

**KRCC – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE COLORADO COLLEGE**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**KRCC – FM RADIO
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THE COLORADO COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Colorado College and KRCC – FM Radio Station
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of KRCC – FM Radio (the Station), a public telecommunications entity operated by The Colorado College, which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Auditors' 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 audit 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 auditors' 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.

Board of Trustees
The Colorado College and KRCC – FM Radio Station

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 12, 2020

KRCC – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE COLORADO COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Accounts receivable (net of allowance for doubtful accounts of \$37,047 and \$39,386 in 2020 and 2019, respectively)	35,829	27,421
Inventories	2,594	2,060
Prepaid expenses	72,913	30,463
Total current assets	111,336	59,944
Equipment		
Broadcasting/transmission	219,401	219,401
Studio/programming production	31,480	31,480
Less: Accumulated depreciation	(233,980)	(229,667)
Total equipment	16,901	21,214
Total assets	\$ 128,236	\$ 81,158
Liabilities and Net Assets (DEFICIT)		
Current Liabilities		
Due to The Colorado College/CPR	\$ 231,588	\$ 301,876
Accounts payable	500	64
Accrued liabilities	6,226	31,526
Deferred revenue	34,636	37,158
Total current liabilities	272,950	370,624
Net Deficit		
Without Donor Restrictions	(144,714)	(289,466)
Total liabilities and net deficit	\$ 128,236	\$ 81,158

See accompanying Notes to Financial Statements.

KRCC – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE COLORADO COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Revenues, Gains and Other Support		
Underwriting	\$ 605,325	\$ 566,122
Membership/subscriptions	915,121	886,517
Donated administrative services	418,844	381,057
Grants	258,963	165,350
Contribution from The Colorado College	227,079	100,000
Sponsorship	-	3,900
Miscellaneous income	53,997	70,791
Total revenues, gains and other support	2,479,329	2,173,737
Expenses		
Program services		
Local programming and production	1,208,056	1,166,046
Total program services	1,208,056	1,166,046
Support services		
Management and general	769,919	649,522
Fundraising and membership development	356,602	361,561
Total expenses	2,334,577	2,177,129
Change in Net Assets	144,752	(3,392)
Net Deficit, Beginning of Year	(289,466)	(286,074)
Net Deficit, End of Year	\$ (144,714)	\$ (289,466)

See accompanying Notes to Financial Statements.

KRCC – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE COLORADO COLLEGE
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020

	<u>Program Services</u>		<u>Support Services</u>		
	<u>Local Programming and Production</u>	<u>Management and General</u>	<u>Fundraising and Membership Development</u>	<u>Total Support Services</u>	<u>Total Expenses</u>
Salaries					
Administrative	\$ 518,355	\$ 62,275	\$ 129,006	\$ 191,281	\$ 709,636
Student	1,569	-	-	-	1,569
Part-time	10,097	-	25,095	25,095	35,192
Fringe benefits	177,785	(10,956)	33,178	22,222	200,007
Donated services, facilities and administrative support	41,555	377,289	-	377,289	418,844
Professional services	18,885	57,465	82,497	139,962	158,847
Supplies and materials	1,135	8,104	55	8,159	9,294
Postage	7	-	21,774	21,774	21,781
Telephone	-	22,103	-	22,103	22,103
Printing and publications	-	408	727	1,135	1,135
Travel/meetings/conferences	8,149	15,723	6,607	22,330	30,479
Advertising	18,366	4,581	27,774	32,355	50,721
Bad debts	-	10,437	-	10,437	10,437
Maintenance and repairs	-	4,857	-	4,857	4,857
Dues and memberships	412,151	20,804	25,156	45,960	458,111
Equipment	-	33,667	230	33,897	33,897
Rental expense	-	155,540	4,228	159,768	159,768
Utilities	-	3,309	275	3,584	3,584
Depreciation	-	4,313	-	4,313	4,313
Total	<u>\$ 1,208,054</u>	<u>\$ 769,919</u>	<u>\$ 356,602</u>	<u>\$ 1,126,521</u>	<u>\$ 2,334,575</u>

See accompanying Notes to Financial Statements.

KRCC – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE COLORADO COLLEGE
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019

	Program Services		Support Services			Total Expenses
	Local Programming and Production	Management and General	Fundraising and Membership Development	Total Support Services		
Salaries						
Administrative	\$ 518,125	\$ -	\$ 99,411	\$ 99,411	\$ 617,536	
Student	1,688	-	-	-	1,688	
Part-time	28,021	-	29,376	29,376	57,397	
Fringe benefits	182,104	(5,788)	34,523	28,735	210,839	
Donated services, facilities and administrative support	41,555	339,502	-	339,502	381,057	
Professional services	5,940.00	13,337	95,139	108,477	114,417	
Supplies and materials	2,161	723	773	1,495	3,656	
Postage	-	47	28,475	28,522	28,522	
Telephone	347	15,015	87	15,102	15,449	
Printing and publications	-	461	2,666	3,127	3,127	
Travel/meetings/conferences	7,475	9,176	17,246	26,421	33,896	
Advertising	27,024	1,150	34,384	35,534	62,558	
Bad debts	-	61,305	-	61,305	61,305	
Maintenance and repairs	-	8,350	-	8,350	8,350	
Dues and memberships	351,683	89,075	13,295	102,369	454,052	
Equipment	(224)	10,852	-	10,852	10,628	
Rental expense	147	100,547	6,188	106,734	106,881	
Utilities	-	1,458	-	1,458	1,458	
Depreciation	-	4,313	-	4,313	4,313	
Total	<u>\$ 1,166,046</u>	<u>\$ 649,522</u>	<u>\$ 361,561</u>	<u>\$ 1,011,083</u>	<u>\$ 2,177,129</u>	

See accompanying Notes to Financial Statements.

KRCC – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE COLORADO COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Activities		
Change in net assets	\$ 144,752	\$ (3,392)
Items not requiring operating activities cash flows		
Depreciation	4,313	4,313
Provision for bad debt	10,437	61,305
Contribution from The Colorado College/CPR	(227,079)	(100,000)
Changes in		
Accounts receivable	(18,845)	(26,714)
Inventories	(534)	5,455
Prepaid expenses	(42,450)	12,566
Accounts payable	436	(15,136)
Accrued liabilities	(25,300)	(11,477)
Deferred revenue	(2,522)	(243)
Net cash used in operating activities	(156,791)	(73,322)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to The Colorado College/CPR	156,791	73,322
Increase in Property and Equipment	-	-
Net cash provided by investing activities	156,791	73,322
Net Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	\$ -	\$ -
Non-Cash Activities		
In-kind goods and services	\$ 418,676	\$ 454,201

See accompanying Notes to Financial Statements.

**KRCC – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE COLORADO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Organization

KRCC-FM Radio (the Station) is a National Public Radio member station operated by the licensee, The Colorado College (the College). For the period July 1, 2019 – January 31, 2020, the Station is included in the College's financial statements as a part of its general operations.

In January 2020, the College entered into a public service agreement with Public Broadcasting of Colorado, Inc. (CPR), effective February 1, 2020. CPR will operate the Station on behalf of the licensee for a period of ten years. The financial statements represent the operations of the Station with the transactions between KRCC and CPR eliminated. CPR has directly hired a number of the Station staff and intends to hire the remainder of the staff directly in early fiscal year 2021. While CPR will operate KRCC, the College still holds the FCC license.

KRCC is exempt from federal income tax as part of the College's exemption under Internal Revenue Code (IRC) Section 501(c)(3). The Station's revenues are predominately earned from underwriting, membership/subscriptions, donations, and grants.

Due to/from The Colorado College/ CPR

The College and CPR provide cash for programming and support service activities for the Station. The amounts held by the College or CPR on behalf of the Station are reported as due to/from The Colorado College/CPR on the statement of financial position. Amounts due represent cash used in support of the Station's operations.

Contribution from Colorado College

During the years ended June 30, 2020 and 2019, the College provided cash of \$227,079 and \$100,000, respectively, in support of the Station, which was recorded as a reduction in the amount due to the College and contribution revenue in the accompanying financial statements.

Accounts Receivable

Accounts receivable primarily consist of amounts due for underwriting from various businesses and organizations. The Station provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Interest is not accrued on unpaid accounts. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

**KRCC – FM RADIO
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THE COLORADO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories primarily consist of coupons and prizes received in exchange for services or donated to the Station. The Station uses them for fundraising projects. Inventories are recorded at fair value at the time of donation using the specific identification method. Inventories that are not donated to the Station are recorded at cost.

Equipment

Equipment is recorded at cost or, if donated, at the estimated fair market value at date of donation. Depreciation is provided over the estimated useful life of the assets (seven years) using the straight-line method.

To qualify as capital expenses, costs must (1) be significant in amount; (2) provide benefit to the Station over more than one accounting period; and (3) increase the productive capacity or useful life of the asset. Costs that meet all three criteria are added to the value of the affected asset and depreciated over the remaining useful life of that asset. Costs that do not meet all three criteria will be expensed in the operating period in which they occur. To be considered significant in amount, an improvement, renovation, or restoration project must have total costs greater than or equal to \$25,000. Purchased and donated furniture and equipment items must have a value of \$5,000 or more at the date of acquisition or donation to be considered for capitalization.

Deferred Revenue

Deferred revenue represents payments received prior to the start of performance obligations to be met in the following fiscal year as obligations are completed. The following table details activity for deferred revenue.

	<u>Cash Underwriting</u>	<u>Trade Underwriting</u>	<u>Total</u>
Balance at June 30, 2018	\$ 36,771	\$ 630	\$ 37,401
Revenue recognized, deposits applied/forfeited	(20,116)	(630)	(20,746)
Payments received for future performance obligations	16,754	3,749	20,503
Balance at June 30, 2019	<u>\$ 33,409</u>	<u>\$ 3,749</u>	<u>\$ 37,158</u>
Revenue recognized, deposits applied/forfeited	(33,409)	(3,749)	(37,158)
Payments received for future performance obligations	27,039	7,597	34,636
Balance at June 30, 2020	<u><u>\$ 27,039</u></u>	<u><u>\$ 7,597</u></u>	<u><u>\$ 34,636</u></u>

**KRCC – FM RADIO
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THE COLORADO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contracts with Customers

KRCC's performance obligation serves those seeking knowledge and an authentic connection to Southern Colorado and the world at large through rigorous reporting, impactful storytelling and thoughtful music curation.

The following table shows underwriting and other support disaggregated according to the timing of the transfer of goods or services and by source.

Contract Revenue Recognized over Time	Year ended June 30, 2020	Year ended June 30, 2019
Underwriting	\$ 605,325	\$ 566,122
Membership/Subscription	<u>915,121</u>	<u>886,517</u>
Total Underwriting, Membership/Subscription	<u>\$ 1,520,446</u>	<u>\$ 1,452,639</u>

Underwriting support is recognized as revenue when the underwriting message is broadcast. Underwriting payments and support received in advance are reported as deferred revenue.

Membership/Subscription is recognized as revenue in the period received.

The Station reports gifts of cash and other assets received without donor stipulations as revenue and net assets without donor restriction. Gifts received with donor stipulations that limit their use are reported as with donor restricted revenue and net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by donors and for which the restriction is met in the same reporting period are reported as with donor restrictions and then released from restriction. For the years ended June 30, 2020 and 2019, the Station received no donor restricted gifts.

The Station reports gifts of land, buildings, and equipment as without donor restricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated administrative services are comprised of contributed services by the College and are valued at approximately fair value of the services rendered. In addition, the College has contributed rental space and utilities. An amount equal to the contribution amount is also recorded as expense. For fiscal years 2020 and 2019, total contributed services from the College were \$418,844 and \$381,057, respectively.

The Station receives goods for advertising services provided to local vendors. It is the policy of the Station to record the estimated fair value of the goods as an expense in its financial statements, and similarly increase underwriting revenue by a like amount. For the years ended June 30, 2020 and 2019, \$-0- and \$73,144, respectively, was received in goods in return for advertising services.

Grants

Support funded by grants is recognized as the Station performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements (performance barrier met). Certain grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. During the fiscal year ended June 30, 2020, the Station received \$75,000 of emergency stabilization funds designated for public media included in the CARES Act from the Corporation for Public Broadcasting (CPB). The funds were designated as unrestricted and have no specific expenditure period.

Advertising Costs

The Station expenses the cost of advertising the first time advertising takes place. Advertising expense for the years ended June 30, 2020 and 2019 was \$50,721 and \$62,558, respectively.

Functional Allocation of Expenses

Costs of providing the various programs, support services, and other activities have been either directly charged to, or allocated among, programs and supporting activities. Costs not directly charged are allocated on a pro-rata basis to benefitting programs and supporting services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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THE COLORADO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 PENSION PLANS

All employees of the Station through the College with one year of service are eligible to participate in a defined contribution retirement plan administered by Teachers Insurance and Annuity Association/College Retirement Equities Fund. Upon the attainment of age 30, eligible employees are required to participate and make contributions equivalent to 5% of their salary. For employees hired before July 1, 1991, the Station contributes 6% of salary up to the first half of the median faculty/administrator salary and 11% of the balance of their salary. The Station contributes 10% of salary for all other employees. Total pension expense was \$54,597 and \$51,513 for the years ended June 30, 2020 and 2019, respectively. With regards to CPR's benefits; all employees of the stations are eligible to participate in elective deferrals on their first day of employment in the 403(b) plan. Employees are eligible for Company matching contributions of 100% of the first 5% compensation that a participant contributes to the Plan, after obtaining one year of the eligible services for those who work more than 20 hours per week.

NOTE 3 COMMITMENTS

Leases

The Station and the College had an agreement whereby the Station rented their location from the College for \$1,823 per month on a month-to-month basis. During the year ended June 30, 2019 and until January 31, 2020, the College provided in-kind support in lieu of charging rent. In-kind rental expense for the location was \$12,761 and \$21,876 for the years ended June 30, 2020 and 2019, respectively. In-kind rent expense has been included in donated services, facilities, and administrative support in the accompanying schedule of functional expenses. With the public service operating agreement, a new occupancy and use agreement was executed, such that CPR would rent Station space for \$6,000 per month.

The Station also leases tower space for various translators under operating leases with third parties. Operating lease expense under these leases was \$111,980 and \$100,547 for the years ended June 30, 2020 and 2019, respectively. Following is a schedule of future minimum lease payments under the operating leases as of June 30, 2020:

2021	137,318
2022	68,894
2023	65,265
2024	64,132
2025	66,697
Thereafter	69,369
Total	<u>\$ 471,675</u>

**KRCC – FM RADIO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 LIQUIDITY

For the years ended June 30, 2020 and 2019, the Station has financial assets available within one year of the balance sheet date consisting of accounts receivable of \$35,829 and \$27,421, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The College and CPR lend support to programming and support service activities for the Station. During the years ended June 30, 2020 and 2019, the College provided \$227,079 and \$100,000 in support of the Station to cover liquidity needs.

NOTE 5 SIGNIFICANT ESTIMATES AND CONCENTRATIONS

The Station received approximately 26% and 22% of its revenue from the College in the form of donated services and contributions for the years ended June 30, 2020 and 2019, respectively.

NOTE 6 INCOME TAXES

The Station as part of the College is exempt from federal income taxes under Section 501(c)(3) of the IRC. The Station has adopted the requirements related to accounting for uncertain tax positions. The Station evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2020 and 2019.

NOTE 7 RISKS AND UNCERTAINTIES

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Station, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Station is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 8 SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 12, 2021, which is the date the financial statements were available to be issued.