

DRAFT
as of 1-9-17

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

Financial Statements

June 30, 2016 and 2015

KUNR 88.7-FM Radio

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

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June 30, 2016

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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 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 years ended June 30, 2016 and 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, 2016 and 2015 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 8, the Schedule of Proportionate Share of the Net Pension Liability on page 25, and the Schedule of Entity Contributions on page 26 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.

Cusit, Killeen, Ogden & Sullivan

Reno, Nevada
January 10, 2017

KUNR 88.7-FM Radio

A Public Broadcasting Entity Licensed to
the Nevada System of Higher Education
Management's Discussion and Analysis
June 30, 2016

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, 2016, with selected comparative information for the year ended June 30, 2015. 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.

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, 2016 and 2015:

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	2016	2015
Assets and Deferred Outflows of Resources		
Current assets	\$ 1,044,189	\$ 893,353
Capital assets, net	130,125	132,200
Other assets	327,183	323,590
Total Assets	1,501,497	1,349,143
Deferred Outflows of Resources	36,569	28,895
Total Assets and Deferred Outflows of Resources	\$ 1,538,066	\$ 1,378,038
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities	\$ 288,939	\$ 268,415
Non-current liabilities	343,387	276,357
Total Liabilities	632,326	544,772
Deferred Inflows of Resources	130,583	133,953
Total Deferred Inflows of Resources	130,583	133,953
Net Position		
Invested in capital assets, net of related debt	130,125	125,197
Restricted - expendable	321,953	298,455
Unrestricted	323,079	275,661
Total Net Position	775,157	699,313
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,538,066	\$ 1,378,038

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, 2016 and 2015, unrestricted cash and cash equivalents totaled \$774,462 and \$665,339, respectively.

Other assets consist primarily of restricted cash and cash equivalents.

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.

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.

Non-current liabilities consist of net pension liability, which increased by \$67,030 from fiscal year 2015 to 2016.

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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.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Operating Revenue		
Contributions and underwriting	\$ 652,401	\$ 533,039
Membership	570,382	493,117
CPB Community Service Grant	184,143	193,846
General appropriation from UNR	155,703	147,477
UNR facilities and administrative support	153,181	136,400
In-kind donations	27,762	19,800
Fundraising revenue, net of direct expense	5,422	4,812
ISDN studio service fees	600	900
	<u>1,749,594</u>	<u>1,529,391</u>
Operating Expense		
Programming and production	336,570	301,717
Broadcasting	539,175	458,315
Management and general	419,076	375,731
Fundraising	378,929	297,711
	<u>1,673,750</u>	<u>1,433,474</u>
Operating Income	<u>75,844</u>	<u>95,917</u>
Change in Net Position	75,844	95,917
Net Position, Beginning of Year	<u>699,313</u>	<u>603,396</u>
Net Position, End of Year	<u>\$ 775,157</u>	<u>\$ 699,313</u>

Operating revenue for the year ended June 30, 2016 increased by \$220,203 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.

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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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Net cash flows from operating activities	\$ 165,750	\$ 177,748
Net cash flows from capital and related financing activities	<u>(33,129)</u>	<u>(20,000)</u>
Net Increase in Cash and Cash Equivalents	132,621	157,748
Cash and Cash Equivalents, Beginning of Year	<u>963,794</u>	<u>806,046</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,096,415</u>	<u>\$ 963,794</u>

Capital Asset and Debt Administration

Prior to fiscal year 2016, KUNR acquired the rights to operate a non-commercial FM station, now called KNCJ, under a construction permit held by the Board of Regents of NSHE. During the year ended June 30, 2016, KUNR purchased a transmitter for KNCJ for \$19,606, which is classified as construction in progress at June 30, 2016, and a vehicle for \$13,523. KUNR launched KNCJ operation in October 2016.

Economic Outlook

For the fiscal year 2017 (FY17), KUNR's economic outlook remains promising, while the station faces increasing competition and the challenges of managing a small organization that is experiencing growth and the expectations that come with success.

The NPR product remains an extremely popular and stable radio format heard by over 36 million weekly listeners in the U.S. NPR is sustaining large and loyal audiences while other commercial radio formats struggle in the Internet age.

While the vast majority of KUNR's content comes from national sources, KUNR's local content is also strong. As of January 2017, KUNR will have added an experienced, full-time reporter. This talented team of news journalists provides a steady stream of local reporting to retain KUNR's market position as the clear, primary public radio choice of listeners in the core northern Nevada market.

KUNR added several new members to its Leadership Board and updated the 2015-2017 Strategic Plan to continue to guide KUNR's efforts.

Economic factors to build on in FY17 include:

- Growing number of sustaining memberships—with about a third of members now in this category providing a more predictable, stable stream of continuous, ongoing support.

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- Underwriting revenues that continue to be strong and steady, with more opportunities for increased sales in FY17.
- The improving regional economy. The economic turnaround of northern Nevada continues, providing confidence in businesses and individuals who are current and potential sources of financial support.

Economic factors to watch in the second half of FY17 include:

- The new presidential administration's possible impact on federal funding for CPB, which has historically provided about 10% of KUNR's annual revenues. NPR stations and the network have worked to strengthen relationships with Congress in recent years to protect funding for public broadcasting. While confidence is high that funding for the foreseeable future is secure, nothing can be taken for granted in this uncharted new era for the country.
- The entry into the Reno market of a new station under the KNPR brand to air beginning in early 2017. KNPR is the NPR station from Las Vegas that has purchased 89.1 FM in Reno for a significant price indicating serious yet undisclosed programming plans for the Reno station.

Opportunities in FY17 include:

- Expanding listenership and financial support for 89.5 KNCJ—Nevada Classical & Jazz. Launched in October 2016, this daily classical and weekend jazz music station is being well received. While leveraging KUNR's existing staff and operational infrastructure to minimize costs, the opportunity exists for business support (underwriting) and increased individual financial support.
- Digital content possibilities to tap into potential audiences of younger and non-traditional radio listeners.
- Rethinking and reshaping of KUNR's lineup of programs to solidify its place as a leader in the local public radio market.
- Increased news staff and the addition of other recent staff that can elevate the station's product and efficient, effective operation.
- The launch of a new Youth Radio program with the Washoe County School District, with the aim of diversifying the voices and stories on KUNR, while helping encourage and prepare the next generation of public radio journalists and storytellers.
- News content partnerships that include ThisIsReno.com, Northern Nevada Business Weekly and the Reynolds School of Journalism, with more in development.

Overall, the economic outlook remains positive for KUNR / Reno Public Radio. 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 continues to operate soundly to provide a desirable product at a time when the region is experiencing 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

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KUNR 88.7-FM RADIO

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Statements of Net Position
As of June 30, 2016 and 2015

Assets and Deferred Outflows of Resources	2016	2015
<i>Current Assets</i>		
Cash and cash equivalents	\$ 774,462	\$ 665,339
Underwriting receivables, net of allowance for doubtful accounts of \$6,430 and \$5,700 in 2016 and 2015	237,649	196,087
Contributions receivable, current	10,773	17,105
Prepaid expenses	21,305	14,822
<i>Total Current Assets</i>	<u>1,044,189</u>	<u>893,353</u>
<i>Capital Assets, net</i>	<u>130,125</u>	<u>132,200</u>
<i>Other Assets</i>		
Restricted cash and cash equivalents	321,953	298,455
Contributions receivable, non-current	5,230	25,135
<i>Total Other Assets</i>	<u>327,183</u>	<u>323,590</u>
<i>Total Assets</i>	<u>1,501,497</u>	<u>1,349,143</u>
<i>Deferred Outflows of Resources</i>		
Pension related	<u>36,569</u>	<u>28,895</u>
<i>Total Deferred Outflows of Resources</i>	<u>36,569</u>	<u>28,895</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,538,066</u>	<u>\$ 1,378,038</u>
Liabilities, Deferred Inflows of Resources and Net Position		
<i>Current Liabilities</i>		
Accounts payable	\$ 24,111	\$ 47,463
Accrued salaries and benefits	86,545	78,828
Unearned underwriting revenue	178,283	142,124
<i>Total Current Liabilities</i>	<u>288,939</u>	<u>268,415</u>
<i>Noncurrent Liabilities</i>		
Net pension liability	<u>343,387</u>	<u>276,357</u>
<i>Total Noncurrent Liabilities</i>	<u>343,387</u>	<u>276,357</u>
<i>Total Liabilities</i>	<u>632,326</u>	<u>544,772</u>
<i>Deferred Inflows of Resources</i>		
Pension related	60,583	78,953
Grants received before time restrictions are met	70,000	55,000
<i>Total Deferred Inflows of Resources</i>	<u>130,583</u>	<u>133,953</u>
<i>Net Position</i>		
Invested in capital assets, net of related debt	130,125	125,197
Restricted - expendable	321,953	298,455
Unrestricted	323,079	275,661
<i>Total Net Position</i>	<u>775,157</u>	<u>699,313</u>
Total Liabilities and Deferred Outflows of Resources and Net Position	<u>\$ 1,538,066</u>	<u>\$ 1,378,038</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 Revenue, Expense and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenue		
Contributions and underwriting	\$ 652,401	\$ 533,039
Membership	570,382	493,117
CPB Community Service Grant	184,143	193,846
General appropriation from UNR	155,703	147,477
UNR facilities and administrative support	153,181	136,400
In-kind donations	27,762	19,800
Fundraising revenue, net of direct expense	5,422	4,812
ISDN studio service fees	600	900
Total Operating Revenue	1,749,594	1,529,391
Operating Expense		
<i>Program Services</i>		
Programming and production	336,570	301,717
Broadcasting	539,175	458,315
<i>Total Program Services</i>	<i>875,745</i>	<i>760,032</i>
<i>Supporting Services</i>		
Management and general	419,076	375,731
Fundraising	378,929	297,711
<i>Total Supporting Services</i>	<i>798,005</i>	<i>673,442</i>
Total Operating Expense	1,673,750	1,433,474
Operating Income	75,844	95,917
Change in Net Position	75,844	95,917
Net Position, Beginning of Year	699,313	603,396
Net Position, End of Year	\$ 775,157	\$ 699,313

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

KUNR 88.7-FM RADIO

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Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
General appropriation from UNR	\$ 155,703	\$ 147,477
Membership contributions	596,619	503,912
Community service grants	184,143	193,846
Program underwriting	415,899	393,193
Grant revenues	153,870	77,553
Other income	24,327	18,448
Payments to vendors	(675,348)	(578,379)
Payments to employees	(689,463)	(578,302)
	165,750	177,748
Cash Flows from Capital and Related Financing Activities		
Purchase of equipment	(33,129)	-
Purchase of station permit	-	(20,000)
	(33,129)	(20,000)
Net Increase in Cash and Cash Equivalents	132,621	157,748
Cash and Cash Equivalents, Beginning of Year	963,794	806,046
Cash and Cash Equivalents, End of Year	\$ 1,096,415	\$ 963,794
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents in current assets	\$ 774,462	\$ 665,339
Restricted cash in other assets	321,953	298,455
	\$ 1,096,415	\$ 963,794
Total Cash and Cash Equivalents	\$ 1,096,415	\$ 963,794

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

DRAFT
as of 1-9-17

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, 2016 and 2015

	2016	2015
Reconciliation of Operating Income to Cash Flows from Operating Activities		
Operating Income	\$ 75,844	\$ 95,917
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation	32,423	26,630
Bad debt expense	4,154	6,158
Non-cash pension expense	40,986	3,372
Receipt of donated equipment	(4,222)	-
Change in operating assets and liabilities		
Prepaid expenses	(6,483)	(974)
Underwriting receivables	(45,716)	(11,022)
Contributions receivable	26,237	10,795
Accounts payable	(16,349)	28,367
Accrued salaries and benefits	7,717	14,746
Unearned underwriting revenue	51,159	3,759
	\$ 165,750	\$ 177,748
Supplemental Disclosure of Cash Flow Information		
<i>Noncash Financing and Investing Activities</i>		
Receipt of donated equipment	\$ 4,222	\$ -
Capital expenditures included in the year-end accounts payable	\$ -	\$ 7,003

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

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Notes to 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 January 10, 2017, 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 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.

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.

Deferred Outflows of Resources and Deferred Inflows of Resources

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.

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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 \$0 and \$7,003 at June 30, 2016 and 2015, respectively.

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.

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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 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, 2016 or 2015 as it was determined to be inconsequential. No allowance was recorded at June 30, 2016 or 2015 based on the analysis of collectability of the receivables.

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3. Capital Assets

KUNR's activities related to capital assets consisted of the following for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets being depreciated:				
Transmission equipment	\$ 185,440	\$ -	\$ -	\$ 185,440
Studio and broadcast equipment	209,666	-	-	209,666
Furniture and fixtures	9,378	4,222	-	13,600
Software	10,000	-	-	10,000
Automobiles	<u>20,454</u>	<u>13,523</u>	<u>-</u>	<u>33,977</u>
Total capital assets being depreciated	<u>434,938</u>	<u>17,745</u>	<u>-</u>	<u>452,683</u>
Less accumulated depreciation for:				
Transmission equipment	(142,072)	(9,301)	-	(151,373)
Studio and broadcast equipment	(177,514)	(10,520)	-	(188,034)
Furniture and fixtures	(7,943)	(4,939)	-	(12,882)
Software	(5,167)	(2,000)	-	(7,167)
Automobiles	<u>(17,045)</u>	<u>(5,663)</u>	<u>-</u>	<u>(22,708)</u>
Total accumulated depreciation	<u>(349,741)</u>	<u>(32,423)</u>	<u>-</u>	<u>(382,164)</u>
Total capital assets being depreciated, net	<u>85,197</u>	<u>(14,678)</u>	<u>-</u>	<u>70,519</u>
Capital assets not being depreciated:				
Construction in progress	7,003	19,606	(7,003)	19,606
Intangible	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total capital assets not depreciated	<u>47,003</u>	<u>19,606</u>	<u>(7,003)</u>	<u>59,606</u>
Capital assets, net	<u>\$ 132,200</u>	<u>\$ 4,928</u>	<u>\$ (7,003)</u>	<u>\$ 130,125</u>

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

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

Depreciation expense totaled \$32,423 and \$26,630 for the years ended June 30, 2016 and 2015, respectively, and is reported as a direct expense of the relevant functions 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 for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions and underwriting	37%	35%
Membership and subscriptions	33%	32%
CPB Community Service Grant	11%	13%
General appropriation - UNR	9%	10%
Donated facilities/support from UNR	9%	9%
Others	<u>1%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

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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 \$184,143 and \$193,846 in revenue for the years ended June 30, 2016 and 2015, 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 \$153,181 and \$136,400 for the years ended June 30, 2016 and 2015, respectively.

7. Contributed Services

KUNR receives contributed services for its annual financial statement audit. The in-kind revenue related to these services was \$17,000 and \$16,500 for the years ended June 30, 2016 and 2015, respectively.

8. Pension Plans

KUNR is staffed by employees of the Nevada System of Higher Education (NSHE or System). 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 rates for the years ended June 30, 2016 and 2015 were 14.50% and 13.25%, respectively, and the contribution was matched by the employer. KUNR's employer contribution to RPA for the years ended June 30, 2016 and 2015 were \$28,872 and \$28,666, respectively.

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 statute. 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, 2016, the statutory employer/employee matching rate was 14.50%. The Employer-Pay Contribution (EPC) rate was 28.00%.

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, 2016 and 2015, KUNR reported a liability of \$343,387 and \$276,357 for its proportionate share of net pension liability, respectively. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. KUNR's proportional share of the net pension liability at June 30, 2016 and 2015 is based on KUNR's combined employer and member contributions relative to the total combined employer and member contributions for all employers for the years ended June 30, 2015 and 2014, respectively. KUNR's proportionate share was approximately 0.00300% and 0.00265% of PERS' net pension liability in the respective years.

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For the years ended June 30, 2016 and 2015, KUNR recognized pension expense of \$76,126 and \$32,267, respectively. At June 30, 2016, 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	\$ -	\$ 25,829
Net difference between projected and actual earnings on investments	-	18,600
Changes in proportion and differences between actual contributions and proportionate share of contributions	1,429	16,154
Employer contributions subsequent to the measurement date	<u>35,140</u>	<u>-</u>
	<u>\$ 36,569</u>	<u>\$ 60,583</u>

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 investments	-	58,046
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	7,682
Employer contributions subsequent to the measurement date	<u>28,895</u>	<u>-</u>
	<u>\$ 28,895</u>	<u>\$ 78,953</u>

The deferred outflows of resources related to pensions at June 30, 2016 amounting to \$35,140 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, 2017. Other amounts reported as deferred inflows and outflows of resources will be recognized in net pension expense as follows for the years ending June 30:

2017	\$ 18,381
2018	18,381
2019	18,381
2020	(3,453)
2021	5,683
Thereafter	<u>1,781</u>
	<u>\$ 59,154</u>

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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, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The total pension liability as of June 30, 2015 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, 2015 funding actuarial valuation

The total pension liability as of June 30, 2014 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.

Actuarial assumptions used in the June 30, 2015 and 2014 valuations 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.

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The following was the PERS' Board adopted policy target asset allocation as of June 30, 2015 and 2014:

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

* As of June 30, 2015 and 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, 2015 and 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, 2015 and 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:

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
KUNR's proportional share of the net pension liability as of 6/30/16	\$ 523,253	\$ 343,387	\$ 193,816
KUNR's proportional share of the net pension liability as of 6/30/15	\$ 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:

2017	\$ 19,669
2018	20,259
Thereafter	<u>-</u>
Total rental payments	<u>\$ 39,928</u>

Rental expense for the years ended June 30, 2016 and 2015 was \$24,511 and \$24,067, respectively.

11. Related Party Transactions

KUNR received general appropriation from UNR of \$155,703 and \$147,477 for the years ended June 30, 2016 and 2015, respectively. KUNR utilizes UNR facilities as further discussed in Note 6. Total donated facilities and administrative support was \$153,181 and \$136,400 for the years ended June 30, 2016 and 2015, respectively.

Revenue recognized from various UNR departments and related auxiliaries for underwriting for the years ended June 30, 2016 and 2015 was \$26,352 and \$14,105, respectively. Included in underwriting receivables as of June 30, 2016 and 2015 are small amounts due from various UNR departments and related auxiliaries for program underwriting.

KUNR pays approximately \$15,000 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.

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Required Supplementary Information

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Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System of Nevada
Last 10 Fiscal Years*

	<u>2016</u>	<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>
KUNR's proportion of the net pension liability	0.00300%	0.00265%	(Historical information prior to the implementation of GASB 67/68 is not required)							
KUNR's proportionate share of the net pension liability	\$343,387	\$276,357								
KUNR's covered-employee payroll	\$175,809	\$153,031								
KUNR's proportionate share of the net pension liability as a percentage of its covered-employee payroll	195.32%	180.59%								
PERS fiduciary net position as a percentage of the total pension liability	75.13%	76.31%								

*The amounts reported for each fiscal year were determined as of June 30 of the prior fiscal year.

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Schedule of Entity Contributions
Public Employees' Retirement System of Nevada
Last 10 Fiscal Years

	<u>2016</u>	<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>
Contractually required contribution	\$ 35,140	\$ 28,895	(Historical information prior to the implementation of GASB 67/68 is not required)							
Contributions in relation to the contractually required contribution	<u>(35,140)</u>	<u>(28,895)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
KUNR's covered-employee payroll	\$200,808	\$175,809								
Contributions as a percentage of covered-employee payroll	17.50%	16.44%								