

**KMUW-FM Radio**  
(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

**Financial Statements and  
Independent Auditor's Report**

**June 30, 2017 and 2016**



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## Independent Auditor's Report

Wichita State University Management  
KMUW-FM Radio  
(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

We have audited the accompanying financial statements of KMUW-FM Radio (a public telecommunications entity operated by Wichita State University, a component unit of the State of Kansas), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position 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 Corporation for Public Broadcasting principles of accounting and financial reporting for public telecommunications entities and 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 opinions 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 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 opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KMUW-FM Radio as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with Corporation for Public Broadcasting principles of accounting and financial reporting for public telecommunications entities and accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Emphasis of Matter***

As discussed in Note A, the financial statements present only KMUW-FM Radio, a department of Wichita State University, and do not purport to, and do not present fairly the financial position of the Wichita State University, as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable, 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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.

### ***Other Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 20 and 21, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Regina Can & Monroe, L.L.P.*

January 10, 2018  
Wichita, Kansas

# KMUW-FM Radio

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended June 30, 2017 and 2016

### INTRODUCTION

This report, Management's Discussion and Analysis, provides an overview of the financial position and results of activities of KMUW-FM Radio (hereinafter "KMUW" or "the station") for the year ended June 30, 2017, with comparative information for the year ended June 30, 2016. It has been prepared by management and is required supplemental information to the financial statements that follow. The objective of this report is to help readers of the financial statements better understand KMUW's financial position and operating activities for the year ended June 30, 2017.

Wichita State University follows Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. This statement established standards for the preparation of public college and university financial statements. As a department of Wichita State University, KMUW also follows GASB Statement No. 35.

KMUW is one of more than 950 listener-supported, noncommercial radio stations, operated by over 400 separate licensees in the United States generally described as "public radio." Licensed to Wichita State University, KMUW operates at 100,000 watts at 89.1 FM with a schedule of programming rich in news, information, music, arts and ideas. KMUW's mission is to serve as a trusted source of local, national and world news, providing its audience with a broad discussion of ideas and a distinctive blend of diverse music and entertainment, while operating as a significant public service of Wichita State University.

Wichita State University is a comprehensive public institution of higher education with approximately 15,000 students and 600 faculty members. The university offers 60 undergraduate degree programs in more than 200 areas of study in six undergraduate colleges, and its graduate school offers an extensive program including more than 50 master's degrees and several doctoral degrees. The university is an agency of the State of Kansas and is governed by the Kansas Board of Regents. The State of Kansas issues its own financial statements, which include the financial activities of the state's university system.

## USING THE FINANCIAL STATEMENTS

KMUW's financial report includes three financial statements: the Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. Each of these financial statements, along with highlights related to each, will be discussed in the sections that follow.

### STATEMENTS OF NET POSITION

The Statements of Net Position present KMUW's financial position as of June 30, 2017 and 2016. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is net position, an indicator of financial condition. As of June 30, 2017, the station's net position was \$1,802,715. KMUW's financial position is sound.

### SUMMARY STATEMENTS OF NET POSITION

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 511,619	\$ 499,957
Capital assets, net of depreciation	938,998	1,045,216
Other assets	<u>482,176</u>	<u>424,406</u>
Total assets	1,932,793	1,969,579
Liabilities	<u>130,078</u>	<u>197,750</u>
Net position:		
Investment in capital assets	938,998	1,045,216
Unrestricted	<u>863,717</u>	<u>726,613</u>
Total net position	<u><u>\$ 1,802,715</u></u>	<u><u>\$ 1,771,829</u></u>

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position serve as "income statements" and present the results of KMUW's financial activity for the years ending June 30, 2017 and 2016. GASB principles require the categorization of revenues and expenses as either operating or nonoperating with university support falling in the nonoperating category. Since university support comprises a significant part of the station's revenues each year, the reader of the financial statements should focus on the change in net position rather than the operating loss. The summary that follows illustrates this point.

**SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>2017</u>	<u>2016</u>
Memberships, underwriting and gifts	\$ 1,752,838	\$ 1,192,163
Grants and contracts	212,411	300,116
Other	<u>159,379</u>	<u>124,751</u>
Total operating revenues	2,124,628	1,617,030
Expenses:		
Program expenses	1,543,856	1,553,112
Supporting services	<u>1,354,145</u>	<u>1,209,699</u>
Total expenses	<u>2,898,001</u>	<u>2,762,811</u>
Operating loss	(773,373)	(1,145,781)
Support from Wichita State University	794,030	1,348,404
Investment earnings (loss)	<u>10,229</u>	<u>(2,425)</u>
Change in net position	<u>\$ 30,886</u>	<u>\$ 200,198</u>

Our member numbers increased to 4,113 in 2017 from 3,781 in 2016 which helped boost member financial support. More information about financial matters follows in the Economic Environment section.

**STATEMENTS OF CASH FLOWS**

The Statements of Cash Flows provide additional information about KMUW's financial results by reporting the major sources and uses of cash. GASB principles promulgate four major sources of cash flows: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. Cash inflows from state appropriations are critical to funding station operations, but, as noted previously, GASB principles require they be reported as nonoperating cash flows.

**SUMMARY STATEMENTS OF CASH FLOWS**

	<u>2017</u>	<u>2016</u>
Cash flows used in operating activities	\$ (359,718)	\$ (669,202)
Cash flows from noncapital financing activities - appropriations	365,972	941,385
Cash flows from capital activates - purchase of capital equipment	-	(792,278)
Cash flows from investing activities	<u>5,408</u>	<u>5,096</u>
Net change in cash and cash equivalents	<u>\$ 11,662</u>	<u>\$ (514,999)</u>

The indirect administrative support reported as nonoperating revenue on the Statements of Revenues, Expenses and Changes in Net Position is an estimate of the value of facilities and services KMUW received during each year from Wichita State University.

This value is determined in accordance with CPB guidelines. Its absence from the Statements of Cash Flows highlights the fact that this is noncash support.

## **CAPITAL ASSETS**

Wichita State University and KMUW invested in a new broadcast facility in the Old Town area of downtown Wichita, with station personnel and operations moving April 25, 2016. The financial statements reflect the university's additional appropriations for this purpose. There were no additional investments in capital assets in FY 2017.

## **ECONOMIC ENVIRONMENT**

### **Summary**

Fiscal Year (FY) 2017 resulted in some new successes that will drive KMUW into the future. The station's 2016 move into the Old Town neighborhood of downtown made it immediately more engaging and accessible, which also led the way to becoming more relevant within the community's current events and local news. The relocation was largely responsible for taking KMUW to a new level in a year's time. Increased outreach activities through the "Engage ICT: Democracy on Tap" project have made KMUW an integral part of the community conversations concerning relevant and impactful issues. FY 2017 also brought some unavoidable and unfortunate difficulties. Devastating illnesses beset the primary fundraising staff; the Director of Membership and Major Gifts Officer were absent half of the fiscal year. One took permanent disability; the other passed away. It was an unexplainable coincidence that could have severely affected fundraising. Station staff (a total of only 22 at the time) stepped up and kept the donation programs going enough to keep income steady. A mid-year significant planned gift provided the boost to ensure we kept revenue in the black. The number of overall donors even continued to increase by 8%, about the same pace of the previous two years. The number of returning donors is at a record high. As a result, the coming year is expected to show an increase in membership revenue, especially with a new Major Gifts Officer on staff for the entire fiscal period.

### **Listener and Corporate Support**

Both primary revenue streams saw increases in FY 2017. The membership increase included a large planned gift, as mentioned in the summary. A commitment to building a Planned Gift Program is a charge of the new Director of Major Gifts in FY 2018. Percentages of both member retention and returned lapsed donors went up. Top priorities for FY 2018 include increasing donation amounts and growing the monthly sustaining donor program to ensure year-round support. Newly sustaining donors aren't fully reflected in a fiscal report, because many will have only made monthly donations half of that fiscal period; they will be fully reflected in the next fiscal period. Fiscal reports do not account for the "commitments" on file for the coming year(s) in membership or underwriting. However, underwriting increased in FY 2017 due to the addition of a new sales staff member (who is still getting up to speed to make FY 2018 even better). In FY 2018, KMUW is building efforts to develop income streams from events and grants to support the station's increased community participation and visibility.

### **Community Service and Outreach**

FY 2017 was quite fruitful for KMUW's engagement program. Having been newly formed in the previous year, this departmental effort has community leaders and listeners taking notice. It has very quickly become a true source of pride for KMUW and Wichita State University. The same can be said for the news department efforts. In an effort to ensure more local content for Wichita and Kansas, KMUW is a leading part of the newly created regional journalism collaborative called Kansas News Service (KNS). KNS is delivering



Wichita's news to six public radio stations in Kansas and bringing KMUW listeners more news from other parts of the state, including Topeka, Lawrence, Kansas City and some rural areas. This collaborative program will be part of a national project in FY 2018, which will bring grant revenue to KMUW for news reporting. In addition to several prestigious national journalism awards, KMUW was named the Kansas Association of Broadcasters Large Market Station of the Year for the fourth year in a row. This competition includes stations in both public and commercial broadcasting throughout Kansas.

This is a complete list of the 2017 KAB awards categories and placements for KMUW:

- **Large Market Radio:** *Station of the Year*
- **1<sup>st</sup> place**
  - Public Affairs Program, "Volunteer Teachers Help Refugees Learn English As They Rebuild Lives In Wichita" (Nadya Faulx)
  - Hard News Feature/Enterprise, "Then and Now: The Summer of Justice" (Aileen LeBlanc)
  - News Feature, "Sedgwick County Takes Integrated Approach To Mental Health Crisis Intervention" (Deborah Shaar)
  - Editorial/Commentary, "The Times They Are A-Freaking Me Out" (Richard Crowson; produced by Fletcher Powell)
- **2<sup>nd</sup> place**
  - Public Service Announcement, "A Wichita Basketball Coach Overcomes Depression" (Carla Eckels)
- **Honorable Mention**
  - Public Service Announcement, "Kids Health Hugging" (Carla Eckels)
  - Public Affairs Program, "Newman Basketball Coach And Wife Recount His Struggle With Depression--And His Return To 'Normal'" (Carla Eckels)
  - Sports Feature, "'A Sea of Orange;' Wichita Wings Superfans Recount Team's Glory Years In New Book" (Abigail Beckman)
  - Hard News Feature/Enterprise, "'He Was Just Wandering Off,' Living With One Of Alzheimer's Most Dangerous Side Effects" (Carla Eckels)
  - Station Website, KMUW.org (Beth Golay, Nadya Faulx, and Hugo Phan)

The diversity and popularity of KMUW's arts and music programming continues to reach more and more listeners as the KMUW-produced show Global Village added another dozen stations and is heard on 350 stations worldwide.

The diversity of voices also continues through KMUW's commentator program. This effort to include multiple perspectives from Wichita helps make listeners feel more connected to the station, and makes KMUW listening more accessible. Our commentaries include topics by the following hosts, who are primarily community volunteers:

<b>Commentator</b>	<b>Segment</b>
Sarah Bagby	Book Reviews
Jedd Beaudoin	A Musical Life & Cultural Shorts
Josh Cary & Tom Jackson	Cooking with Fire
Curt Clonts	An Artist's Perspective
Richard Crowson	Politics
Ken Ciboski	Local Politics
Lael Ewy	On Words
Mark Foley	Musical Space
Beth Golay	Marginalia
Robin Henry	Past & Present
Samuel McConnell	Your Move
Sanda Moore Coleman	On Stage
Fletcher Powell	Indie Film Guide & Movie Review
Jay Price	Past & Present
Robert E. Weems, Jr.	Past & Present
Zach Gingrich-Gaylord	New American Songbook

We continue to grow efforts to include new voices. In FY 2017 a Girl Scout project began putting young girls on the air on Thanksgiving Day in an effort to teach them how broadcasting works and award them with a KMUW Broadcasting Badge. Another program featuring the sounds of unique places in Wichita was born in FY 2017, but will become a regular feature in FY 2018. KMUW is also reaching new audiences with efforts like Generation Listen, a public radio outreach project just for young people in coordination with NPR. Plus, the KMUW Street Team participates in races throughout the year and the Radio Flyers bicycle team represents KMUW in the annual Bike MS race. In 2018, KMUW plans to bring attention to the healthy aspects of these outreach programs.

### **Closing Statement**

FY 2017 was a year of great successes and new growth. Many big ideas came to fruition and provided the proof and incentive to build more outreach on and off the radio. It also paved the way for additional permanent revenue streams, such as events, grants and planned gifts. The station made some major purchases, including signage for the new facility, that were necessary to make the relocation complete. Some internal transitions and staff turnover are providing the opportunity to make 2018 a year of vision, audience growth and recognition that will make Wichita State University and the community of Wichita proud.

### **CONTACTING THE STATION'S FINANCIAL MANAGEMENT**

KMUW-FM Radio  
121 N. Mead  
Suite 200  
Wichita, KS 67202  
316-978-6789

## KMUW-FM Radio

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

### STATEMENTS OF NET POSITION

June 30,

#### ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 511,619	\$ 499,957
Investments	95,986	91,165
Receivables		
Member pledges	185,928	182,663
Program underwriting	69,969	55,423
Contributions	34,133	13,350
Grants	2,962	2,968
Prepaid expenses	64,031	65,537
Total current assets	<u>964,628</u>	<u>911,063</u>
Noncurrent assets		
Contributions receivable	29,167	13,300
Capital assets, net	938,998	1,045,216
Total noncurrent assets	<u>968,165</u>	<u>1,058,516</u>
Total assets	<u>\$ 1,932,793</u>	<u>\$ 1,969,579</u>

#### LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	\$ 123,973	\$ 191,687
Deferred revenue	6,105	6,063
Total current liabilities	<u>130,078</u>	<u>197,750</u>

#### NET POSITION

Investment in capital assets	938,998	1,045,216
Unrestricted	863,717	726,613
Total net position	<u>1,802,715</u>	<u>1,771,829</u>
Total liabilities and net position	<u>\$ 1,932,793</u>	<u>\$ 1,969,579</u>

*The accompanying notes are an integral part of these financial statements.*

## KMUW-FM Radio

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended June 30,

	2017	2016
Operating revenues		
Memberships and underwriting	\$ 1,100,415	\$ 938,731
Major gifts and bequests	575,090	253,432
CPB community service grants	171,903	160,347
KPBC operating grants	29,620	29,679
Other grants	10,888	70,090
Capital fund contributions	77,333	40,000
Special fundraising activities	30,854	13,882
Tower rentals	27,617	36,308
In-kind contributed support	97,982	62,218
Other	2,926	12,343
Total operating revenues	2,124,628	1,617,030
Expenses		
Program services		
Programming and production	1,098,304	1,075,220
Broadcasting and engineering	264,191	269,868
Program information and promotion	181,361	208,024
Supporting services		
Management and general	781,981	738,503
Fundraising and membership development	399,315	322,589
Underwriting and grant solicitation	172,849	148,607
Total expenses	2,898,001	2,762,811
Operating loss	(773,373)	(1,145,781)
Nonoperating revenues		
Support from Wichita State University		
Appropriations - station operations	365,972	362,619
Appropriations - Old Town facility	-	578,766
Indirect administrative support	395,967	365,373
Utilities	32,091	41,646
Investment earnings (loss)	10,229	(2,425)
Total nonoperating revenues	804,259	1,345,979
Change in net position	30,886	200,198
Net position at beginning of year	1,771,829	1,571,631
Net position at end of year	\$ 1,802,715	\$ 1,771,829

*The accompanying notes are an integral part of these financial statements.*

## KMUW-FM Radio

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

### STATEMENTS OF CASH FLOWS

For the years ended June 30,

	2017	2016
Cash flows from operating activities		
Memberships and underwriting	\$ 1,082,646	\$ 926,735
Grants and contracts	864,840	553,548
Other	61,397	74,529
Payments to employees for services	(1,426,781)	(1,279,623)
Payments to suppliers for goods and services	(941,820)	(944,391)
Net cash used in operating activities	(359,718)	(669,202)
Cash flows from noncapital financing activities		
Appropriations	365,972	941,385
Cash flows from capital and related financing activities		
Purchase of capital equipment	-	(792,278)
Cash flows from investing activities		
Investment earnings (loss)	10,229	(2,425)
Change in pooled investments	(4,821)	7,521
Net cash provided by investing activities	5,408	5,096
Net change in cash and cash equivalents	11,662	(514,999)
Cash and cash equivalents at beginning of year	499,957	1,014,956
Cash and cash equivalents at end of year	\$ 511,619	\$ 499,957

#### Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (773,373)	\$(1,145,781)
Adjustments to reconcile operating loss to net cash used in operating activities		
Indirect administrative support and utilities provided by Wichita State University	428,058	407,019
Depreciation	106,218	57,241
Changes in assets and liabilities		
Accounts receivable	(54,455)	(35,189)
Prepaid expenses	1,506	2,994
Accounts payable and accrued liabilities	(67,714)	50,938
Deferred revenue	42	(6,424)
Net cash used in operating activities	\$ (359,718)	\$ (669,202)

*The accompanying notes are an integral part of these financial statements.*

## **KMUW-FM Radio**

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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

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

1. Reporting entity

**KMUW-FM Radio** (KMUW) is operated by Wichita State University (the University), with Wichita Radio Reading Service (WRRS), a subcarrier channel broadcasting to visually impaired listeners. The University is a component unit of the State of Kansas, is governed by the Kansas Board of Regents, and is included in the State's financial statements as part of the university system component unit.

KMUW operates as one of many departments within the University. Corporation for Public Broadcasting (CPB) grantees are required to prepare financial statements that discretely display the financial position and activities of the public broadcasting entity, not those of a parent institution or governmental unit, and independent auditors must audit and opine on those separately issued statements. This requirement applies to all public broadcasting entities, regardless of whether other accounting standards require the parent institution or governmental unit to include the public broadcasting entity in its separately issued, institution-wide or government-wide financial statements.

2. Measurement focus and basis of accounting

KMUW prepares its financial statements as a business-type activity in conformity with applicable pronouncements of Governmental Accounting Standards Board (GASB). Accordingly, KMUW's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

KMUW has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

## **NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued**

### 3. Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

### 4. Cash and cash equivalents

Cash and cash equivalents consist of pooled cash accounts on deposit with both the University and the Wichita State University Foundation (Foundation). KMUW considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### 5. Investments

Investments consist of pooled investments held at the Foundation and are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

Investment earnings (losses) consist of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

### 6. Receivables

Receivables consist of pledges, contributions and grants receivable and unpaid underwriting. Past due accounts determined not to be collectible by management are charged off to expense. Accounts receivable at June 30, 2017 and 2016 are considered to be fully collectible.

### 7. Capital assets

Capital assets with a value equal or greater than \$5,000 are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of contributed assets. Other equipment valued at less than \$5,000 is reported as expense in the year of purchase or donation. Equipment is depreciated over its estimated useful life of 5 to 8 years, building improvements are depreciated over 40 years and leasehold improvements are depreciated over the shorter of the asset life or term of the lease. Expenditures for repairs and maintenance which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

### 8. Net position

Net position of KMUW is classified in three components:

- Investment in capital assets consists of equipment net of accumulated depreciation and reduced by related debt, if any.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. KMUW did not have any restricted net position at June 30, 2017 and 2016.
- Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

### 9. Operating revenues and expenses

KMUW's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from transactions associated with the management, scheduling, and broadcasting of radio programs, the station's principal activity. Wichita State University support is reported as nonoperating revenues. Operating expenses are all expenses incurred in the management, scheduling, and broadcasting of radio programs.

### 10. Major gifts and bequests

CPB defines major gifts and bequests as any individual donor, including estates and trusts, who contributes an amount, in aggregate, equal to or greater than \$1,000 in the reporting year. KMUW had 100 and 115 major individual donors for the years ended 2017 and 2016, respectively, including a \$320,000 bequest from an estate during the year ended June 30, 2017.

### 11. Grant revenue recognition

Receipts from CPB community service grants and KPBC (Kansas Public Broadcasting Council) operating grants, which are generally for unrestricted purposes, are recognized as revenue when received. Receipts from all other grants are recognized as revenue when the restricted reimbursable expenditures are incurred. Grants authorized but not received are reported as a receivable if the revenue recognition criterion has been met.

### 12. Deferred revenue

Deferred revenue represents grants and contract awards for which KMUW has not met all of the applicable eligibility requirements, and receipts for underwriting of future programming.

### 13. In-kind contributed support

The estimated fair value of donated materials and supplies is recorded as revenue and expense in the period when the items are received.



## **NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued**

### 14. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited using methods estimated to be reasonable by management.

### 15. Indirect administrative support

KMUW occupies, without charge, certain premises located in and owned by the State of Kansas. The station's separate financial statements reflect, as nonoperating revenue and operating expense of an equal amount, indirect administrative support provided by the University. In addition to contributed facilities, such support includes direct and indirect expenses incurred by the University in support of station operations. The value of contributed facilities and administrative support is determined in accordance with CPB guidelines, which approximates fair value, and is reported and recognized in the period when the premises are used. Indirect administrative support amounted to \$395,967 and \$365,373 for the years ended June 30, 2017 and 2016, respectively.

### 16. Risk management

Wichita State University (and KMUW) is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. The University, as a state educational institution of Kansas, is subject to the State of Kansas self-insurance program with regard to comprehensive general liability and personal injury insurance. The University is covered by the State's umbrella insurance policies for automobile liability and the Board of Regents building, contents and business interruption insurance policy. The State of Kansas does not insure state-owned automobiles for bodily injury and property damages. Also, as a state educational institution, the University is self-insured relative to worker's compensation, medical and unemployment insurance.

### 17. Income taxes

KMUW is exempt from federal income taxes under Wichita State University's exemption as a governmental instrumentality under Section 115 of the Internal Revenue Code on income related to its exempt purpose.

## **NOTE B - OWNERSHIP, CONTROL AND MANAGEMENT**

KMUW is managed and controlled by Wichita State University. All land and structures pertinent to the operation of the station are owned by the State of Kansas and have not been reflected as assets in the accompanying statements, except for facility improvements specific to station operations.

## NOTE C - DEPOSITS AND INVESTMENTS

### Deposits

Cash and cash equivalents included balances on deposit with the University and with the Foundation, related parties, as follows as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
University	\$ 155,910	\$ 170,645
Foundation	<u>355,709</u>	<u>329,312</u>
Total balances on deposit	<u>\$ 511,619</u>	<u>\$ 499,957</u>

Custodial credit risk is the risk that in the event of a failure of a custodian, KMUW's deposits may not be returned to it. At June 30, 2017 and 2016, \$355,709 and \$329,312, respectively, of KMUW's deposit balances were exposed to custodial credit risk. To minimize custodial risk, KMUW considers the financial strength of its depository relationships.

### Investments

KMUW may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities. KMUW's investments have been included in a pooled investment account owned and managed by the Foundation.

At June 30, KMUW had the following investments:

	<u>2017</u>	<u>2016</u>
Pooled investments (managed by the Foundation)	<u>\$ 95,986</u>	<u>\$ 91,165</u>

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation investment policy followed by the KMUW includes ongoing assessment of the composition of fixed income investments to total investments.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. KMUW requires investments to be maintained in accordance with the Foundation investment policy.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, KMUW will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Pooled investments managed by the Foundation are held by the investments' counterparty, not in the name of KMUW.

## NOTE D - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. KMUW uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, KMUW measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available. There were no assets measured utilizing level 3 inputs as of June 30, 2017 and 2016.

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2017</u>				
Pooled investments	<u>\$ 95,986</u>	<u>\$ -</u>	<u>\$ 95,986</u>	<u>\$ -</u>
<u>June 30, 2016</u>				
Pooled investments	<u>\$ 91,165</u>	<u>\$ -</u>	<u>\$ 91,165</u>	<u>\$ -</u>

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

## NOTE E - ECONOMIC DEPENDENCY

As disclosed in Note A, KMUW is operated by Wichita State University from which the station receives substantial financial support. KMUW also receives substantial financial support from its members and contributors. Should a significant reduction in support from either source occur, KMUW operations would be adversely effected.

## NOTE F - PENSION PLAN

Wichita State University maintains a qualified deferred compensation plan under section 403(b) of the Internal Revenue Code. The plan is a defined contribution plan. Under the plan, employees are required to defer 5.5% of their compensation after one year of service and the station contributes an additional 8.5%. KMUW's contributions to this plan totaled \$83,169 and \$66,483 for the years ended June 30, 2017 and 2016.

## NOTE G - CAPITAL ASSETS

Capital assets consist of the following:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Broadcasting equipment	\$ 1,137,443	\$ -	\$ -	\$ 1,137,443
Leasehold improvements	778,766	-	-	778,766
Accumulated depreciation	(870,993)	(106,218)	-	(977,211)
Net capital assets	<u>\$ 1,045,216</u>	<u>\$ (106,218)</u>	<u>\$ -</u>	<u>\$ 938,998</u>

  

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Broadcasting equipment	\$ 1,298,835	\$ 13,512	\$ (174,904)	\$ 1,137,443
Leasehold improvements	-	778,766	-	778,766
Accumulated depreciation	(988,656)	(57,241)	174,904	(870,993)
Net capital assets	<u>\$ 310,179</u>	<u>\$ 735,037</u>	<u>\$ -</u>	<u>\$ 1,045,216</u>

CPB Financial Reporting Guidelines specify that appropriations revenue include "... any direct costs incurred or absorbed by the licensee specifically for the station." In this regard, the University (licensee) incurred \$778,766 of costs to remodel and equip a new broadcast facility for the station in the Old Town area of downtown Wichita. For its share of the costs, KMUW contributed \$200,000, resulting in a net appropriation of \$578,766 for the facility. Renovation was completed and the facility was placed in service late in fiscal year 2016.

## NOTE H - OPERATING LEASES

The University leases space occupied by KMUW as its primary broadcast facility. The lease is for a five-year period commencing July 1, 2015, with a renewal option for an additional five year period. The lease calls for fixed rent payable in monthly installments of \$5,000 per month plus additional rent for certain operating costs and parking fees. Total rent paid for the years ended June 30, 2017 and 2016, including additional rent, amounted to \$79,044 for both years, respectively.

**NOTE H - OPERATING LEASES - continued**

Future minimum lease payments by the University for space occupied by KMUW are as follows as of June 30, 2017:

Year ended June 30,	
2018	\$ 60,000
2019	60,000
2020	<u>60,000</u>
	<u>\$ 180,000</u>

On KMUW's former premises, there is a tower that is not sufficient for radio broadcasting. KMUW leases space on its tower to other entities through May 2020. The following is a schedule of future rentals on noncancelable operating leases:

Year ended June 30,	
2018	\$ 18,525
2019	16,425
2020	<u>13,788</u>
	<u>\$ 48,738</u>

**NOTE I - RELATED PARTY TRANSACTIONS**

Certain assets related to endowed funds were transferred to the Foundation for management in accordance with a management services agreement. Cash and certain investments were combined with Foundation accounts. The amount of assets, consisting of deposits and pooled investments, with the Foundation totaled \$451,695 and \$420,477 at June 30, 2017 and 2016, respectively.

## **Other Supplementary Information**

**KMUW-FM Radio**  
(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

	Program services				Supporting services				Grand Total
	Programming and production	Broadcasting and engineering	Program information and promotion	Total program services	Management and general	Fundraising and membership development	Underwriting and grant solicitation	Total supporting services	
Salaries and benefits	\$ 676,313	\$ 87,833	\$ 143,710	\$ 907,856	\$ 242,173	\$ 221,567	\$ 7,604	\$ 471,344	\$ 1,379,200
Programming provider fees									
National Public Radio	255,349	9,836	-	265,185	-	-	-	-	265,185
American Public Media	75,859	-	-	75,859	-	-	-	-	75,859
Public Radio International	23,740	-	-	23,740	-	-	-	-	23,740
Public Radio Exchange	10,971	-	-	10,971	-	-	-	-	10,971
New York Public Radio	7,390	-	-	7,390	-	-	-	-	7,390
Indirect administrative support	-	-	-	-	395,967	-	-	395,967	395,967
Corporate support consultant	-	-	-	-	-	-	159,182	159,182	159,182
Depreciation	-	106,218	-	106,218	-	-	-	-	106,218
Other	48,682	60,304	37,651	146,637	143,841	177,748	6,063	327,652	474,289
<b>Total</b>	<b>\$ 1,098,304</b>	<b>\$ 264,191</b>	<b>\$ 181,361</b>	<b>\$ 1,543,856</b>	<b>\$ 781,981</b>	<b>\$ 399,315</b>	<b>\$ 172,849</b>	<b>\$ 1,354,145</b>	<b>\$ 2,898,001</b>

**KMUW-FM Radio**  
(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

	Program services			Supporting services				Grand Total	
	Programming and production	Broadcasting and engineering	Program information and promotion	Total program services	Management and general	Fundraising and membership development	Underwriting and grant solicitation		Total supporting services
Salaries and benefits	\$ 646,816	\$ 77,910	\$ 165,051	\$ 889,777	\$ 224,966	\$ 195,686	\$ -	\$ 420,652	\$ 1,310,429
Programming provider fees									
National Public Radio	262,346	8,931	-	271,277	-	-	-	-	271,277
American Public Media	75,132	-	-	75,132	-	-	-	-	75,132
Public Radio International	31,219	-	-	31,219	-	-	-	-	31,219
Public Radio Exchange	12,278	-	-	12,278	-	-	-	-	12,278
Indirect administrative support	-	-	-	-	365,373	-	-	365,373	365,373
Corporate support consultant	-	-	-	-	-	-	146,856	146,856	146,856
Depreciation	-	57,241	-	57,241	-	-	-	-	57,241
Other	47,429	125,786	42,973	216,188	148,164	126,903	1,751	276,818	493,006
<b>Total</b>	<b>\$ 1,075,220</b>	<b>\$ 269,868</b>	<b>\$ 208,024</b>	<b>\$ 1,553,112</b>	<b>\$ 738,503</b>	<b>\$ 322,589</b>	<b>\$ 148,607</b>	<b>\$ 1,209,699</b>	<b>\$ 2,762,811</b>



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