

***Cupit, Milligan,  
Ogden & Williams***  
*Certified Public Accountants*

**Shareholders**  
*Edward R. Cupit, CPA (1943-2010)*  
*Ronald A. Milligan, CPA*  
*Thomas M. Ogden, CPA*  
*Melvin L. Williams, CPA*  
*Michael T. Metkovich, CPA*

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**KUNR 88.7-FM Radio**  
**A Public Broadcasting Entity Licensed to**  
**the Nevada System of Higher Education**

**Financial Statements**

**June 30, 2014 and 2013**

**KUNR 88.7-FM Radio**

A Public Broadcasting Entity Licensed to  
the Nevada System of Higher Education

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## **Independent Auditors' Report**

To the Board of Regents of Nevada System of Higher Education, as Licensee  
for KUNR 88.7-FM Radio  
University of Nevada, Reno  
Reno, Nevada

We have audited the accompanying financial statements of KUNR 88.7-FM Radio (KUNR), a public broadcasting entity licensed to the Nevada System of Higher Education, which comprise the statements of net position as of June 30, 2014 and 2013 and the related statements of revenue, expense and changes in net position and cash flows for the years then ended, and 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUNR 88.7-FM Radio, a public broadcasting entity licensed to the Nevada System of Higher Education, as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*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 6 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

*Cusit, Hillman, Ogden & Sullivan*

Reno, Nevada  
December 4, 2014

## **KUNR 88.7-FM Radio**

A Public Broadcasting Entity Licensed to  
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Management's Discussion and Analysis  
June 30, 2014

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The following discussion and analysis of the financial statements of KUNR 88.7-FM Radio (KUNR) provides an overview of KUNR activities for the fiscal year ended June 30, 2014, with selected comparative information for the year ended June 30, 2013. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis are designed to focus on current activities, resulting changes, and known facts. The financial statements, footnotes, and this discussion are the responsibility of management.

### **Reporting Entity**

KUNR was established in 1963 as a non-commercial, listener-supported public radio station providing northern Nevada and northeastern California with a diverse mix of music, news, public affairs and cultural programming. KUNR, licensed to the Board of Regents of the Nevada System of Higher Education (NSHE), is under the umbrella of the University of Nevada, Reno (UNR), located on the UNR campus, and supported by UNR staff.

### **Financial Highlights for FY 2014**

- Total net position increased by \$139,265, representing a 17.7% increase from FY 2013;
- Net capital assets increased by \$12,301, representing a 8.8% increase from FY 2013;
- Operating income decreased by \$63,222, representing a 31.2% decrease from FY 2013.

### **Financial Statements**

The financial statements are prepared in accordance with guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including, in particular, GASB Statement No. 35 "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*".

As required by accounting principles, the annual report consists of three basic financial statements that provide information on KUNR as a whole: the Statement of Net Position, the Statement of Revenue, Expense, and Changes in Net Position, and the Statement of Cash Flows. The financial statements are prepared on the accrual basis of accounting.

### **Statements of Net Position**

The Statement of Net Position is a "point in time" financial statement presenting the financial position of KUNR. Net position is one way to measure the financial health of KUNR.

The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and components of net position. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are usually those that will be paid or relieved within one year of the date of the Statement of Net Position.

From the data presented, readers of the Statement of Net Position will be able to determine the assets available to continue the operations of KUNR and determine how much KUNR owes its vendors, employees, and underwriters. Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by KUNR.

The following table presents condensed financial information from KUNR's Statements of Net Position as of June 30, 2014 and 2013:

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	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets	\$ 736,000	\$ 659,695
Capital assets, net	151,827	139,526
Other assets	<u>328,152</u>	<u>293,883</u>
<b>Total Assets</b>	<u>\$ 1,215,979</u>	<u>\$ 1,093,104</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Current liabilities	\$ 234,540	\$ 250,930
Deferred Inflows of Resources	55,000	55,000
Net Position		
Invested in capital assets, net of related debt	131,827	139,526
Restricted - expendable	289,497	273,633
Unrestricted	<u>505,115</u>	<u>374,015</u>
Total Net Position	<u>926,439</u>	<u>787,174</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 1,215,979</u>	<u>\$ 1,093,104</u>

Current assets consist primarily of unrestricted cash and cash equivalents and underwriting receivables. The increase in current assets is largely due to the increase in unrestricted cash and cash equivalents from the current year operation. As of June 30, 2014 and 2013, unrestricted cash and cash equivalents totaled \$516,549 and \$428,295, respectively.

Other assets consist primarily of restricted cash and cash equivalents.

Current liabilities consist primarily of unearned underwriting revenue. Unearned underwriting revenue is the portion of the underwriting contracts entered into in the current year for programming in the next fiscal year.

KUNR implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) during fiscal year 2014. As a result, \$55,000 of grant revenue, received before the time restrictions were met, was reclassified as Deferred Inflows of Resources for the years ended June 30, 2014 and 2013. Prior to this implementation, the amounts were reported as current liabilities.

Net position is divided into three major categories:

- *Invested in capital assets, net of related debt* represents KUNR's total investment in capital assets, net of outstanding debt obligations.
- *Restricted - expendable* represents the portion of net position that is available for expenditure by KUNR but must be spent for restricted purposes or in a time frame specified by donors and/or external entities.
- *Unrestricted* represents the portion of net position that is available for expenditure by KUNR for any lawful purpose.

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**Statements of Revenue, Expense and Changes in Net Position**

Statement of Revenue, Expense and Changes in Net Position presents the operating results of KUNR, as well as the non-operating revenue and expense.

Operating revenue includes underwriting, grants, contributions and special event revenues generated to support KUNR's operational purpose of providing commercial-free public radio. Operating expense is expense incurred to acquire or produce the goods and services needed to carry out the mission of KUNR.

The following table presents condensed financial information from KUNR's Statements of Revenue, Expense and Changes in Net Position for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<b>Operating Revenue</b>		
Contributions and underwriting	\$ 518,536	\$ 516,527
Membership	455,639	492,165
CPB Community Service Grant	184,507	172,013
General appropriation from UNR	150,646	170,646
UNR facilities and administrative support	125,440	123,788
In-kind donations	20,398	20,242
Fundraising revenue, net of direct expense	8,596	8,573
ISDN studio service fees	450	1,200
	<u>1,464,212</u>	<u>1,505,154</u>
<b>Total Operating Revenue</b>		
	<u>1,464,212</u>	<u>1,505,154</u>
<b>Operating Expense</b>		
Programming and production	299,729	264,061
Broadcasting	455,737	440,093
Management and general	320,525	338,495
Fundraising	248,956	260,018
	<u>1,324,947</u>	<u>1,302,667</u>
<b>Total Operating Expense</b>		
	<u>1,324,947</u>	<u>1,302,667</u>
<b>Operating Income</b>	<u>139,265</u>	<u>202,487</u>
<b>Change in Net Position</b>	139,265	202,487
<b>Net Position, Beginning of Year</b>	<u>787,174</u>	<u>584,687</u>
<b>Net Position, End of Year</b>	<u>\$ 926,439</u>	<u>\$ 787,174</u>

Operating revenue for the year ended June 30, 2014 decreased by \$40,942, compared to the previous year. During the year ended June 30, 2013, KUNR experienced exceptionally high level of membership and underwriting revenues, which may be attributed to the KUNR's 50th Anniversary events held during the fiscal year 2013 and successful initiation of Signal Circle major donor development effort.

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**Statements of Cash Flows**

The Statement of Cash Flows presents detailed information about the cash activities of KUNR during the year. The statement helps users assess KUNR's ability to generate net cash flows, its ability to meet obligations as they come due, and its use of external financing.

KUNR uses the direct method presentation, showing cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities.

The following table presents condensed financial information from KUNR's Statements of Cash Flows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Net cash flows from operating activities	\$ 124,118	\$ 233,147
Net cash flows from capital and related financing activities	<u>(20,000)</u>	<u>(69,372)</u>
Net Increase in Cash and Cash Equivalents	104,118	163,775
Cash and Cash Equivalents, Beginning of Year	<u>701,928</u>	<u>538,153</u>
Cash and Cash Equivalents, End of Year	<u>\$ 806,046</u>	<u>\$ 701,928</u>

**Capital Asset and Debt Administration**

During the year ended June 30, 2014, the Board of Regents of NSHE approved transfer of the rights under a construction permit for a non-commercial FM station KJIV, held by the Board, from Truckee Meadows Community College (TMCC) to UNR. KUNR agreed to pay \$40,000 to TMCC for reimbursement of expenses it incurred related to licensing and equipping KJIV in recent years in anticipation of operating that station. At June 30, 2014, half of the purchase price had been paid and the remaining half was included in accounts payable.

**Request for Information**

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

KUNR 88.7-FM Radio  
University of Nevada, Reno  
Mail Stop 294  
Reno, Nevada 89557-0294

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## Statements of Net Position

As of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 516,549	\$ 428,295
Underwriting receivables, net of allowance for doubtful accounts of \$3,500 and \$0 in 2014 and 2013	191,223	206,871
Contributions receivable, current	14,380	9,699
Prepaid expenses	13,848	14,830
<i>Total Current Assets</i>	<u>736,000</u>	<u>659,695</u>
<i>Capital Assets, net</i>	<u>151,827</u>	<u>139,526</u>
<i>Other Assets</i>		
Restricted cash and cash equivalents	289,497	273,633
Contributions receivable, non-current	38,655	20,250
<i>Total Other Assets</i>	<u>328,152</u>	<u>293,883</u>
<b>Total Assets</b>	<u><u>\$ 1,215,979</u></u>	<u><u>\$ 1,093,104</u></u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<i>Current Liabilities</i>		
Accounts payable	\$ 32,093	\$ 37,130
Accrued salaries and benefits	64,082	67,555
Unearned underwriting revenue	138,365	146,245
<i>Total Liabilities</i>	<u>234,540</u>	<u>250,930</u>
<i>Deferred Inflows of Resources</i>		
Grants received before time restrictions are met	55,000	55,000
<i>Total Deferred Inflows of Resources</i>	<u>55,000</u>	<u>55,000</u>
<i>Net Position</i>		
Invested in capital assets, net of related debt	131,827	139,526
Restricted - expendable	289,497	273,633
Unrestricted	505,115	374,015
<i>Total Net Position</i>	<u>926,439</u>	<u>787,174</u>
<b>Total Liabilities, Deferred Inflows of         Resources and Net Position</b>	<u><u>\$ 1,215,979</u></u>	<u><u>\$ 1,093,104</u></u>

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

**KUNR 88.7-FM RADIO**

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Statements of Revenue, Expense and Changes in Net Position  
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Operating Revenue</b>		
Contributions and underwriting	\$ 518,536	\$ 516,527
Membership	455,639	492,165
CPB Community Service Grant	184,507	172,013
General appropriation from UNR	150,646	170,646
UNR facilities and administrative support	125,440	123,788
In-kind donations	20,398	20,242
Fundraising revenue, net of direct expense	8,596	8,573
ISDN studio service fees	450	1,200
	<u>1,464,212</u>	<u>1,505,154</u>
<b>Total Operating Revenue</b>	<u>1,464,212</u>	<u>1,505,154</u>
<b>Operating Expense</b>		
<i>Program Services</i>		
Programming and production	299,729	264,061
Broadcasting	455,737	440,093
	<u>755,466</u>	<u>704,154</u>
<i>Total Program Services</i>	<u>755,466</u>	<u>704,154</u>
<i>Supporting Services</i>		
Management and general	320,525	338,495
Fundraising	248,956	260,018
	<u>569,481</u>	<u>598,513</u>
<i>Total Supporting Services</i>	<u>569,481</u>	<u>598,513</u>
<b>Total Operating Expense</b>	<u>1,324,947</u>	<u>1,302,667</u>
<b>Operating Income</b>	<u>139,265</u>	<u>202,487</u>
<b>Change in Net Position</b>	139,265	202,487
<b>Net Position, Beginning of Year</b>	<u>787,174</u>	<u>584,687</u>
<b>Net Position, End of Year</b>	<u>\$ 926,439</u>	<u>\$ 787,174</u>

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

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## Statements of Cash Flows

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
General appropriation from UNR	\$ 150,646	\$ 170,646
Membership contributions	432,553	464,430
Community service grants	184,507	172,013
Program underwriting	358,548	339,375
Grant revenues	107,133	119,535
Other income	24,935	9,773
Payments to vendors	(577,673)	(495,422)
Payments to employees	(556,531)	(547,203)
	<u>124,118</u>	<u>233,147</u>
<b>Net Cash Provided by Operating Activities</b>	<u>124,118</u>	<u>233,147</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of equipment	-	(69,372)
Purchase of station permit	(20,000)	-
	<u>(20,000)</u>	<u>(69,372)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(20,000)</u>	<u>(69,372)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	104,118	163,775
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>701,928</u>	<u>538,153</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 806,046</u>	<u>\$ 701,928</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>		
Cash and cash equivalents in current assets	\$ 516,549	\$ 428,295
Restricted cash in other assets	<u>289,497</u>	<u>273,633</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 806,046</u>	<u>\$ 701,928</u>

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

**KUNR 88.7-FM RADIO**

A Public Broadcasting Entity Licensed to  
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Statements of Cash Flows

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Position	\$ 139,265	\$ 202,487
<i>Adjustments to reconcile change in net position to net cash provided by operating activities</i>		
Depreciation	27,699	25,944
Bad debt expense	12,360	-
Change in operating assets and liabilities		
Prepaid expenses	982	(5,643)
Underwriting receivables	7,388	(40,991)
Grants receivable	-	10,000
Contributions receivable	(27,186)	(27,736)
Accounts payable	(25,037)	27,543
Accrued salaries & benefits	(3,473)	11,892
Unearned underwriting and grant revenue	(7,880)	29,651
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 124,118</u>	<u>\$ 233,147</u>

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

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### **1. Nature of Organization and Significant Accounting Policies**

#### Nature of Organization

KUNR 88.7-FM Radio (KUNR) is a non-commercial public radio station licensed to the Board of Regents of the Nevada System of Higher Education (NSHE) and is an outreach service of the University of Nevada, Reno (UNR). KUNR broadcasts over northern Nevada and parts of eastern California through several translators in those regions. KNCC 91.5-FM (KNCC), a non-commercial public radio station also licensed to NSHE, rebroadcasts KUNR programs in Elko, Nevada.

#### Basis of Presentation

The financial statements of KUNR have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis* and Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*.

For financial reporting purposes, KUNR is considered a special-purpose unit of UNR, engaged only in business-type activities. Accordingly, KUNR’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to public colleges and universities. Under the accrual basis, revenues are recorded as earned and expenses are recorded as incurred.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 4, 2014, the date the financial statements were available to be issued.

#### Estimates

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

#### Operating Revenue and Expense

##### *Support:*

Contributions and grants are recognized as income when all eligibility requirements are met, provided that the promise is verifiable, the resources are measurable and the collection is probable. Membership pledges are examined on an annual basis to determine their collectability. An allowance is recorded when collection is unlikely.

##### *Underwriting:*

KUNR enters into underwriting agreements with various patrons. These agreements involve cash and in-kind contributions for sponsorship of programs and often overlap fiscal periods. Revenue is recognized over the period of the underwriting agreement. Unearned underwriting revenue is recorded for the remaining unexpired portion of the agreement at the end of each fiscal year.

##### *In-kind Donations:*

In-kind contributions such as donated supplies, promotional items and compact disks are recorded as in-kind donations and fundraising expense in the accompanying Statements of Revenue, Expense and Changes in Net Position at their estimated fair values.

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### *Donated Services:*

Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by KUNR. Volunteers also provide assistance in program and supporting services throughout the year; however, such services are not recognized as contributions in the financial statements since the recognition criteria have not been met.

### *Operating Expense:*

Functional classification and allocation of expenses are determined by management based on the functional definitions provided by *Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities*, published by the Corporation for Public Broadcasting.

### Cash and Cash Equivalents

Most of KUNR's cash and cash equivalents are pooled with those of other campuses and divisions of the NSHE and consist primarily of deposits in money market funds, which are not federally insured and not collateralized.

### Capital Assets

Capital assets purchased are recorded at cost. Assets donated are recorded at fair market value on the date of the gift. KUNR capitalizes assets purchased for greater than \$5,000 and with a useful life or more than one year. Assets are depreciated using the straight-line method based on useful lives of five to twenty years.

### Net Position

KUNR's net position is classified as follows:

#### *Invested in capital assets, net of related debt:*

This represents KUNR's total investment in capital assets. KUNR's outstanding debt obligations related to its capital assets amounted to \$20,000 and \$0, respectively, at June 30, 2014 and 2013.

#### *Restricted - expendable:*

The restricted, expendable net position of KUNR primarily consists of cash from donors and grantors with the specification that the funds be used for specific purposes or in the next fiscal year.

#### *Unrestricted:*

Unrestricted net position represents resources that may be used to meet current expenses for any lawful purpose.

### Income Taxes

KUNR is as an outreach service of the University of Nevada, Reno within the Nevada System of Higher Education, which is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Consequently, KUNR is not subject to federal or state income taxes.

### New Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement amends the net asset reporting requirement in GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local*

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*Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB 63 is effective for financial statements for periods beginning after December 15, 2011. KUNR has implemented this pronouncement in fiscal year 2013, and changes, consisting of renaming net assets as net positions, are reflected in the financial statements for the years ended June 30, 2014 and 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify and recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 is effective for financial statements for periods beginning after December 15, 2012. KUNR has implemented this pronouncement in fiscal year 2014. As a result, \$55,000 of grant revenue, received before the time restrictions were met, were reclassified as Deferred Inflows of Resources for the years ended June 30, 2014 and 2013. Prior to this implementation, the amounts were reported as current liabilities.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 is effective for financial statements for periods beginning after June 15, 2014. The anticipated impact of this pronouncement is uncertain at this time.

## 2. Contributions Receivable

Unconditional gifts expected to be collected within one year are reported as current contributions receivable, and unconditional gifts expected to be collected in one to five years are reported as non-current contributions receivable. No discount was recorded at June 30, 2014 or 2013 as it was determined to be inconsequential. No allowance was recorded at June 30, 2014 or 2013 based on the analysis of collectability of the receivables.

## 3. Capital Assets

KUNR's capital assets consisted of the following:

	June 30, 2014			June 30, 2013		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Transmission equipment	\$ 185,440	\$ (132,770)	\$ 52,670	\$ 185,440	\$ (123,241)	\$ 62,199
Studio and broadcast equipment	209,666	(166,994)	42,672	247,962	(193,927)	54,035
Furniture and fixtures	9,378	(7,226)	2,152	9,378	(6,509)	2,869
Software	10,000	(3,167)	6,833	10,000	(1,167)	8,833
Automobiles	20,454	(12,954)	7,500	20,454	(8,864)	11,590
Intangible	40,000	-	40,000	-	-	-
	<u>\$ 474,938</u>	<u>\$ (323,111)</u>	<u>\$ 151,827</u>	<u>\$ 473,234</u>	<u>\$ (333,708)</u>	<u>\$ 139,526</u>

During the year ended June 30, 2014, the Board of Regents of NSHE approved transfer of the rights under a construction permit for a non-commercial FM station KJIV, held by the Board, from Truckee Meadows Community College (TMCC) to UNR. KUNR agreed to pay \$40,000 to TMCC for reimbursement of expenses it incurred related to licensing and equipping KJIV in recent years in anticipation of operating that station. At June 30, 2014, half of the purchase price had been paid and the remaining half was included in accounts payable. Operation of KJIV is expected to begin during the fiscal year 2016.

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During the year ended June 30, 2013, KUNR made capital expenditures of \$69,372 to replace an antenna and purchase new broadcasting equipment.

Depreciation expense totaled \$27,699 and \$25,944 for the years ended June 30, 2014 and 2013, respectively, and is reported as a direct expense of the most relevant function, broadcasting, on the Statements of Revenue, Expense and Changes in Net Position.

### **4. Concentrations of Revenue**

The following schedule shows the concentrations of KUNR's revenue:

	<u>2014</u>	<u>2013</u>
Contributions and underwriting	35%	34%
Membership and subscriptions	31%	33%
CPB Community Service Grant	13%	11%
General appropriation - UNR	10%	11%
Donated facilities/support from UNR	9%	8%
Others	2%	3%
	<u>100%</u>	<u>100%</u>

### **5. CPB Community Service Grants**

The Corporation for Public Broadcasting (CPB) is a private, non-profit grant making organization. CPB distributes annual Community Service Grants to qualifying public telecommunications entities. A majority of the funds from these grants may be used according to the Communications Act of 1934, which provides that funds may be used at the discretion of recipients for purposes related primarily to the production or acquisition of programming. The remaining restricted portion of the funds from these grants is required to be spent on national program production and acquisition. Under these grants, KUNR recognized \$184,507 and \$172,013 in revenue for the years ended June 30, 2014 and 2013, respectively. In recent years, KUNR expended 100% of CPB grants for national program acquisition.

### **6. Donated Facilities and Administrative Support**

Donated facilities and administrative support from UNR was calculated based on UNR's College and Universities Rate Agreement, which is a rate schedule negotiated with the U.S. Department of Health and Human Services. The negotiated rate is applied to KUNR's expenses in a prescribed formula in order to determine the allocation of facilities and administrative support. Total donated facilities and administrative support was \$125,440 and \$123,788 for the years ended June 30, 2014 and 2013, respectively.

### **7. Contributed Services**

KUNR receives contributed services for its annual financial statement audit. The in-kind revenue related to these services was \$16,500 for each of the years ended June 30, 2014 and 2013.

### **8. Public Employees Retirement System**

KUNR is staffed by employees of the Nevada System of Higher Education. NSHE classified employees are covered by the State of Nevada Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system, and professional employees are covered under PERS, a defined benefit plan, or under Retirement Plan Alternative, a defined contribution plan.

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Classified employees who retire with eligible years of services and at eligible age are entitled to a retirement benefit equal to 2.67% of the employee's average compensation for each year of service up to 30 years, with a maximum of 75%. Employees hired after January 1, 2010 earn 2.5% of the employee's average compensation for each year of service. An employee's average compensation is the average of the employee's highest compensation for 36 consecutive months. A diminished benefit is provided to all eligible employees upon early retirement, if such employees have achieved the years of service required for regular retirement. PERS also provides death and disability benefits. Benefits are established by Nevada state statute.

The authority for establishing and amending the obligation to make contributions is provided by statute. Contribution rates are also established by statute. Active employees contribute to PERS at a rate of either 13.25% or 0% of annual covered wages depending on the contribution option selected. The employer contribution rate to PERS is either 13.25% or 25.75% of annual covered wages, depending on the option selected by the employee. Neither NSHE nor KUNR is liable for any unfunded liabilities of PERS.

PERS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

Professional employees who work at least as a half-time equivalent and who have not previously participated in PERS must participate in the Retirement Plan Alternative, provided through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, VALIC, and Fidelity Investments. Under these defined contribution plans, the employer and participants make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or a variety of mutual funds. The required employee contribution rate is 13.25%, and the contribution is matched by the employer.

KUNR's contribution to all retirement plans for the years ended June 30, 2014 and 2013 was approximately \$54,125 and \$48,358, respectively.

### **9. Concentrations of Credit Risk**

Most of KUNR's cash funds are pooled with those of other campuses and divisions of the NSHE and consist primarily of deposits in money market funds, which are not federally insured. Management does not believe it is exposed to any significant credit risk related to cash and cash equivalents.

### **10. Obligation under License Agreement**

Since July 1998, KUNR has held a license agreement for the rental of the transmitter site on McClellan Peak. The most recent renewal agreement, commencing on July 1, 2013 and expiring on June 30, 2018, stipulated a rental payment of \$1,819 per month, reduced to \$1,500 per month effective January 2, 2014, and increasing 3% each year on the annual anniversary of the commencement date.

The following table represents the future required rental payments for the years ending June 30:

2015	\$	18,540
2016		19,096
2017		19,669
2018		20,259
Thereafter		-
Total rental payments	\$	<u>77,564</u>

Rental expenses for the years ended June 30, 2014 and 2013 were \$24,152 and \$18,233, respectively.

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**11. Related Party Transactions**

KUNR received general appropriation from UNR of \$150,646 and \$170,646 for the years ended June 30, 2014 and 2013, respectively. KUNR utilizes UNR facilities as further discussed in Note 6. Total donated facilities and administrative support were \$125,440 and \$123,788 for the years ended June 30, 2014 and 2013, respectively.

Revenue recognized from various UNR departments and related auxiliaries for underwriting for the years ended June 30, 2014 and 2013 was \$26,338 and \$20,263, respectively. Included in underwriting receivables as of June 30, 2014 and 2013 are small amounts due from various UNR departments and related auxiliaries for program underwriting.

KUNR pays approximately \$10,000 per year to UNR for its telephone service and parking spaces on the UNR campus. Those expenses are included in supporting service expenses.

All financial statement line items referring to "University" or "UNR" are considered related party transactions.

**12. Regulatory Matters**

KUNR has previously proposed voluntarily contributions of \$3,000 each to FCC for remediation of prior year issues regarding construction permits and licenses for two of its translators. On June 19, 2013, the FCC accepted KUNR's request to cancel the license for one of the two translators as there was no other way to resolve the issue. The other translator's window of approval passed in August 2014 without the FCC accepting the proposed resolution, ending KUNR's authority to operate the translator. No voluntary contributions were assessed.