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

**Financial Statements** 

June 30, 2015

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Table of Contents June 30, 2015

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# 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

# **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 the business-type activities of KUNR 88.7-FM Radio (KUNR), a public broadcasting entity licensed to the Nevada System of Higher Education, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise KUNR's basic financial statements as listed in the table of contents.

# 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **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, 2015 and the changes in its net position and its cash flows for the year 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 8, the Schedule of Proportionate Share of the Net Pension Liability on page 23, and the Schedule of Entity Contributions on page 24 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 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.

Cupit, Sillian, Ogdan + hullins

Reno, Nevada January 22, 2016

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Management's Discussion and Analysis June 30, 2015

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, 2015, with selected comparative information for the year ended June 30, 2014. 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.

### **Overview of the 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.

For 2015, information included in this management's discussion and analysis may not be comparable due to the implementation of the Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. With the implementation of GASB 68, all information necessary to restate the 2014 financial statements in accordance with US Generally Accepted Accounting Principles was not available. As such, only a single year is presented in the audited financial statements.

### **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.

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Management's Discussion and Analysis June 30, 2015

The following table presents condensed financial information from KUNR's Statements of Net Position as of June 30, 2015 and 2014:

	2015	2014
Assets and Deferred Outflows of Resources		
Current assets	\$ 893.353	\$ 736,000
Capital assets, net	132,200	151,827
Other assets	323,590	328,152
Total Assets	1,349,143	1,215,979
Deferred Outflows of Resources	28,895	
Total Assets and Deferred Outflows of Resources	\$1,378,038	\$1,215,979
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities	\$ 268,415	\$ 234,540
Non-current liabilities	276,357	
Total Liabilities	544,772	234,540
Deferred Inflows of Resources	133,953	55,000
Net Position		
Invested in capital assets, net of related debt	125,197	131,827
Restricted - expendable	298,455	289,497
Unrestricted	275,661	505,115
Total Net Position	699,313	926,439
Total Liabilities, Deferred Inflows of		
Resources and Net Position	\$1,378,038	\$1,215,979

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, 2015 and 2014, unrestricted cash and cash equivalents totaled \$665,339 and \$516,549, 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, is classified as deferred inflows of resources for the years ended June 30, 2015 and 2014. Prior to this implementation, the amounts were reported as current liabilities.

KUNR implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) during fiscal year 2015. As a result, KUNR recorded a non-current liability of \$276,357 for net pension liability and deferred inflow of resources that was pension related in the amount of \$78,953 as of June 30, 2015. Due to GASB 68, KUNR

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Management's Discussion and Analysis June 30, 2015

also recorded deferred outflow of resources that was pension related in the amount of \$28,895 as of June 30, 2015. There was insufficient information to restate all the pension related amounts for the fiscal year 2014. The implementation of GASB 68 had a net effect of lowering the beginning net position for fiscal year 2015 by \$323,043. With an adjusted beginning net position of \$600,024, KUNR's net position increased by \$99,289 in fiscal year 2015.

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.

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Management's Discussion and Analysis June 30, 2015

### 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, 2015 and 2014:

	2015	2014
Operating Revenue		
Contributions and underwriting	\$ 533,039	\$ 518,536
Membership	493,117	455,639
CPB Community Service Grant	193,846	184,507
General appropriation from UNR	147,477	150,646
UNR facilities and administrative support	136,400	125,440
In-kind donations	19,800	20,398
Fundraising revenue, net of direct expense	4,812	8,596
ISDN studio service fees	900	450
Total Operating Revenue	1,529,391	1,464,212
Operating Expense		
Programming and production	301,717	299,729
Broadcasting	458,315	455,737
Management and general	375,731	320,525
Fundraising	297,711	248,956
Total Operating Expense	1,433,474	1,324,947
Operating Income	95,917	139,265
Change in Net Position	95,917	139,265
Net Position, Beginning of Year	926,439	787,174
Change in accounting principle, GASB 68 adjustment	(323,043)	
Net position, beginning of year as restated	603,396	787,174
Net Position, End of Year	\$ 699,313	\$ 926,439

Operating revenue for the year ended June 30, 2015 increased by \$65,179 compared to the previous year. KUNR has begun moving donors towards a sustaining donation model where donors are set up to give a monthly donation via credit card. This has led to more consistent collection of donations.

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Management's Discussion and Analysis June 30, 2015

### 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, 2015 and 2014:

	2015	2014
Net cash flows from operating activities	\$ 177,748	\$ 124,118
Net cash flows from capital and related financing activities	(20,000)	(20,000)
Net Increase in Cash and Cash Equivalents	157,748	104,118
Cash and Cash Equivalents, Beginning of Year	806,046	701,928
Cash and Cash Equivalents, End of Year	\$ 963,794	\$ 806,046

### **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 (now KNCJ), held by the Board, from Truckee Meadows Community College (TMCC) to UNR. KUNR agreed to pay \$40,000 for reimbursement of expenses it incurred related to licensing and equipping KJIV (now KNCJ) in recent years in anticipation of operating that station. By July 31, 2014, KUNR has fulfilled its commitment to pay \$40,000 to TMCC. KUNR now has until December 2, 2016 to purchase all necessary equipment and have the station on the air.

The estimated capital required to commence broadcasts for KNCJ is approximately \$105,000. KUNR will begin a capital campaign to help raise funds for this in 2016.

### **Economic Outlook**

KUNR's economic outlook is promising heading into the 2016-2017 year. The NPR product remains an extremely popular and stable radio format heard by 26 million weekly listeners in the U.S. Where commercial radio formats are struggling with streaming and on-demand options, NPR is sustaining large and loyal audiences. While all broadcast and news operations are facing a changing technological and generational landscape, KUNR and NPR are adapting well to digital platforms as a strategic way to stay relevant and financially viable.

Local KUNR content is also strong, with a talented team of broadcasters and news journalists providing a steady stream of outstanding content to cement KUNR's market position as the clear, primary public radio choice. A veteran program director has just been hired and will start in January 2016, further honing KUNR's sound program selections. With a growing internship program and mix of full-time, part-time and student workers, KUNR has a highly stable and motivated on-air/news team. Front office staff is solid and professional in its various roles.

As the local economy has rebounded, KUNR has experienced record underwriting sales year to year for the past two years, with the coming year on track to match or exceed the year just ended. Investment in additional staff in the sales department has reaped clear benefits and should continue to do so.

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Management's Discussion and Analysis June 30, 2015

KUNR will launch a second station in summer 2016: Music station KNCJ will provide daily classical music and weekend jazz with the Saturday Met opera, along with other similar music content. This will better serve those listeners in the Reno-Sparks area, and allow KUNR to begin building a stronger weekday/weeknight offering of news and information beginning in 2017. The first year will result in start-up costs, with funds currently being pursued from individuals and larger foundations, and over time, the new station is expected to be a self-supporting asset to the community and the University.

KUNR put a membership position in place in December 2014, and programs, events and benefits for members have grown. This foundation of a program is expected to help grow membership rolls in the years ahead, reaching out to young professionals while expanding support from greater numbers of traditional public radio listeners. KUNR's Signal Circle group of \$1,000-plus annual givers has continued to grow toward 100, and should continue to have a dramatic impact on KUNR's bottom line.

On the funding front, budget threats of the past several years on Capitol Hill have been neutralized through NPR's work and local stations making their case for federal funding. Elections can always change this in the future, but for now waters are calm and there seems to be little interest in picking a politically unhelpful fight of relatively small budget allocations for public broadcasting. University relationships are strong.

Other items that bode well for KUNR's outlook include: Translator communities are now better served than a decade ago by recent years of attention and investment and a solid response to outages or service concerns. Partnerships are growing, including Artown, the Nevada Museum of Art, The Reynolds School of Journalism and other content and promotional collaborations, with more in the works to maximize community impact cost-effectively. KUNR's relationships with the University are healthy and vibrant, as KUNR broadcasts monthly interviews with the President and Provost and their guests, and provides other segments such as "University of Nevada School of Medicine Health Watch" and "Reynolds School Media Watch."

Finally, KUNR established its Leadership Board and completed the 2015-17 Strategic Plan in June 2015. The Board will change and grow over time, and the Strategic Plan is guiding KUNR's efforts in a focused but flexible manner.

Internally, business operations are sound and always being streamlined and updated. Careful stewardship, listener service and donor relations are paramount station-wide, and the management and staff are committed and engaged with the mission of KUNR. KUNR is elevating its operation financially, operationally and as a viable, desirable product at a time when the region is expecting great things and new growth, making for a promising future for KUNR.

## **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

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Statement of Net Position As of June 30, 2015

Assets and Deferred Outflows of Resources  Current Assets	
Cash and cash equivalents	\$ 665,339
Underwriting receivables, net of allowance for doubtful accounts of \$5,700	196,087
Contributions receivable, current	17,105
Prepaid expenses	14,822
Total Current Assets	893,353
Capital Assets, net	132,200
Other Assets	
Restricted cash and cash equivalents	298,455
Contributions receivable, non-current	25,135
Total Other Assets	323,590
	·
Total Assets	1,349,143
Deferred Outflows of Resources	
Pension related	28,895
Total Deferred Outflows of Resources	28,895
Total Assets and Deferred Outflows of Resources	\$ 1,378,038
Liabilities, Deferred Inflows of Resources and Net Position  Current Liabilities	
Accounts payable	\$ 47,463
Accrued salaries and benefits	78,828
Unearned underwriting revenue	142,124
Total Current Liabilities	268,415
Noncurrent Liabilities	
Net pension liability	276,357
Total Noncurrent Liabilities	276,357
Total Liabilities	544,772
Deferred Inflows of Resources	<del></del>
Pension related	78,953
Grants received before time restrictions are met	55,000
Total Deferred Inflows of Resources	133,953
Total Defended Inflows of Nesources	133,933
Net Position	
Invested in capital assets, net of related debt	125,197
Restricted - expendable	298,455
Unrestricted	275,661
Total Net Position	699,313
Total Liabilities and Deferred Outflows of	
Resources and Net Position	\$ 1,378,038

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Statement of Revenue, Expense and Changes in Net Position For the Year Ended June 30, 2015

Operating Revenue	
Contributions and underwriting	\$ 533,039
Membership	493,117
CPB Community Service Grant	193,846
General appropriation from UNR	147,477
UNR facilities and administrative support	136,400
In-kind donations	19,800
Fundraising revenue, net of direct expense	4,812
ISDN studio service fees	 900
Total Operating Revenue	1,529,391
Operating Expense	
Program Services	
Programming and production	301,717
Broadcasting	458,315
Total Program Services	760,032
Supporting Services	
Management and general	375,731
Fundraising	 297,711
Total Supporting Services	 673,442
Total Operating Expense	1,433,474
Operating Income and Change in Net Position	95,917
Net Position	
Net position - beginning of year, as previously reported	926,439
Change in accounting principle, GASB 68 adjustments	(323,043)
Net position - beginning of year as restated	603,396
Net position, end of year	\$ 699,313

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Statement of Cash Flows For the Year Ended June 30, 2015

Cash Flows from Operating Activities	
General appropriation from UNR	\$ 147,477
Membership contributions	503,912
Community service grants	193,846
Program underwriting	393,193
Grant revenues	77,553
Other income	18,448
Payments to vendors	(578,379)
Payments to employees	 (578,302)
Net Cash Provided by Operating Activities	177,748
The sacration by operating the sacration of the sacration	 ,
Cash Flows from Capital and Related Financing Activities	
Purchase of station permit	(20,000)
Net Cash Used by Capital and	
Related Financing Activities	 (20,000)
Net Increase in Cash and Cash Equivalents	157,748
Cash and Cash Equivalents, Beginning of Year	 806,046
Cash and Cash Equivalents, End of Year	\$ 963,794
Reconciliation of Cash and Cash Equivalents to	
the Statement of Net Position	
Cash and cash equivalents in current assets	\$ 665,339
Restricted cash in other assets	298,455
Total Cash and Cash Equivalents	\$ 963,794

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Statement of Cash Flows For the Year Ended June 30, 2015

Reconciliation of Operating Income to Cash Flows from Operating Activities		
Operating Income	\$	95,917
Adjustments to reconcile operating income	•	,
to net cash provided by operating activities		
Depreciation		26,630
Bad debt expense		6,158
Pension expense		3,372
Change in operating assets and liabilities		
Prepaid expenses		(974)
Underwriting receivables		(11,022)
Contributions receivable		10,795
Accounts payable		28,367
Accrued salaries & benefits		14,746
Unearned underwriting and grant revenue		3,759
Net Cash Provided by Operating Activities	\$	177,748
Supplemental Disclosure of Cash Flow Information		
Noncash Financing and Investing Activities		
Capital expenditures included in the year-end accounts payable	\$	7,003

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Notes to Financial Statements June 30, 2015

# 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 January 22, 2016, 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.

### 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 collaterized.

# 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.

# **Pensions**

The net pension liability and deferred outflows and inflows of resources related to pensions, pension expense, and information about the fiduciary net position and changes in the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) have been determined on the same basis as they are reported by PERS.

# <u>Deferred Outflows of Resources and Deferred Inflows of Resources</u>

Deferred outflows of resources reflect the balance of resources used that pertain to future periods and will not be recognized as expenses until that time. KUNR's deferred outflows of resources are related to pensions, which are further discussed in Note 8.

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Notes to Financial Statements June 30, 2015

Deferred inflows of resources reflect the balance of resources received that pertain to future periods and will not be recognized as revenue until that time. KUNR's deferred inflows of resources consist of grant revenue received before the time restrictions were met and pension related deferred inflows of resources, which is further discussed in Note 8.

### **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 \$7,003 at June 30, 2015.

### 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.

### Operating Revenue and Expense

### Support:

Contributions and grants are recognized as operating revenues 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 Contributions:

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

# 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.

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Notes to Financial Statements June 30, 2015

# 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.

### Income Taxes

KUNR is an outreach service of the University of Nevada, Reno within the Nevada System of Higher Education, which is exempt from federal taxes in accordance with the Internal Revenue Service's Revenue Procedure 95-48. Consequently, KUNR is not subject to federal income taxes.

### **New Accounting Pronouncements**

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 established standards for measuring and recognizing pension related liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense of governments providing defined benefit pensions. GASB 68 is effective for fiscal years beginning after June 15, 2014. In November 2013, the GASB issued GASB Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB 68.* The provisions of GASB 71 are required to be applied simultaneously with the provisions of GASB 68. KUNR has implemented these pronouncements for the fiscal year ended June 30, 2015. The implementation resulted in an adjustment to the beginning net position on the Statement of Revenue, Expense, and Changes in Net Position for June 30, 2015 of \$323,043, reflecting the prior year pension related elements of net position.

In February 2015, the GASB issued GASB Statement No. 72, Fair Value Measurement and Application (GASB 72), which addresses accounting and financial reporting issues related to fair value measurements. GASB 72 is effective for financial statements for periods beginning after June 15, 2015. The anticipated impact of this pronouncement is uncertain at this time.

In February 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB 73), which improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Certain provisions of GASB 73 are effective for financial statements for periods beginning after June 15, 2016 and others are effective for financial statements for periods beginning after June 15, 2015. The anticipated impact of this pronouncement is uncertain at this time.

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), whose primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 is effective for financial statements for periods beginning after June 15, 2017. 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, 2015 as it was determined to be inconsequential. No allowance was recorded at June 30, 2015 based on the analysis of collectability of the receivables.

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Notes to Financial Statements June 30, 2015

# 3. Capital Assets

KUNR's activities related to capital assets consisted of the following for the year ended June 30, 2015:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets being depreciated: Transmission equipment Studio and broadcast equipment Furniture and fixtures	\$ 185,440 209,666 9,378	\$ - - -	\$ - - -	\$ 185,440 209,666 9,378
Software Automobiles	10,000 20,454			10,000 20,454
Total capital assets being depreciated	434,938			434,938
Less accumulated depreciation for: Transmission equipment Studio and broadcast equipment Furniture and fixtures Software Automobiles  Total accumulated depreciation  Total capital assets being depreciated, net	(132,770) (166,994) (7,226) (3,167) (12,954) (323,111) 111,827	(9,302) (10,520) (717) (2,000) (4,091) (26,630)	- - - - - -	(142,072) (177,514) (7,943) (5,167) (17,045) (349,741) 85,197
Capital assets not being depreciated: Construction in progress Intangible	40,000	7,003		7,003 40,000
Total capital assets not depreciated	40,000	7,003		47,003
Capital assets, net	151,827	(19,627)		132,200

Depreciation expense totaled \$26,630 for the year ended June 30, 2015 and is reported as the direct expense of the relevant functions on the Statement of Revenue, Expense and Changes in Net Position.

# 4. Concentrations of Revenue

The following schedule shows the concentrations of KUNR's revenue for the year ended June 30, 2015:

Contributions and underwriting	35%
Membership and subscriptions	32%
CPB Community Service Grant	13%
General appropriation - UNR	10%
Donated facilities/support from UNR	9%
Others	1%
	100%

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# 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 \$193,846 in revenue for the year ended June 30, 2015. 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 \$136,400 for the year ended June 30, 2015.

### 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 the year ended June 30, 2015.

### 8. Pension Plans

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

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 (RPA). Under RPA, the employer and participants make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or participate in a variety of mutual funds. The required employee contribution rate for the year ended June 30, 2015 was 13.25%, and the contribution was matched by the employer. KUNR's employer contribution to RPA for the year ended June 30, 2015 was \$28,666.

NSHE also provides its employees an option to participate in the NSHE Supplemental 403(b) Plan, a defined contribution plan, subject to maximum contribution limits established annually by the Internal Revenue Service. The employee contributions are not matched by the employer.

### General Information about the PERS

PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system established by the Nevada Legislature in 1947, effective July 1, 1948.

### Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

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Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

### Vesting

Members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

### **Contributions**

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by stature. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2015, the statutory employer/employee matching rate was 13.25%. The Employer-Pay Contribution (EPC) rate was 25.75%.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, KUNR reported a liability of \$276,357 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. KUNR's proportional share of the net pension liability is based on KUNR's combined employer and member contributions relative to the total combined employer and member contributions for all employers for the year ended June 30, 2014. KUNR's proportionate share was approximately 0.00265% of PERS' net pension liability.

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For the year ended June 30, 2015, KUNR recognized pension expense of \$32,267. At June 30, 2015, KUNR reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 13,225
Net difference between projected and actual earnings on	Ψ	+ .0,220
investments	-	58,046
Changes in proportion and differences between actual		
contributions and proportionate share of contributions	-	7,682
System contributions subsequent to the measurement date	28,895	
	\$ 28,895	\$ 78,953

The deferred outflows of resources related to pensions at June 30, 2015 amounting to \$28,895 resulted from KUNR's contributions to PERS subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows for the years ending June 30:

2016 2017	\$ 18,646 18,646
2018	18,646
2019	18,646
2020	2,570
Thereafter	 1,799
	\$ 78,953

### **Actuarial Assumptions**

The PERS' net pension liability, representing the total pension liability less the pension plan's fiduciary net position, was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate 3.50%

Payroll growth 5.00%, including inflation

Investment rate of return 8.00% Productivity pay increase 0.75%

Projected salary increases 4.60% to 9.75%, depending on service

Rates include inflation and productivity increases

Consumer Price Index 3.50%

Other assumptions Same as those used in the June 30, 2014 funding actuarial valuation

Mortality rates for healthy participants were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males). For disabled participants, mortality rates were based on the RP-2000 Disabled Retiree Table projected to 2013 with Scale AA, set forward three years.

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Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

The PERS' policies which determine the investment portfolio target asset allocation are established by the PERS' Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the PERS.

The following was the PERS' Board adopted policy target asset allocation as of June 30, 2014:

		Long-Term Geometric Expected
Asset Class	Target Allocation	Real Rate of Return*
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

<sup>\*</sup> As of June 30, 2014, PERS' long-term inflation assumption was 3.5%.

### Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2014 was 8.00%. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

### Pension Liability Discount Rate Sensitivity

The following presents the net pension liability using the discount rate of 8.00%, as well as what KUNR's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)		Discount Ra	ate (8.00%)	1% Increase (9.00%)		
KUNR's proportional share of the net pension liability	\$	429,766	\$	276,357	\$	148,836	

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial report that includes financial statements and required supplementary information. The report is available online at www.nvpers.org under Quick Links — Publications or may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

### 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.

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# 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:

2016 2017 2018	\$ 19,096 19,669 20,259
Thereafter	
Total rental payments	\$ 59,024

Rental expense for the years ended June 30, 2015 was \$24,067.

# 11. Related Party Transactions

KUNR received general appropriation from UNR of \$147,477 for the year ended June 30, 2015. KUNR utilizes UNR facilities as further discussed in Note 6. Total donated facilities and administrative support was \$136,400 for the year ended June 30, 2015.

Revenue recognized from various UNR departments and related auxiliaries for underwriting for the year ended June 30, 2015 was \$14,105. Included in underwriting receivables as of June 30, 2015 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.



A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Schedule of Proportionate Share of the Net Pension Liability Public Employees' Retirement System of Nevada Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
KUNR's proportion of the net pension liability	0.00265%	(									
KUNR's proportionate share of the net pension liability	\$276,357	67/68 is not required) 57									
KUNR's covered-employee payroll \$153,											
KUNR's proportionate share of the net pension liability as a percentage of its covered-employee payroll											
PERS fiduciary net position as a percentage of the total pension liability	76.31%										

<sup>\*</sup>The amounts reported for each fiscal year were determined as of June 30 of the prior fiscal year.

A Public Broadcasting Entity Licensed to the Nevada System of Higher Education Schedule of Entity Contributions Public Employees' Retirement System of Nevada Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
Contractually required contribution	\$ 28,895	(Historical information prior to the implementation of GASB 67/68 is not required)									
Contributions in relation to the contractually required contribution	(28,895)				110	t require	su)				
Contribution deficiency (excess)	\$ -										
KUNR's covered-employee payroll	\$175,809										
Contributions as a percentage of covered-employee payroll	16.44%										