
MURRAY STATE UNIVERSITY
WKMS-FM RADIO
FINANCIAL STATEMENTS
JUNE 30, 2018



Contents

	Page
Report of Independent Auditors	1 - 2
Management's Discussion And Analysis	3- 8
 Financial Statements	
Statement Of Net Position	9
Statement Of Revenues, Expenses And Changes In Net Position.....	10
Statement Of Cash Flows.....	11
Notes To Financial Statements.....	12 - 20

Report of Independent Auditors

Board of Regents
Murray State University
WKMS-FM Radio
Murray, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of WKMS-FM Radio (the Station), a public telecommunications division of Murray State University, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Station'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Dean Dotson Allen Ford, PLLC

December 18, 2018
Louisville, Kentucky

MURRAY STATE UNIVERSITY WKMS-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2018 And 2017

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of WKMS-FM Radio Station (the Station) for the years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Station is located on the campus of Murray State University (the University). WKMS broadcasts National Public Radio and local programs that inform, enrich and entertain in concert with the mission of the University. The Station's skilled staff, students and volunteers serve listeners with comprehensive music and information programs that reflect current affairs, history and cultures.

Using The Financial Statements

The financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

Statement Of Net Position

The Statement of Net Position presents a financial picture of the Station's financial condition at the end of the 2018 and 2017 fiscal years by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets less liabilities).

Assets

Total assets at the end of the fiscal year 2018 were \$1,186,626, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$949,928 or 80% of total assets. For fiscal year 2018, total assets increased by \$71,024, primarily due to a change in cash from private grant – non operating revenue of \$52,018.

Total assets at the end of the fiscal year 2017 were \$1,115,602, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$869,366 or 78% of total assets. For fiscal year 2017, total assets increased by \$38,165, primarily due to a change in cash from private grant – non-operating revenue of \$22,704.

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Management's Discussion And Analysis (*Continued*)

Liabilities

Total liabilities at the end of the fiscal year 2018 were \$122,912. Amounts payable to vendors and for payroll related obligations totaled \$67,644 or 55% of total liabilities. For fiscal year 2018, total liabilities decreased by (\$25,128) due primarily to a change in accounts payable to vendors of (\$25,980).

Total liabilities at the end of the fiscal year 2017 were \$148,041. Amounts payable to vendors and for payroll related obligations totaled \$93,624 or 63% of total liabilities. For fiscal year 2017, total liabilities increased by \$28,575 due primarily to a change in accounts payable to vendors of \$23,609.

Net Position

Net position was \$1,063,713 at the end of fiscal year 2018 and was divided into three major categories, defined as follows:

- Net investment in capital assets - This category represents the Station's equity in equipment.
- Restricted - This category represents those assets restricted by an individual or entity external to the Station. Restricted expendable net assets represent the assets that may be expended by the Station, but must be spent for purposes as defined by the donor or external entity. Nonexpendable restricted net asset amounts represent amounts in which that the principal is to be maintained inviolate and in perpetuity and invested for the purposes of producing income, which may either be expended or added to principal.
- Unrestricted - This category represents the net assets held by the Station that have no formal restrictions placed upon them.

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Management's Discussion And Analysis (*Continued*)

Condensed Statement Of Net Position

	June 30,		
	2018	2017	2016
Assets			
Current assets	\$ 690,757	\$ 658,306	\$ 619,574
Noncurrent assets	402,256	349,892	307,187
Capital assets	93,613	107,404	150,676
Total Assets	1,186,626	1,115,602	1,077,437
Current Liabilities	122,913	148,041	119,466
Net Position			
Invested in capital assets, net of related debt and depreciation	93,613	107,404	150,676
Restricted for:			
Nonexpendable	10,000	10,000	10,000
Expendable:			
Operations and other	387,268	320,981	274,459
Unrestricted	572,832	529,176	522,836
Total Net Position	\$ 1,063,713	\$ 967,561	\$ 957,971

Statement Of Revenues, Expenses And Changes In Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred and income or loss from operations for the current and prior fiscal years. Activities are reported as either operating or non-operating. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position.

Revenues

Total operating revenues, which exclude University appropriations, for the fiscal year 2018 were \$300,739. The primary source of operating revenues was from business and industry underwriting of \$210,773.

Non-operating revenues for the fiscal year 2018, which included grants and contracts and University appropriations, totaled \$1,228,900. Grant and contract revenues related to non-exchange type agreements are classified as non-operating revenues, unless the funds were used in capital projects. In this case, grants and contract revenues used to fund capital projects are classified as

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Management's Discussion And Analysis (*Continued*)

capital grants. In a non-exchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total non-operating revenues increased by \$9,926 during the year, which was primarily due to an increase in subscriptions and memberships of \$31,804 offset by a decrease in CPB service grant income of (\$21,222).

The Station received \$429,400 of the University's appropriations and \$321,529 of administrative support for the fiscal year 2018, which are classified as non-operating revenues. These funds were used to support station operating activities.

Non-operating revenues for the fiscal year 2017, which included grants and contracts and University appropriations, totaled \$1,218,974. Grant and contract revenues related to non-exchange type agreements are classified as non-operating revenues, unless the funds were used in capital projects. In this case, grants and contract revenues used to fund capital projects are classified as capital grants. In a non-exchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total non-operating revenues decreased by (\$31,954) during the year, which was primarily due to a change in general appropriations from the University of (\$28,930).

The Station received \$440,582 of the University's appropriations and \$310,604 of administrative support for the fiscal year 2017, which are classified as non-operating revenues. These funds were used to support station operating activities.

Expenses

Total operating expenses for the fiscal year 2018 were \$1,433,487. Total program services and supporting services expenses were \$853,218 and \$558,349, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$21,920 or 2% of total operating expenses.

Total operating expenses for the fiscal year 2017 were \$1,529,205. Total program services and supporting services expenses were \$907,050 and \$570,084, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$52,071 or 3% of total operating expenses.

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Management's Discussion And Analysis (*Continued*)

Condensed Statements Of Revenues, Expenses And Changes In Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 300,739	\$ 319,821	\$ 236,535
Operating Expenses	1,433,487	1,529,205	1,414,602
Operating Loss	(1,132,748)	(1,209,384)	(1,178,067)
Nonoperating Revenues	1,228,900	1,218,974	1,250,928
Change In Net Position	96,152	9,590	72,861
Net Position - Beginning Of Year	967,561	957,971	885,110
Net Position - End Of Year	\$ 1,063,713	\$ 967,561	\$ 957,971

Statement Of Cash Flows

The Statement of Cash Flows provide a summary of the sources and uses of cash by defined categories. The primary purposes of the Statement of Cash Flows are to provide information about the Station's cash receipts and payments during the years and to help assess the Station's ability to generate future net cash flows and meet obligations as they become due.

For 2018, the major source of cash from operating activities was business and industry underwriting of \$206,793. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$637,190.

The cash flows from noncapital financing activities include \$429,400 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

The cash flows from investing activities represent the cash activities of investments related to restricted investments.

For 2017, the major source of cash from operating activities was business and industry underwriting of \$204,393. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$663,028.

The cash flows from noncapital financing activities include \$440,582 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Management's Discussion And Analysis (*Continued*)

The cash flows from investing activities represent the cash activities of investments related to restricted investments

Capital Assets And Debt Administration

The Station had an \$8,128 increase in capital assets during fiscal year 2018. This change is due to the \$8,128 purchase of a FM antenna. The Station did not acquire any debt during fiscal year 2018.

The Station had a (\$22,863) decrease in capital assets during fiscal year 2017. This change is due to the \$8,799 purchase of a radio embedded exporter and the disposal of a mixer and a signal generator totaling \$31,662. The Station did not acquire any debt during fiscal year 2017.

Economic Factors Affecting Future Periods

- Appropriations decisions by the United States Congress may impact grants from the Corporation for Public Broadcasting, which in turn, may impact the Station's budget for programming expenses.
- Changing economic conditions in the region will continue to have an impact upon the underwriting and fundraising efforts of the Station.

Contacting The Station's Financial Management

This financial report is designed to provide a general overview of the Station's finances and to show the Station's accountability for the money it receives. Additional details can be requested by mail at the following address:

WKMS Radio Station
Chad Lampe, Station Manager
Murray State University
2018 University Station
Murray, Kentucky 42071

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

STATEMENT OF NET POSITION

	For The Years	
	June 30,	
	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 559,327	\$ 530,783
Accounts receivable, net of allowance of \$36,418 in 2018 and \$37,654 in 2017	123,332	107,164
Prepaid expenses	8,098	20,359
Total Current Assets	690,757	658,306
Noncurrent Assets		
Restricted cash and cash equivalents	390,601	338,583
Restricted investments	11,655	11,309
Capital assets	917,956	909,828
Accumulated depreciation	(824,343)	(802,424)
Total Noncurrent Assets	495,869	457,296
Total Assets	1,186,626	1,115,602
Current Liabilities		
Accounts payable, accrued payroll and benefits	67,644	93,624
Unearned revenue	55,269	54,417
Total Current Liabilities	122,913	148,041
Net Position		
Net investment in capital assets	93,613	107,404
Restricted for:		
Nonexpendable	10,000	10,000
Expendable:		
Operations and other	387,268	320,981
Unrestricted	572,832	529,176
Total Net Position	\$ 1,063,713	\$ 967,561

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2018	2017
Operating Revenues		
Business and industry underwriting	\$ 210,773	\$ 206,080
In-kind contributions	62,525	82,895
Other	27,441	30,846
Total Operating Revenues	300,739	319,821
Operating Expenses		
Program Services:		
Programming and production	531,969	556,388
Broadcasting	204,006	220,023
Program information	117,243	130,639
Total Program Services	853,218	907,050
Supporting Services:		
Management and general	491,011	504,500
Fund-raising	33,669	32,792
Underwriting and grant support	33,669	32,792
Total Supporting Services	558,349	570,084
Depreciation	21,920	52,071
Total Operating Expenses	1,433,487	1,529,205
Operating Loss	(1,132,748)	(1,209,384)
Nonoperating Revenues		
General appropriation from Murray State University	429,400	440,582
Donated facilities and administrative support from Murray State University	321,529	310,604
Community service grants from Corporation for Public Broadcasting	195,066	216,288
Subscriptions and memberships	282,124	250,320
Investment income/(loss)	781	1,180
Total Nonoperating Revenues	1,228,900	1,218,974
Increase In Net Position	96,152	9,590
Net Position - Beginning Of Year	967,561	957,971
Net Position - End Of Year	\$ 1,063,713	\$ 967,561

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2018	2017
Cash Flows From Operating Activities		
Business and industry	\$ 206,793	\$ 204,392
Payments to employees	(637,190)	(663,028)
Payments to suppliers	(404,044)	(392,510)
Other operating revenues	27,441	30,846
Net Cash Used In Operating Activities	(807,000)	(820,300)
Cash Flows From Noncapital Financing Activities		
General appropriation from Murray State University	429,400	440,582
Grants and contracts	195,066	216,288
Subscriptions/memberships	270,788	234,712
Net Cash Provided By Noncapital Financing Activities	895,254	891,582
Cash Flows From Capital Financing Activities		
Purchase of capital assets	(8,128)	(8,799)
Net Cash Used In Capital Financing Activities	(8,128)	(8,799)
Cash Flows Provided By Investing Activities		
Investment income	436	102
Net Increase In Cash And Cash Equivalents	80,562	62,585
Cash And Cash Equivalents - Beginning Of Year	869,366	806,781
Cash And Cash Equivalents - End Of Year	\$ 949,928	\$ 869,366
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities:		
Operating loss	\$ (1,132,748)	\$ (1,209,384)
Donated facilities and administration expense	321,529	310,604
Depreciation	21,920	52,071
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(4,832)	4,005
(Increase)/Decrease in prepaid expenses	12,261	(6,171)
Increase/(Decrease) in accounts payable and accrued expenses	(16,401)	23,609
Increase/(Decrease) in accrued compensation	(9,581)	10,658
Increase/(Decrease) in unearned revenue	852	(5,692)
Net Cash Used In Operating Activities	\$ (807,000)	\$ (820,300)
Supplemental Cash Flow Information		
Donated facilities and administrative support from Murray State University	\$ 321,529	\$ 310,604
In-kind contributions	62,525	82,895
Unrealized (gain) loss on investments	345	1,078

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2018 And 2017**

1. Summary Of Significant Accounting Policies

Nature Of Organization

WKMS-FM Radio (the Station) is operated by and receives support from Murray State University (the University). The Station is included in the financial statements of the University.

Murray State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation formed to receive and invest funds for the enhancement and improvement of the University. The Foundation is a fundraising organization which administers certain funds on behalf of the University. The Foundation coordinates the receipt of contributions and disbursements of those receipts for the Station.

Basis Of Accounting and Financial Statement Presentation

The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Restricted Cash, Cash Equivalents And Investments

Cash and investments that are held by both the Station and the Foundation that are externally restricted are classified as restricted assets. These assets are used to purchase capital or other noncurrent assets, or for other restricted purposes. Restricted investments held by the Foundation on behalf of the Station are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

Accounts Receivable

Accounts receivable consist of grants and amounts to be received from business, industry, subscription and membership activities. Accounts receivable are recorded net of uncollectible amounts.

MURRAY STATE UNIVERSITY

WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

Capital Assets

All capital assets, as defined by University policy, are recorded at cost at the date of acquisition, or if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The following estimated useful lives are being used by the Station:

<u>Asset</u>	<u>Estimated Life</u>
Buildings	40 years
Nonbuilding improvements	10-20 years
Equipment	5-25 years

Unearned Revenue

Unearned revenues include amounts received from grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned.

Net Position

The Station's net position is classified as follows:

Net investment in capital assets: This represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. There is no debt issued at June 30, 2018 or 2017. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position - nonexpendable: Nonexpendable restricted net position amounts represent amounts in which donors or other outside sources have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity and invested for the purposes of producing income, which may either be expended or added to principal.

Restricted net position - expendable: Restricted expendable net position include resources in which the Station is legally or contractually obligated to spend in accordance with time or purpose restrictions imposed by external third parties.

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

Unrestricted net position: Unrestricted net position represent resources derived from underwriting sales and other sources. These resources are used for transactions relating to general operations of the Station, and may be used at the discretion of the governing board to meet current expenses or for any purpose.

Classification Of Revenues

The Station has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) business and industry underwriting, (2) in-kind contribution revenues, and (3) tower equipment rentals and other.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. In a non-exchange transaction, the Station receives value without directly giving equal value back, such as a gift or grant for which there is no return requirement. Additionally, certain significant revenues relied upon for operations, such as state appropriations, donated facilities and administrative support from the University and investment income are recorded as non-operating revenues, in accordance with GASB No. 35.

Pledges And Contributions

The Station engages in periodic fundraising campaigns evidenced by on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial contributions are frequently made by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors.

An

allowance for uncollectible contributions receivable is provided based upon the Station's judgment including such factors as prior collection history and type of contribution. Contributions and collected pledges are components of non-operating revenues.

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

Facilities And Administrative Support

The portion of the University's facilities and administration support attributable to the Station's operations and the value of space provided to the

Station by the University are included as revenues and expenses, and are computed in accordance with guidelines established by the Corporation for Public Broadcasting. Total donated facilities and administrative support from the University including in-kind contributions were \$321,529 and \$310,604 for the years ended June 30, 2018 and 2017, respectively.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are included at year-end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits are expected to be realized as paid time off or used to purchase service credits upon retirement. These are recognized as expense when the time off occurs or when service credit payments are incurred. No liability is accrued for such benefits employees have earned but not yet realized.

Use Of Estimates

Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. Accounts Receivable

Accounts receivable consist of:

	<u>2018</u>	<u>2017</u>
Business and industry underwriting	\$ 71,319	\$ 66,487
Subscription and membership pledges	78,307	64,777
Other	10,124	13,554
Allowance for doubtful accounts	(36,418)	(37,654)
	<u>\$ 123,332</u>	<u>\$ 107,164</u>

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

3. Deposits And Investments

Deposits

For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and the Foundation. Details of accounting transactions affecting cash are maintained by each entity. At June 30, 2018 and June 30, 2017, the carrying amounts of the Station's deposits were \$949,928 and \$869,366, respectively.

Currently the University maintains its deposits, outside of those held by the Commonwealth of Kentucky, in interest-bearing accounts at FDIC-insured institutions. All accounts are insured up to \$250,000. The deposits in these interest-bearing accounts are covered by an irrevocable, unconditional, and nontransferable letter of credit issued by Federal Home Loan Bank of Cincinnati.

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into two distinct classifications or "pools." The Short-Term Pool consists primarily of General Fund cash balances. The Intermediate-Term Pool and the Limited Term Pool represent Agency fund investments, state held component unit and fiduciary fund accounts held for the benefit of others by the state. Shares of each pool represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, Federal Deposit Insurance Corporation or any federal agency. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk other than compliance with the provisions of state law.

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

Cash and cash equivalents as presented in the statements of net position captions include:

	<u>2018</u>	<u>2017</u>
Current cash and cash equivalents	\$ 559,327	\$ 530,783
Restricted cash and cash equivalents	390,601	338,583
	<u>\$ 949,928</u>	<u>\$ 869,366</u>

4. Capital Assets

Capital assets activity for the year ended June 30, 2018 is:

	Balance				Deletions/		Balance
	2017	Additions	Transfers		Retirements		2018
Nonbuilding improvements	\$ 286,233	\$ 8,128	\$ —	\$ —	\$ —	\$ —	294,361
Equipment	623,595	—	—	—	—	—	623,595
Less: Accumulated depreciation	802,424	21,919	—	—	—	—	824,343
Capital assets, net	\$ 107,404	\$ (13,791)	\$ —	\$ —	\$ —	\$ —	93,613

Capital assets activity for the year ended June 30, 2017 is:

	Balance				Deletions/		Balance
	2016	Additions	Transfers		Retirements		2017
Nonbuilding improvements	\$ 213,906	\$ —	\$ —	\$ —	\$ —	\$ —	213,906
Equipment	718,785	8,799	—	—	(31,662)	—	695,922
Less: Accumulated depreciation	782,015	52,071	—	—	(31,662)	—	802,424
Capital assets, net	\$ 150,676	\$ (43,272)	\$ —	\$ —	\$ —	\$ —	107,404

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

5. Accounts Payable And Accrued Expenses

Accounts payable and accrued expenses at June 30 consisted of:

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts payable - vendors	\$ 24,499	\$ 40,899
Accrued payroll and benefits	43,145	52,725
	<u>\$ 67,644</u>	<u>\$ 93,624</u>

6. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on non-federal financial support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria of each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operating purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational public broadcast television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

Notes To Financial Statements (*Continued*)

Reported NFFS for the Station were \$1,297,124 and \$1,280,195 for the years ended June 30, 2018 and 2017, respectively.

7. Community Service Grants (CSGs)

The Station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The CSG's awarded and expended during the recent three fiscal years were as follows:

	Grant Awards	Expended As Of June 30,			Uncommitted Balance
		2018	2017	2016	
2015-2017	182,822	1,924	111,942	68,956	—
2016-2018	184,276	92,134	74,468	—	17,674
2017-2019	179,611	77,034	—	—	102,577

8. Natural Expense Classifications

The Station's operating expenses by natural classification for the years ended June 30, 2018 and 2017 were as follows:

	Program Services	Management And General	Fundraising And Membership	Total	
				2018	2017
Compensation and benefits	\$ 505,522	\$ 122,086	\$ 67,338	\$ 694,946	\$ 675,052
Operating expenses	347,696	368,925	—	716,621	793,235
Noncapitalized equipment	—	—	—	—	8,847
	853,218	491,011	67,338	1,411,567	1,477,134
Depreciation	21,920	—	—	21,920	52,071
	\$ 875,138	\$ 491,011	\$ 67,338	\$ 1,433,487	\$ 1,529,205

9. Pension and Other Postemployment Benefit Liabilities

In accordance with GASB Statement 68, Accounting for Pensions, the University must recognize a proportional share of the net pension liability for the Kentucky Employees Retirement System (KERS) and the Teachers' Retirement System (TRS) of Kentucky the cost sharing state pension plans in

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

which the University participates. This reporting requirement became effective for fiscal years ending June 30, 2015.

In accordance with GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), the University must recognize a proportional share of the net pension liability for the KERS and the TRS the cost sharing state pension plans in which the University participates. This reporting requirement became effective for fiscal years ending June 30, 2018.

The University reported a liability of \$268,918,925 and \$312,777,307 for the years ended June 30, 2018 and 2017, respectively, for its proportionate shares of the net pension and OPEB liabilities in the plans. The net pension/OPEB liability for TRS and KERS plans were measured as of June 30, 2017 and June 30, 2016 and the total pension/OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans. The University's proportions of the net pension/OPEB liabilities were based on projections of the University's long-term share of contributions to the pension/OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the University's proportional share of pensions was 0.40417645% for TRS, 0.858544% for KERS-nh, and 0.38949% for KERS-h, and proportional share of OPEB was 0.443448% for TRS-medical, 0.97024% for TRS-life, 0.858544% for KERS-nh, and 0.38949% for KERS-h. At June 30, 2016 the University's proportional share of pensions was 0.698165% for TRS, 0.836194% for KERS-nh, and 0.396922% for KERS-h.

The Station is a department of the University; therefore, no balances were allocated to the Station. Please refer to the University's financial statements for a complete and comprehensive disclosure of the University's pension plans.