

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)

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INDEPENDENT AUDITOR'S REPORT

Texas Tech University Board of Regents
Lubbock, Texas:

We have audited the accompanying basic financial statements of Texas Tech Public Media (A Public Telecommunications Entity Licensed to Texas Tech University) (the Station) as of and for the years ended August 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of August 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 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 audit 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.

Davis Kinard & Co, PC
Certified Public Accountants

Abilene, Texas
December 22, 2011

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

Introduction and Reporting Entity

Management's Discussion and Analysis (MD&A) is an overview of the financial position and activities of Texas Tech Public Media (the Station) for the years ended August 31, 2011 and 2010. Management of the Station has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

Texas Tech Public Media is a public telecommunications entity housing three radio stations licensed through the FCC to Texas Tech University in Lubbock, Texas. The Station provides music, news, information, fine arts and cultural programming to the Concho Valley area of Texas and the South Plains area of Texas and Eastern New Mexico. Previously operated as KOHM-FM, the University now operates the stations under the name Texas Tech Public Media after the addition of two other radio stations.

In 1988, KOHM was founded in response to greater demand from the citizens of Lubbock, Texas, for classical music and Public Radio programming. With generous help from community donors, KOHM's founder and first general manager, Dr. Clive Kinghorn, was able to raise the funds needed to establish the station. The station qualified for (and still receives) grant funding from the Corporation for Public Broadcasting (CPB) to help pay programming and operational costs. After securing an unused radio license, originally part of an electronics program of the Lubbock Independent School District, the station's call letters were assigned. (KOHM is wordplay for "kilo-ohm" or a thousand ohms – a basic unit of electrical resistance.) With authority from the FCC, the station held its inaugural broadcast on May 2, 1988.

Initially, the broadcast schedule consisted of 8 hours of classical music and jazz until KOHM met the eligibility requirements to become a National Public Radio member and picked up additional programming. KOHM now broadcasts 24 hours daily and serves over 21,000 listeners per week with an approximate 60-mile coverage radius from Lubbock, Texas. KOHM also broadcasts alerts and weather warnings affecting any portion of its coverage area. The Station maintains a website that provides information on programming, current events and fundraising as well as related links to other websites locally and nationally. In early 2000, KOHM moved into its current location at Texas Tech Plaza and became affiliated with a second public radio network, Public Radio International (PRI), adding their programming to the station lineup.

In the spring of 2007, KOHM became the first HD Radio station on the South Plains and began streaming two additional music channels. This important upgrade has provided KOHM the opportunity to multicast by adding more stations to its existing frequency.

KOHM's success is entirely the result of dedicated donors and semiannual fundraisers. With financial support from Texas Tech University and the help of generous volunteers from the community, the station raises enough money each year to continue broadcasting. Continuing to meet the challenge first presented by former President Don Haragan, KOHM promotes Texas Tech University and the Lubbock community in exchange for continued financial support from the administration. With new production equipment and an upgraded facility, KOHM is able to take on this challenge.

In May 2009, the Station took over the operations of KTXT-FM, which was previously operated by the Student Media department of Texas Tech University. In July 2010, Texas Tech University purchased KUTX-FM in San Angelo from The University of Texas. The call letters were changed to KNCH and the operations were transferred to the Station.

After the end of the current year, the University combined the Station with KTXT-TV, another public telecommunication entity licensed to the University. The new entity will be called Texas Tech Public Broadcasting.

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

Overview of the Financial Statements

The financial statements of the Station consist of the Statements of Net Assets, the Statements of Revenue, Expenses and Changes in Net Assets, and the Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. Statement 35 requires the classification of net assets into three categories – invested in capital assets, restricted, and unrestricted.

The Statements of Net Assets include assets, liabilities and net assets of the Station as of August 31, 2011 and 2010 which are classified into current and non-current assets and liabilities, with net assets classified in the categories as noted above. The Statements of Revenue, Expenses, and Changes in Net Assets depict the operating revenues and expenses resulting in net operating income, which is then combined with non-operating revenues to provide the total change in net assets. The Statements of Cash Flows show the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Highlights

Net assets totaled \$716,307 and \$732,748 at August 31, 2011 and 2010, respectively. Net assets decreased by \$16,441 in fiscal year 2011 compared to an increase in net assets of \$68,380 for fiscal year 2010. Operating revenues totaled \$681,524 for fiscal year 2011 compared to \$754,377 for fiscal year 2010, a decrease of \$72,853. Operating expenses totaled \$699,770 for fiscal year 2011 compared to \$687,823 for fiscal year 2010, an increase of \$11,947. The net operating loss for fiscal year 2011 was \$18,246 compared to operating income of \$66,554 for fiscal year 2010, a decrease of \$84,800. Non-operating revenue includes interest income for both years.

The Station's property and equipment, net of accumulated depreciation, totaled \$409,458 and \$386,853 at August 31, 2011 and 2010, respectively. Property and equipment additions totaled \$119,174 and \$126,892 in fiscal years 2011 and 2010, respectively. The majority of the additions are related to the acquisition of KNCH.

Current assets consist primarily of cash and cash equivalents. Property and equipment are presented net of accumulated depreciation of \$354,809 and \$290,863 at August 31, 2011 and 2010, respectively. Current liabilities consist of accounts payable and deferred revenue.

TEXAS TECH PUBLIC MEDIA
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

Condensed Financial Statements

Condensed Statements of Net Assets

	2011	2010
Current assets	\$ 329,999	\$ 366,213
Property and equipment, net	<u>409,458</u>	<u>386,853</u>
Total assets	<u>\$ 739,457</u>	<u>\$ 753,066</u>
Current liabilities	<u>\$ 23,150</u>	<u>\$ 20,318</u>
Unrestricted net assets	297,841	337,136
Restricted net assets	9,008	8,759
Invested in property and equipment	<u>409,458</u>	<u>386,853</u>
Total net assets	<u>716,307</u>	<u>732,748</u>
Total liabilities and net assets	<u>\$ 739,457</u>	<u>\$ 753,066</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	2011	2010
Operating revenues	\$ 681,524	\$ 754,377
Operating expenses	<u>699,770</u>	<u>687,823</u>
Operating (loss) income	(18,246)	66,554
Non-operating revenue	<u>1,805</u>	<u>1,826</u>
(Decrease) increase in net assets	(16,441)	68,380
Net assets, beginning of year	<u>732,748</u>	<u>664,368</u>
Net assets, end of year	<u>\$ 716,307</u>	<u>\$ 732,748</u>

Operating revenues consist primarily of contributions, grants from the Corporation for Public Broadcasting, and donated support from Texas Tech University. Operating expenses consist primarily of programming and production and management and general expenses. Non-operating revenue consists of interest income.

TEXAS TECH PUBLIC MEDIA
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

Condensed Statements of Cash Flows

	<u>2011</u>	<u>2010</u>
Net cash flows from operating activities	\$ 102,236	\$ 109,568
Net cash flows from investing activities	1,805	1,826
Net cash flows from capital and related financing activities	<u>(76,484)</u>	<u>(125,742)</u>
Net increase (decrease) in cash and cash equivalents	27,557	(14,348)
Cash and cash equivalents, beginning of year	<u>254,575</u>	<u>268,923</u>
Cash and cash equivalents, end of year	\$ <u>282,132</u>	\$ <u>254,575</u>

Cash flows from operating activities were used primarily for the purchase of property and equipment.

Request for Information

This financial report is designed to provide donors, members, foundations, and other interested parties with a general overview of the Station finances and to account for the funding it receives. Additional details can be requested by mail at the following address:

Texas Tech Public Media
P.O. Box 45891
Lubbock, TX 79409

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)
STATEMENTS OF NET ASSETS
AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 282,132	\$ 254,575
Accounts receivable	8,587	64,341
Prepaid expenses	<u>39,280</u>	<u>47,297</u>
Total current assets	<u>329,999</u>	<u>366,213</u>
Property and equipment, at cost		
Transmitter, antenna and tower	556,455	445,946
Other equipment	<u>207,812</u>	<u>231,770</u>
	764,267	677,716
Less: accumulated depreciation	<u>(354,809)</u>	<u>(290,863)</u>
Property and equipment, net	<u>409,458</u>	<u>386,853</u>
TOTAL ASSETS	\$ <u><u>739,457</u></u>	\$ <u><u>753,066</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,347	\$ 1,353
Deferred revenue	<u>12,803</u>	<u>18,965</u>
Total liabilities	<u>23,150</u>	<u>20,318</u>
Net assets		
Unrestricted	297,841	337,136
Restricted	9,008	8,759
Invested in property and equipment	<u>409,458</u>	<u>386,853</u>
Total net assets	<u>716,307</u>	<u>732,748</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>739,457</u></u>	\$ <u><u>753,066</u></u>

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

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Contributions	\$ 147,850	\$ 129,534
Corporation for Public Broadcasting grants	146,235	153,199
Business contributions and underwriting	47,600	45,434
Foundation contributions and grants	11,303	35,917
Donated support from Texas Tech University		
Direct administrative support	250,888	309,605
Indirect administrative support	61,031	64,393
Donated professional services	1,250	1,000
Miscellaneous income	15,367	15,295
Total operating revenues	<u>681,524</u>	<u>754,377</u>
OPERATING EXPENSES		
Program services		
Programming and production	293,612	285,196
Broadcasting	70,926	57,923
Program information	5,170	7,493
	<u>369,708</u>	<u>350,612</u>
Supporting services		
Management and general	270,767	279,157
Fund raising	43,766	43,037
Underwriting and grant solicitation	15,529	15,017
	<u>330,062</u>	<u>337,211</u>
Total operating expenses	<u>699,770</u>	<u>687,823</u>
OPERATING (LOSS) INCOME	(18,246)	66,554
NON-OPERATING REVENUE		
Interest income	<u>1,805</u>	<u>1,826</u>
(DECREASE) INCREASE IN NET ASSETS	(16,441)	68,380
NET ASSETS, BEGINNING OF YEAR	<u>732,748</u>	<u>664,368</u>
NET ASSETS, END OF YEAR	<u>\$ 716,307</u>	<u>\$ 732,748</u>

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

TEXAS TECH PUBLIC MEDIA
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from contributors, grants, and underwriters	\$ 715,749	\$ 716,545
Other receipts	15,367	15,296
Payments to employees	(214,076)	(224,023)
Payments to suppliers	(344,742)	(327,928)
Payments for employee benefits	(70,062)	(70,322)
Net cash provided by operating activities	<u>102,236</u>	<u>109,568</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and cash equivalents	1,805	1,826
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	<u>(76,484)</u>	<u>(125,742)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,557	(14,348)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>254,575</u>	<u>268,923</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 282,132</u>	<u>\$ 254,575</u>
 Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating (loss) income	\$ (18,246)	\$ 66,554
Adjustments to reconcile income (loss) from operations to net cash from operating activities:		
Depreciation	53,879	42,177
Net change in:		
Accounts receivable	55,754	(15,454)
Prepaid expenses	8,017	21,870
Accounts payable and accrued liabilities	8,994	1,248
Deferred revenue	(6,162)	(6,827)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 102,236</u>	<u>\$ 109,568</u>

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

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: *NATURE OF ORGANIZATION*

Organization

Texas Tech Public Media (the Station) is a public telecommunications entity housing three radio stations licensed through the FCC to Texas Tech University in Lubbock, Texas. The Station provides public radio to the Concho Valley area of Texas and the South Plains area of Texas and Eastern New Mexico. Previously operated as KOHM-FM, the University now operates the stations under the name Texas Tech Public Media after the addition of two other radio stations. The Station's financial activity is incorporated into the financial statements of the University, which is included in the Comprehensive Annual Financial Report of the State of Texas. The University is a state-supported school, created by the Legislature of the State of Texas. As such, it is a subdivision of the State of Texas and is tax-exempt under Section 115 of the Internal Revenue Code.

NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Basis of Accounting

The Station's financial records are maintained in a manner consistent with guidelines set by the Corporation for Public Broadcasting (CPB). These guidelines are in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

The University adopted GASB Statement (GASBS) No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended by GASBS 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus and GASB Statement No. 38, Certain Financial Statement Note Disclosures. Accordingly, the Station has been required to comply with certain provisions of these statements that establish standards for external reporting for state and local governments and require that resources be classified for accounting and reporting purposes in the following four net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
 - Nonexpendable – Net assets subject to externally imposed stipulations that the Station maintains permanently. The Station does not have any restricted nonexpendable net assets at August 31, 2011 and 2010.
 - Expendable – Net assets whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time. Restricted expendable net assets were \$9,008 and \$8,759 as of August 31, 2011 and 2010, respectively. The net assets are restricted for equipment purchases.
- Unrestricted – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Station's management or may otherwise be limited by contractual agreements with outside parties.

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)

NOTES TO FINANCIAL STATEMENTS

NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

The provisions of GASBS 35, as amended, have been applied to the years presented. In accordance with GASBS 35, entities that have heretofore reported using the AICPA not-for-profit model, as defined in GASBS 29, may use enterprise fund accounting and financial reporting as a business type activity. As such an entity (see above), the Station's activities are reported similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the Station are described below.

Fund Accounting

The assets, liabilities, and net assets of the Station are maintained in two self-balancing fund groups as follows:

- Operating funds include unrestricted resources that are available for support of the Station's operations.
- The property fund includes all the Station resources restricted or expended for property and equipment.

Revenue Recognition

Contributions and grants that are unrestricted are recorded as support when the cash is received. Unrestricted pledges for future contributions are not recorded. Pledges from local businesses and individuals to finance specific programs are recorded and reported on the statement of net assets as deferred revenues until the programs are broadcast. At such time, the amounts are included in revenues. The Station distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from activities performed in connection with the Station's purpose as stated above. All revenues and expenses not meeting this definition are reported as non-operating.

Grants received from the CPB are recorded as revenue when the funds are received. Contributions and grants restricted for specific uses are reported on the accompanying statement of net assets as restricted net assets until the funds are expended.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The Station has elected not to follow Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989.

When both restricted and unrestricted resources are available for use, it is the Station's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounts Receivable

Accounts receivable consist of uncollected underwriting and contribution pledges from local businesses and individuals to finance specific programs and restricted grant funds uncollected at year-end. All amounts considered uncollectible have been written off.

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)

NOTES TO FINANCIAL STATEMENTS

NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

Prepaid Programming

Prepaid programming consists primarily of programming purchased by the Station that will be aired in the next fiscal year. As the programming is telecast, the costs incurred will be included in operating expenses.

Property and Equipment

Property and equipment are carried at cost, or in the case of donated assets, at estimated fair market value at date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When property and equipment are retired or otherwise disposed of, the carrying value and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations for the period. For property and equipment acquired through federally funded grants, the respective federal agency retains liens on these assets for a period of ten years. There were no liens at August 31, 2011 and 2010.

In-kind Contributions

In-kind contributions are recorded as support and expense in the accompanying financial statements. In-kind contributions consist of various materials, property and professional services donated for the benefit of the Station. These donations are recorded at fair market value. The CPB no longer considers the personal services of volunteers in their determination of nonfederal financial support; therefore, these services are excluded from the financial statements.

Donated facilities and administrative support have been computed in accordance with guidelines established by the CPB and consist of the following for the years ended August 31, 2011 and 2010:

	2011	2010
Direct administrative support	\$ 250,888	\$ 309,605
Institutional support	57,205	60,841
Physical plant operations	3,826	3,552
	\$ 311,919	\$ 373,998

In addition, the Station received donations of professional services of \$1,250 and \$1,000 for the years ended August 31, 2011 and 2010, respectively.

Cash and Cash Equivalents

The Station's cash is held by the University in a pooled cash account that is managed by the University. Included in the pooled account are demand deposits in banks, local funds held by the state, state reimbursements in transit, repurchase agreements, Texpool and TexSTAR investments. These are considered cash equivalents. Interest income is allocated to the Station on a quarterly basis.

TEXAS TECH PUBLIC MEDIA
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NOTES TO FINANCIAL STATEMENTS

NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

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, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: *CAPITAL ASSETS*

Capital asset activity and useful lives of assets for the years ended August 31, 2011 and 2010 are summarized below:

	Life	Balance August 31, 2010	Additions	Retirements	Balance August 31, 2011
Transmitter and antenna equipment	15 years	\$ 445,946	\$ 110,509	\$ -	\$ 556,455
Other equipment	3-10 years	231,770	8,665	(32,623)	207,812
Depreciable assets, at cost		677,716	119,174	(32,623)	764,267
Accumulated depreciation		(290,863)	(96,569)	32,623	(354,809)
Depreciable assets, net		\$ 386,853	\$ 22,605	\$ -	\$ 409,458

	Life	Balance August 31, 2009	Additions	Retirements	Balance August 31, 2010
Transmitter and antenna equipment	15 years	\$ 389,946	\$ 56,000	\$ -	\$ 445,946
Other equipment	3-10 years	160,878	70,892	-	231,770
Depreciable assets, at cost		550,824	126,892	-	677,716
Accumulated depreciation		(247,536)	(43,327)	-	(290,863)
Depreciable assets, net		\$ 303,288	\$ 83,565	\$ -	\$ 386,853

TEXAS TECH PUBLIC MEDIA
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NOTES TO FINANCIAL STATEMENTS

NOTE 4: CORPORATION FOR PUBLIC BROADCASTING COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting is a private, nonprofit grantmaking organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

NOTE 5: CHANGES IN DEFERRED REVENUE

Changes in underwriting and grants included in deferred revenue during the years ended August 31, 2011 and 2010 are as follows:

	<u>Underwriting</u>	<u>Grants</u>	<u>Total</u>
Balance, August 31, 2009	\$ 17,792	\$ 8,000	\$ 25,792
Additions - contributions and grants	47,944	24,000	71,944
Deductions - contributions and grants recognized as revenue and support	<u>(53,224)</u>	<u>(25,547)</u>	<u>(78,771)</u>
Balance, August 31, 2010	12,512	6,453	18,965
Additions - contributions and grants	52,340	-	52,340
Deductions - contributions and grants recognized as revenue and support	<u>(52,049)</u>	<u>(6,453)</u>	<u>(58,502)</u>
Balance, August 31, 2011	<u>\$ 12,803</u>	<u>\$ -</u>	<u>\$ 12,803</u>

TEXAS TECH PUBLIC MEDIA
(A Public Telecommunications Entity Licensed to Texas Tech University)

NOTES TO FINANCIAL STATEMENTS

NOTE 6: RETIREMENT PLANS

The State of Texas has joint contributory retirement plans for its employees of which substantially all of the Station's employees are participants. The primary plan is a defined benefit plan administered by the Teacher Retirement System of Texas (System). The System is a cost-sharing, multi-employer public employee retirement system. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123. The contributory percentage of participant salaries provided by the University was 6.644% and 6.0% for August 31, 2011 and 2010, respectively. Each participant contributed 6.4% of annual compensation for both years. During the years ended August 31, 2011 and 2010, the University contributed \$13,208 and \$13,756 to the plan, respectively.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. This optional retirement plan (which is a defined contribution plan) is available for full-time faculty, executive management, professional and administrative employees. The contributory percentage of participant salaries provided by the University was 6.644% and 6.0% for August 31, 2011 and 2010, respectively. Each participant contributed 6.4% of annual compensation for both years. For the years ended August 31, 2011 and 2010, no employees participated in the optional retirement program.

NOTE 7: RECONCILIATION OF FINANCIAL STATEMENTS TO CPB REPORT

The following is a reconciliation of the financial statements to the CPB for August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Revenue per audited financial statements	\$ 683,329	\$ 756,203
In-kind contributions	(1,250)	(1,000)
Indirect administrative support from the University	<u>(61,031)</u>	<u>(64,393)</u>
Revenue per CPB report, Schedule A, Line 21	<u>\$ 621,048</u>	<u>\$ 690,810</u>
Expenses per audited financial statements	\$ 699,770	\$ 687,823
Cost of capital assets	<u>76,484</u>	<u>125,742</u>
Expenditures per CPB report, Schedule E, Line 10	<u>\$ 776,254</u>	<u>\$ 813,565</u>

NOTE 8: SUBSEQUENT EVENT

After the end of the current year, the University combined the Station with KTXT-TV, another public telecommunication entity licensed to the University. The new entity will be called Texas Tech Public Broadcasting.