are managed by the Advancement Foundation. These funds are available to meet current obligations. The Station considers all investments purchased with an original maturity of three months or less to be cash or cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. Accounts receivable are ordinarily due 30 days after the issuance of an invoice. The Station did not provide an allowance for delinquent accounts receivable, as it believed all amounts were collectible.

Pledges Receivable

Pledges receivable are accrued as of the end of the fiscal year, provided the pledge is verifiable, measurable, and conditions, if present, have been met. Pledges, net of an allowance of \$13,185 and \$24,002, total \$23,143 and \$27,579 as of June 30, 2011 and 2010, respectively. The allowance for uncollectible pledges is calculated based on the Station's past experience with collections.

Prepaid Expenses

Prepaid expenses are payments that have been made for a service as of the end of the fiscal year, but the benefit derived from those services will not be received until a later accounting period. These may include leases, maintenance agreements, dues, and fees.

Deferred Revenue

Deferred revenues include amounts received from grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned.

Capital Assets

Capital assets include property and equipment stated at cost or, if received as a gift, the fair market value at the date of gift, less accumulated depreciation computed on the straight-line basis over the estimated useful lives of 5-30 years. The capitalization threshold for equipment is \$5,000. Assets are removed from the records at the time of disposal.

Effective July 1, 2010, the Station increased its capitalization threshold for moveable equipment to \$5,000. The Station has recognized a related cumulative effect of a change in accounting policies resulting in the removal of \$220,199 fully depreciated assets which individually had a cost of \$5,000 or less.

Net Assets

Station resources are classified for accounting and financial reporting purposes into the following net asset categories:

*Invested in Capital Assets* - resources resulting from capital acquisition or construction, net of accumulated depreciation.

*Unrestricted* - net assets which are available for use of the Station.

Operating and Nonoperating Revenues

Revenues are classified as either operating or nonoperating according to standards issued by GASB. Operating revenues for the Station include underwriting. Nonoperating revenues include grants, gifts, University allocations, and investment earnings.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011 and 2010

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

The Station's policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as cash payments. The expense and the related liability are recognized as vacation benefits as earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the date of the balance sheet.

**NOTE B - CASH AND CASH EQUIVALENTS**

Cash is pooled with the Sponsored Programs Foundation. The Sponsored Program Foundation maintains their cash deposits in local banks. As of June 30, 2011 and 2010, cash balances on deposit with local financial institutions were in excess of the FDIC/FSLIC maximums of \$250,000 and were uninsured and uncollateralized by the financial institutions. Management of the Sponsored Program Foundation periodically assesses the financial condition of the institutions and believes that the Sponsored Program Foundation is not exposed to any significant credit risk related to cash.

Disclosures regarding uninsured and uncollateralized deposits as of June 30, 2011 and 2010 can be found in the Sponsored Program Foundation Notes to Financial Statements.

The Station's surplus operating funds are managed by the Advancement Foundation under the provisions of an agreement dated April 15, 2008 to quasi endow funds. There is no prohibition against spending the principal. It is, however, the intent of the Station to retain the principal and utilize earnings to support operations.

As of June 30, 2011 and 2010, the Station's funds held in the quasi endowment was \$105,805 and \$90,134, respectively. Details of the types and amounts of investment can be found in the Advancement Foundation Notes to Financial Statements.

The deposit and investments with the Advancement Foundation are exposed to risks that have the potential to result in losses. Those risks and their function are:

*Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Station 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.

*Credit Risk* - Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Station does not have a formal investment policy that would limit its choices.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of the failure of the counter party to a transaction, the Station will not be able to recover the value of investments or collateral securities that are in the possession of an outside-party. The Station does not have a formal policy for custodial credit risk.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011 and 2010

**NOTE B - CASH AND CASH EQUIVALENTS - CONTINUED**

The Station does not believe a material risk of loss exists with respect to its financial position due to these risks.

**NOTE C - DONATED FACILITIES AND ADMINISTRATIVE SUPPORT**

Donated facilities and administrative support from the University is comprised of costs for institutional support and physical plant operations. These costs are allocated financial costs incurred by the University on behalf of the Station. These amounts are recorded in the accompanying statement of revenues, expenses, and changes in net assets as revenue and offsetting expenses and were calculated based on Corporation for Public Broadcasting guidelines using the basic method. Costs for institutional support and physical plant operations are as follows:

	2011	2010
Institutional support	\$ 129,545	\$ 150,397
Physical plant operations	39,691	35,590
Total facilities and administrative support	\$ 169,236	\$ 185,987

**NOTE D - RETIREMENT PLANS AND POST RETIREMENT BENEFITS**

Station employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). Certain administrative employees of the Station participate in a defined contribution plan. Regular staff participate in the California Public Employees' Retirement Fund System. All plan disclosures can be found in the California State University Notes to the Financial Statements and the Sponsored Program Foundation Notes to Financial Statements.

**NOTE E - PROPERTY AND EQUIPMENT**

A summary of the property and equipment at June 30, 2011 and 2010 follows:

	July 1, 2010	Additions	Disposals	June 30, 2011
Computer equipment	\$ 42,292	\$ -	\$ (42,292)	\$ -
Production and broadcast equipment	352,256	72,335	(117,562)	307,029
Production and broadcast equipment (Federally funded)	60,345	-	(60,345)	-
Building and improvements	50,064	-	-	50,064
Total Property and Equipment	504,957	72,335	(220,199)	357,093
Accumulated Depreciation	(444,595)	(16,197)	220,197	(240,595)
Net Capital Assets	\$ 60,362	\$ 56,138	\$ (2)	\$ 116,498
	July 1, 2009	Additions	Disposals	June 30, 2010
Computer equipment	\$ 51,726	\$ -	\$ (9,434)	\$ 42,292
Production and broadcast equipment	371,124	-	(18,868)	352,256
Production and broadcast equipment (Federally funded)	60,345	-	-	60,345
Building and improvements	50,064	-	-	50,064
Total Property and Equipment	533,259	-	(28,302)	504,957
Accumulated Depreciation	(459,596)	(13,301)	28,302	(444,595)
Net Capital Assets	\$ 73,663	\$ (13,301)	\$ -	\$ 60,362

**FUNCTIONAL EXPENSES**

June 30, 2011 and 2010

**NOTE F - LEASES**

The Station has entered into an operating lease for a tower antenna. During the year ended June 30, 2011 the lease expense was \$15,000.

Future minimum lease payments under noncancellable operating lease agreements are as follows:

Year Ending June 30	Total Rent Due	Cash	Trade
2012	\$ 16,200	\$ 12,000	\$ 4,200
2013	17,400	12,900	4,500
	\$ 33,600	\$ 24,900	\$ 8,700

**NOTE G - TAXES**

The Internal Revenue Service has ruled that the units of the University, which include the Station, are exempt under Code Sections 115 (a). Therefore, no provision for income taxes has been made.

**NOTE H - SUBSEQUENT EVENTS**

The Station's management has evaluated its subsequent events through December 19, 2011, the date the financial statements were available to be issued.

**NOTE I - CHANGE IN CLASSIFICATION OF NET ASSETS**

Net assets reported in the previous year for the year ended June 30, 2010 included restricted net assets of \$14,419 in error. The corrected net assets for the year ended June 30, 2010 are below:

	Previously Reported	Corrected
Net Assets		
Invested in capital assets	\$ 60,362	\$ 60,362
Restricted net assets	14,419	-
Unrestricted net assets	127,717	142,136
Total Net Assets	\$ 202,498	\$ 202,498



**SUPPLEMENTARY INFORMATION**

**FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2011

	Program Services		
	Program and Production	Broadcasting	Total Program Services
Salaries, Payroll taxes, and Employee Benefits	\$ 105,103	\$ 70,918	\$ 176,021
Supplies and Other Services			
Advertising	-	-	-
Bank charges	-	-	-
Communications	3,093	721	3,814
Computer networks	-	-	-
Contractual services	6,583	16,120	22,703
Equipment	-	7,274	7,274
Events	-	-	-
Hospitality expense	-	-	-
Indirect cost expense	-	-	-
Investment services fee	-	-	-
Memberships	500	-	500
Miscellaneous	-	357	357
Operating expenses	1,276	1,119	2,395
Printing	-	26	26
Programming costs and other fees	147,500	15,299	162,799
Space rental	-	15,434	15,434
Subscriptions	600	-	600
Supplies and services	392	4,000	4,392
Telephone - Usage charges	-	4,766	4,766
Travel in state	-	305	305
Travel out of state	-	254	254
	159,944	65,675	225,619
Total Supplies and Other Services			
Depreciation	-	-	-
Donated Facilities and Administrative Support	-	-	-
Total Expenses	\$ 265,047	\$ 136,593	\$ 401,640

<u>Support Services</u>			
<u>Fund-raising and Membership</u>	<u>Management and General</u>	<u>Total Support Services</u>	<u>2011 Totals</u>
\$ 153,379	\$ 155,869	\$ 309,248	\$ 485,269
10,040	-	10,040	10,040
-	4,004	4,004	4,004
-	2,604	2,604	6,418
-	1,488	1,488	1,488
750	16,946	17,696	40,399
-	1,131	1,131	8,405
10,271	-	10,271	10,271
4,040	329	4,369	4,369
-	39,539	39,539	39,539
-	488	488	488
252	-	252	752
172	160	332	689
17,932	22,494	40,426	42,821
6,063	388	6,451	6,477
-	1,877	1,877	164,676
-	925	925	16,359
1,130	126	1,256	1,856
6,627	4,754	11,381	15,773
-	1,896	1,896	6,662
625	-	625	930
<u>1,410</u>	<u>2,213</u>	<u>3,623</u>	<u>3,877</u>
59,312	101,362	160,674	386,293
-	16,197	16,197	16,197
-	<u>169,236</u>	<u>169,236</u>	<u>169,236</u>
<u>\$ 212,691</u>	<u>\$ 442,664</u>	<u>\$ 655,355</u>	<u>\$ 1,056,995</u>

The accompanying notes to financial statements are an integral part of this statement.