

**KLCC-FM RADIO OF
LANE COMMUNITY COLLEGE**

AUDIT REPORT

Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

January 10, 2018

Board of Education
Lane Community College
Eugene, Oregon

We have audited the accompanying financial statements of KLCC-FM Radio of Lane Community College, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 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 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 KLCC-FM Radio of Lane Community College as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of KLCC-FM Radio of Lane Community College are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of Lane Community College that is attributable to the transactions of KLCC-FM Radio. They do not purport to, and do not, present fairly the financial position of Lane Community College as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kenneth. Kuhns & Co.

Kenneth Kuhns & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the radio station's annual financial performance provides an overview of the financial activities of KLCC-FM Radio of Lane Community College (KLCC) for the fiscal year ended June 30, 2017. The discussion is designed to assist the readers in understanding the accompanying financial statements through an objective and easily readable analysis of KLCC's financial activities.

Overview of the Basic Financial Statements

The discussion and analysis serves as an introduction to KLCC's basic entity-wide financial statements. The entity-wide presentation is designed to provide readers with a broad overview of KLCC's finances, in a manner similar to a private sector business. These financial statements focus on KLCC's overall financial condition, its results of operations and its cash flows. The entity-wide statements are comprised of the following:

- The **Statement of Net Position** presents KLCC's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position are indicators of the improvement or erosion of KLCC's financial condition. Assets and liabilities are generally measured using current values; capital assets are stated at historical cost, less an allowance for depreciation.
- The **Statement of Activities** presents the revenues earned and the expenses incurred during the year. Revenues and expenses are generally reported using the accrual method of accounting, which records transactions as soon as they occur, regardless when cash is exchanged. Usage of capital assets is reported as depreciation expense, which amortizes the cost of the assets over their estimated useful lives. Revenues and expenses are reported as either operating or non-operating. Primary source of operating revenue is underwriting and grants and contracts for specific operating activities of KLCC. Contributions and Lane Community College support are classified as non-operating revenues.
- The **Statement of Cash Flows** presents information on cash flows from operating activities, non-capital financing activities, capital financing activities and investing activities. It provides the net increase or decrease in cash between the beginning and end of the fiscal year. This statement assists in evaluating financial viability and KLCC's ability to meet financial obligations as they become due.
- The **Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

Financial Highlights

- KLCC finished fiscal year 2017 with a \$13,148 change in net position. This is the third consecutive year KLCC ended the year with a financial surplus after two years operating at a deficit. The change is attributable to cost containment of expenses and increased revenues.
- KLCC finished fiscal year 2017 with the highest membership and underwriting revenue in the station's 50-year history.
- KLCC created a non-profit corporation, the KLCC Community Support Board, to assist the station with fundraising including soliciting major gifts and acquiring grants. The Community Support Board has been activated and applied to the IRS for tax deductible status.

Analysis of the Statement of Net Position

The Statement of Net Position includes all assets and liabilities of KLCC using the accrual basis of accounting. Net position is the difference between assets and liabilities. It is an important measure of the financial condition of KLCC.

	June 30,		
	2017	2016	2015
Assets:			
Cash and cash equivalents	\$ 824,797	\$ 828,407	\$ 728,500
Other current assets	12,125	6,835	318
Capital assets, net of accumulated depreciation	<u>1,445,559</u>	<u>1,516,274</u>	<u>1,586,990</u>
Total Assets	<u><u>\$ 2,282,481</u></u>	<u><u>\$ 2,351,516</u></u>	<u><u>\$ 2,315,808</u></u>
Liabilities	<u>\$ 74,613</u>	<u>\$ 156,796</u>	<u>\$ 155,782</u>
Net Positions:			
Invested in capital assets	1,445,559	1,516,274	1,586,990
Unrestricted	<u>762,309</u>	<u>678,446</u>	<u>573,036</u>
Total net position	<u><u>2,207,868</u></u>	<u><u>2,194,720</u></u>	<u><u>2,160,026</u></u>
Total liabilities and net position	<u><u>\$ 2,282,481</u></u>	<u><u>\$ 2,351,516</u></u>	<u><u>\$ 2,315,808</u></u>

At June 30, 2017 KLCC's current assets of \$836.9 thousand was sufficient to cover KLCC's current liabilities of \$74.6 thousand. This represents a current ratio of 11.2. Current assets consist primarily of cash and cash equivalents. Also included in noncurrent assets are capital assets (land, buildings, machinery and equipment) net of accumulated depreciation used to provide services.

Current liabilities consist of accounts payable, unearned revenue and compensated absences. Accrued vacation was \$43.6 thousand or 58% of total liabilities in 2016, \$84.3 thousand or 54% of total liabilities in 2016, and \$110.7 thousand or 71% in 2015.

Within Net Position, the "invested in capital assets" amount of \$1.4 million represents the total original cost of all of KLCC's land, buildings, machinery and equipment and infrastructure, less total accumulated depreciation on these assets.

*KLCC-FM Radio of Lane Community College
For years ended June 30, 2017 and 2016*

Analysis of the Statement of Activities

The Statement of Activities presents the operating results of KLCC as well as the non-operating revenues and expenses.

	Years Ended June 30,		
	2017	2016	2015
Revenues:			
Underwriting	\$ 655,214	\$ 651,924	\$ 609,612
Grants and contracts	260,254	238,545	297,138
In-kind contributions	37,482	34,385	37,180
Contributions and membership	1,104,030	1,011,632	943,026
Lane Community College:			
General appropriation	276,652	245,840	244,339
Donated facilities and administrative support	352,888	344,218	317,669
Interest income	4,303	3,533	3,442
Total revenues	<u>2,690,823</u>	<u>2,530,077</u>	<u>2,452,406</u>
Expenses:			
Program services	1,329,440	1,245,117	1,281,881
Supporting services	1,277,520	1,179,550	1,088,640
Depreciation	70,715	70,716	70,715
Total expenses	<u>2,677,675</u>	<u>2,495,383</u>	<u>2,441,236</u>
Change in net position	13,148	34,694	11,170
Net position - beginning of year	<u>2,194,720</u>	<u>2,160,026</u>	<u>2,148,856</u>
Net position - end of year	<u><u>\$ 2,207,868</u></u>	<u><u>\$ 2,194,720</u></u>	<u><u>\$ 2,160,026</u></u>

Revenues:

Total operating revenues, which exclude College appropriations, of KLCC for fiscal years 2017, 2016 and 2015 were \$952.9 thousand, \$924.9 thousand and \$943.9 thousand. The primary source of operating revenue was from underwriting. Underwriting revenues stayed relatively equal over last year.

Non-operating revenues for fiscal year 2017 were \$1.7 million which is an 8% increase over 2016. Contributions and membership is the largest share at \$1.1 million.

Total 2017 revenues show an increase of 6.4% over 2016 and 9.7% over 2015.

Expenses:

Total expenses of KLCC for the fiscal years were \$2.7 million for 2017, \$2.5 million for 2016 and \$2.4 million for 2015. Depreciation expense remained the same at \$70 thousand. Program expenses increased \$84,323 thousand or 6.8% from 2016 and \$47,559 or 3.7% from 2015.

Total 2017 expenses show an increase of 7.3% over 2016 and a decrease of 9.7% over 2015.

Analysis of the Statement of Cash Flows

This statement provides an assessment of the financial health of KLCC. Its primary purpose is to provide relevant information about the cash receipts and cash payments of KLCC during a stated period. The statement of cash flows also helps users assess the ability of KLCC to meet obligations as they become due and the need for external financing.

In summary from the cash flows for the year were:

	<u>Years Ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash Provided by (Used In):			
Operating Activities	\$ (1,388,595)	\$ (1,161,098)	\$ (1,167,992)
Noncapital Financing Activities	1,380,682	1,257,472	1,187,365
Investing Activities	4,303	3,533	3,442
Net increase (decrease) in cash	<u>(3,610)</u>	<u>99,907</u>	<u>22,815</u>
Cash - Beginning of year	<u>828,407</u>	<u>728,500</u>	<u>705,685</u>
Cash - End of year	<u><u>\$ 824,797</u></u>	<u><u>\$ 828,407</u></u>	<u><u>\$ 728,500</u></u>

The major sources of cash from operating activities include receipts from underwriting. Major uses were payments made to employees, employee benefit programs and vendors.

Contributions and membership and receipts from Lane Community College are the primary source of non-capital financing. Accounting standards require that KLCC reflect these sources of revenue as non-operating even though KLCC's budget depends on these revenues for ongoing operations.

Requests for Information

This financial report is designed to provide a general overview of KLCC-FM Radio of Lane Community College. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

College Finance
Lane Community College
4000 East 30th Avenue
Eugene, Oregon 97405-0640

BASIC FINANCIAL STATEMENTS

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Statement of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 824,797	\$ 828,407
Prepaid expenses	12,125	6,835
Capital assets, net of accumulated depreciation	<u>1,445,559</u>	<u>1,516,274</u>
Total assets	<u>2,282,481</u>	<u>2,351,516</u>
<u>Liabilities</u>		
Accounts payable	585	27,063
Unearned revenue	30,432	45,472
Compensated absences	<u>43,596</u>	<u>84,261</u>
Total liabilities	<u>74,613</u>	<u>156,796</u>
<u>Net Position</u>		
Invested in capital assets	1,445,559	1,516,274
Unrestricted	<u>762,309</u>	<u>678,446</u>
Total net position	<u><u>\$ 2,207,868</u></u>	<u><u>\$ 2,194,720</u></u>

The accompanying notes are an integral part of this statement.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Statement of Activities
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Underwriting	\$ 655,214	\$ 651,924
Corporation for Public Broadcasting grant	260,254	238,545
In-kind contributions	<u>37,482</u>	<u>34,385</u>
Total operating revenues	<u>952,950</u>	<u>924,854</u>
Operating expenses:		
Program services:		
Programming and production	1,029,622	973,997
Broadcasting	271,240	248,135
Program information	<u>28,578</u>	<u>22,985</u>
Total program services	<u>1,329,440</u>	<u>1,245,117</u>
Supporting services:		
Management and general	701,573	644,524
Fund raising and membership development	390,346	363,307
Underwriting and grant solicitation	<u>185,601</u>	<u>171,719</u>
Total supporting services	<u>1,277,520</u>	<u>1,179,550</u>
Depreciation	<u>70,715</u>	<u>70,716</u>
Total operating expenses	<u>2,677,675</u>	<u>2,495,383</u>
Operating loss	<u>(1,724,725)</u>	<u>(1,570,529)</u>
Nonoperating revenues:		
Contributions and membership	1,104,030	1,011,632
Lane Community College:		
General appropriation	276,652	245,840
Donated facilities and administrative support	352,888	344,218
Interest income	<u>4,303</u>	<u>3,533</u>
Total nonoperating revenues	<u>1,737,873</u>	<u>1,605,223</u>
Change in net position	13,148	34,694
Net position - beginning of year	<u>2,194,720</u>	<u>2,160,026</u>
Net position - end of year	<u><u>\$ 2,207,868</u></u>	<u><u>\$ 2,194,720</u></u>

The accompanying notes are an integral part of this statement.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Statement of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from underwriting	\$ 655,214	\$ 651,924
Receipts from grants and contracts	245,214	239,560
Payments to employees for services	(1,448,834)	(1,352,522)
Payments to suppliers for goods and services	<u>(840,189)</u>	<u>(700,060)</u>
Net cash used in operating activities	<u>(1,388,595)</u>	<u>(1,161,098)</u>
Cash flows from non-capital financing activities:		
Receipts from contributions and membership	1,104,030	1,011,632
Receipts from Lane Community College general appropriation	<u>276,652</u>	<u>245,840</u>
Net cash provided by non-capital financing activities	<u>1,380,682</u>	<u>1,257,472</u>
Cash flows from investing activities:		
Interest on investments	<u>4,303</u>	<u>3,533</u>
Net increase-(decrease) in cash and cash equivalents	(3,610)	99,907
Cash and cash equivalents - beginning of year	<u>828,407</u>	<u>728,500</u>
Cash and cash equivalents - end of year	<u><u>\$ 824,797</u></u>	<u><u>\$ 828,407</u></u>
Noncash investing, capital and financing activities:		
Donated facilities and administrative support revenue	<u><u>\$ 352,888</u></u>	<u><u>\$ 344,218</u></u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (1,724,725)</u>	<u>\$ (1,570,529)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Donated facilities and administrative support expense	352,888	344,218
Depreciation	70,715	70,716
Decrease-(increase) in prepaid expenses	(5,290)	(6,517)
Increase-(decrease) in:		
Accounts payable	(26,478)	26,391
Unearned revenue	(15,040)	1,015
Compensated absences	<u>(40,665)</u>	<u>(26,392)</u>
Total adjustments	<u>336,130</u>	<u>409,431</u>
Net cash used in operating activities	<u><u>\$ (1,388,595)</u></u>	<u><u>\$ (1,161,098)</u></u>

The accompanying notes are an integral part of this statement.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2017 and 2016

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of KLCC-FM Radio of Lane Community College have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Station's accounting policies are described below.

(A) Organization and Operation

KLCC-FM Radio is operated by Lane Community College (the institutional licensee). Lane Community College records the transactions of the Station within the College's financial statements. Because the Station's financial statements present only a selected portion of the activities of Lane Community College, they are not intended to and do not present the financial position, changes in financial position and cash flows of the College as a whole.

(B) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Station's ongoing operations. The principal operating revenues of the Station are underwriting and grants and contracts for specific operating activities of the Station. Operating expenses include the cost of program services and support services, and depreciation on capital assets. Other revenues, typically from non-exchange transactions, such as the appropriation from Lane Community College and contributions and memberships, are not generated from operations and are considered nonoperating revenues.

(C) Cash and Cash Equivalents

Cash balances of the Station are pooled in bank accounts maintained by Lane Community College. For purposes of the statement of cash flows, cash and cash equivalents include the Station's portion of the College's pooled accounts. The pooled accounts have the general characteristics of a demand deposit account.

Notes to Financial Statements
Years Ended June 30, 2017 and 2016

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(D) Capital Assets

Capital assets include broadcasting rights and equipment with a useful life greater than one year. The Station's capitalization threshold is \$10,000 for all capital assets. Donated assets are recorded at their fair market value on the date donated. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add value or functionality to the asset are not capitalized, but are expensed as incurred.

Capital assets are depreciated using the straight-line method over a 5 to 25 year estimated life.

(E) Unearned Revenue

Unearned revenue consists of amounts received from grants in excess of amounts expended.

(F) Compensated Absences

Vacation payable is expected to be paid with future resources and is recorded in the government-wide financial statements as earned by employees.

(G) Indirect Administrative Support

Indirect administrative support consists of allocated support service costs and plant operation costs incurred by the College on behalf of the Station. These costs are recorded as revenues and expenditures by the Station at estimated fair values.

(H) Restrictions

When restricted and unrestricted resources are available for use, restricted resources are used first.

(I) Use of Estimates

The preparation of financial statements in accordance with 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2 - CASH AND INVESTMENTS:

Cash and investments are included in the Lane Community College cash and investments pool. Readers of these financial statements are referred to the College's comprehensive annual financial report for information regarding the extent deposits at the College are collateralized.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
Years Ended June 30, 2017 and 2016

3 - CAPITAL ASSETS:

The following is a summary of changes in the Station's capital assets during the fiscal years:

Year Ended June 30, 2017:	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 320,613	\$ -	\$ -	\$ 320,613
Broadcasting rights	75,000	-	-	75,000
Total capital assets not being depreciated	<u>395,613</u>	<u>-</u>	<u>-</u>	<u>395,613</u>
Capital assets being depreciated:				
Building	1,137,034	-	-	1,137,034
Equipment	688,252	-	-	688,252
Total capital assets being depreciated	<u>1,825,286</u>	<u>-</u>	<u>-</u>	<u>1,825,286</u>
Accumulated depreciation	<u>704,625</u>	<u>70,715</u>	<u>-</u>	<u>775,340</u>
Total capital assets being depreciated, net	<u>1,120,661</u>	<u>(70,715)</u>	<u>-</u>	<u>1,049,946</u>
Net capital assets	<u>\$ 1,516,274</u>	<u>\$ (70,715)</u>	<u>\$ -</u>	<u>\$ 1,445,559</u>
Year Ended June 30, 2016:	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 320,613	\$ -	\$ -	\$ 320,613
Broadcasting rights	75,000	-	-	75,000
Total capital assets not being depreciated	<u>395,613</u>	<u>-</u>	<u>-</u>	<u>395,613</u>
Capital assets being depreciated:				
Building	1,137,034	-	-	1,137,034
Equipment	688,252	-	-	688,252
Total capital assets being depreciated	<u>1,825,286</u>	<u>-</u>	<u>-</u>	<u>1,825,286</u>
Accumulated depreciation	<u>633,909</u>	<u>70,716</u>	<u>-</u>	<u>704,625</u>
Total capital assets being depreciated, net	<u>1,191,377</u>	<u>(70,716)</u>	<u>-</u>	<u>1,120,661</u>
Net capital assets	<u>\$ 1,586,990</u>	<u>\$ (70,716)</u>	<u>\$ -</u>	<u>\$ 1,516,274</u>

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
Years Ended June 30, 2017 and 2016

4 - OPERATING LEASES:

The Station is obligated under noncancelable operating leases for tower facilities and paid \$51,320 in rent during the 2016-17 fiscal year. The following is a schedule of estimated future minimum rental payments:

2017-18	\$ 24,307
2018-19	21,944
2019-20	21,149
2020-21	2,402