

**KMUW-FM Radio**  
(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

**Financial Statements and  
Independent Auditor's Report**

**June 30, 2016 and 2015**



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## Independent Auditor's Report

Wichita State University Management  
KMUW-FM Radio  
(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

We have audited the accompanying financial statements of KMUW-FM Radio (a public telecommunications entity operated by Wichita State University, a component unit of the State of Kansas), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Corporation for Public Broadcasting principles of accounting and financial reporting for public telecommunications entities and 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 opinions 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 opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KMUW-FM Radio as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in conformity with Corporation for Public Broadcasting principles of accounting and financial reporting for public telecommunications entities and accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Emphasis of Matter***

As discussed in Note A, the financial statements present only KMUW-FM Radio, a department of Wichita State University, and do not purport to, and do not present fairly the financial position of the Wichita State University, as of June 30, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 20 and 21, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Regina Can & Monroe, L.L.P.*

March 9, 2017  
Wichita, Kansas

## **KMUW-FM Radio**

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended June 30, 2016 and 2015

#### **INTRODUCTION**

This report, Management's Discussion and Analysis, provides an overview of the financial position and results of activities of KMUW-FM Radio (hereinafter "KMUW" or "the station") for the year ended June 30, 2016, with comparative information for the year ended June 30, 2015. It has been prepared by management and is required supplemental information to the financial statements that follow. The objective of this report is to help readers of the financial statements better understand KMUW's financial position and operating activities for the year ended June 30, 2016.

Wichita State University follows Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. This statement established standards for the preparation of public college and university financial statements. As a department of Wichita State University, KMUW also follows GASB Statement No. 35.

KMUW is one of more than 950 listener-supported, noncommercial radio stations, operated by over 400 separate licensees in the United States generally described as "public radio." Licensed to Wichita State University, KMUW operates at 100,000 watts at 89.1 FM with a schedule of programming rich in news, information, music, arts and ideas. KMUW's mission is to serve as a trusted source of local, national and world news, providing its audience with a broad discussion of ideas and a distinctive blend of diverse music and entertainment, while operating as a significant public service of Wichita State University.

Wichita State University is a comprehensive public institution of higher education with approximately 15,000 students and 600 faculty members. The university offers 60 undergraduate degree programs in more than 200 areas of study in six undergraduate colleges, and its graduate school offers an extensive program including more than 50 master's degrees and several doctoral degrees. The university is an agency of the State of Kansas and is governed by the Kansas Board of Regents. The State of Kansas issues its own financial statements, which include the financial activities of the state's university system.

## USING THE FINANCIAL STATEMENTS

KMUW's financial report includes three financial statements: the Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. Each of these financial statements, along with highlights related to each, will be discussed in the sections that follow.

## STATEMENTS OF NET POSITION

The Statements of Net Position present KMUW's financial position as of June 30, 2016 and 2015. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is net position, an indicator of financial condition. As of June 30, 2016, the station's net position was \$1,771,829. KMUW's financial position is sound.

## SUMMARY STATEMENTS OF NET POSITION

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 499,957	\$ 1,014,956
Capital assets, net of depreciation	1,045,216	310,179
Other assets	<u>424,406</u>	<u>399,732</u>
Total assets	1,969,579	1,724,867
Liabilities	<u>197,750</u>	<u>153,236</u>
Net position	<u>\$ 1,771,829</u>	<u>\$ 1,571,631</u>

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position serve as "income statements" and present the results of KMUW's financial activity for the years ending June 30, 2016 and 2015. GASB principles require the categorization of revenues and expenses as either operating or nonoperating with university support falling in the nonoperating category. Since university support comprises a significant part of the station's revenues each year, the reader of the financial statements should focus on the change in net position rather than the operating loss. The summary that follows illustrates this point.

**SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>2016</u>	<u>2015</u>
Memberships and underwriting	\$ 1,192,163	\$ 1,178,637
Grants and contracts	300,116	208,823
Other	<u>124,751</u>	<u>165,655</u>
Total operating revenues	1,617,030	1,553,115
Total expenses	<u>2,762,811</u>	<u>2,487,422</u>
Operating loss	(1,145,781)	(934,307)
Support from Wichita State University	1,348,404	767,583
Investment earnings (loss)	<u>(2,425)</u>	<u>(201)</u>
Change in net position	<u>\$ 200,198</u>	<u>\$ (166,925)</u>

Our member numbers increased to 3,781 in 2016 from 3,592 in 2015 which helped boost member financial support. More information about financial matters follows in the Economic Environment section.

**STATEMENTS OF CASH FLOWS**

The Statements of Cash Flows provide additional information about KMUW’s financial results by reporting the major sources and uses of cash. GASB principles promulgate four major sources of cash flows: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. Cash inflows from state appropriations are critical to funding station operations, but, as noted previously, GASB principles require they be reported as nonoperating cash flows.

**SUMMARY STATEMENTS OF CASH FLOWS**

	<u>2016</u>	<u>2015</u>
Cash flows used in operating activities	\$ (669,202)	\$ (531,565)
Cash flows from noncapital financing activities - appropriations	941,385	356,959
Cash flows from capital activates - purchase of capital equipment	(792,278)	-
Cash flows from investing activities	<u>5,096</u>	<u>1,472</u>
Net change in cash and cash equivalents	<u>\$ (514,999)</u>	<u>\$ (173,134)</u>

The indirect administrative support reported as nonoperating revenue on the Statements of Revenues, Expenses and Changes in Net Position is an estimate of the value of facilities and services KMUW received during each year from Wichita State University. This value is determined in accordance with CPB guidelines. Its absence from the Statements of Cash Flows highlights the fact that this is noncash support.

## **CAPITAL ASSETS**

Wichita State University and KMUW invested in a new broadcast facility in the Old Town area of downtown Wichita, with station personnel and operations moving April 25, 2016. The financial statements reflect the university's additional appropriations for this purpose.

## **ECONOMIC ENVIRONMENT**

### **Summary**

Fiscal Year (FY) 2016 marked KMUW's move into the vibrant part of Wichita with a welcoming newly designed facility in a historic warehouse among the city's most popular entertainment venues. It also made room for the newly-formed news and community engagement teams designed to accomplish more and better community outreach through news coverage and community events. The year included increases in revenue, both underwriting and membership, and the number of listeners. At the same time, investments in station staff and facilities infrastructure resulted in higher, mostly one-time expenses. Significant investments were made for relocating the station to Old Town, a more central and accessible location for community gatherings. All of these elements are key to positioning KMUW as an integral part of the community fabric and a most trusted source for news and world music. FY 2016 also included creation of a major donor and philanthropic position for fundraising growth in FY 2017.

### **Listener and Corporate Support**

Listener support and corporate support both saw slight increases in FY 2016. The station continues to gain new donors and regain lapsed donors, but has a higher retention rate of renewing members than any of the past five years.

The listening audience increased by nearly 6,000 in the fiscal year according to Arbitron and the Radio Research Consortium Diary Data. The station's market rating also increased from .4 to .6, a significant jump. Individual giving was up primarily due to a new effort to obtain sustaining donors to ensure a year-round revenue stream. The station's underwriting support was mostly steady and with a new structure with the contractor, significant growth is expected in the coming year.

### **Community Service and Outreach**

Community Service and Outreach were top priorities for station leadership in FY 2016. The new Engagement Department got up and going and is charged with interacting with multiple facets of the community. The growth in news feature reporting about the community and the quality of those reports has grown exponentially again in FY 2016. Along with a great deal of public acknowledgement, the station's news coverage garnered many awards. For the third year in a row, KMUW was named the Kansas Association of Broadcasters Large Market Station of the Year. The station competed against radio stations across Kansas, both commercial and non-commercial, for these awards.



This is a complete list of the KAB awards categories and placements for KMWJ:

- **Large Market Radio: *Station of the Year***
- **1<sup>st</sup> place**
  - Public Service Announcement, “Engage ICT,” by Fletcher Powell
  - Public Affairs Program, “Hesston: Sounds of Resilience,” by Aileen LeBlanc, Deborah Shaar, Abigail Wilson, and Carla Eckels
  - Special Program, “The Pieces that Remain: Remembering the Wichita State Plane Crash,” by Abigail Wilson
  - Editorial/Commentary, “Sending Hugs and Kisses to Topeka,” by Richard Crowson
- **2<sup>nd</sup> place**
  - Spot News, “Students Speak Out Against Possible Closure,” by Abigail Wilson
  - Editorial/Commentary, “Which Side Are You On?” by Zack Gingrich-Gaylord
- **Honorable Mention**
  - Public Affairs Program, “An Art and History Lesson: Red Bud Bike Trail,” by Carla Eckels
  - Hard News Feature, “FAA Airport Weather Observers Series,” by Deborah Shaar
  - News Feature, “It’s Finally Setting In: Volunteer Firefighter Reflects on Massive Wildfire,” by Sean Sandefur
  - Spot News, “Lattes are Works of Art At Barista,” by Carla Eckels
  - DJ Personality, Carla Eckels, host of *Soulsations*

The station’s diverse musical programming continued to gain popularity, with the show *Global Village* adding nearly 60 new stations around the world. The total number of stations who receive the internationally distributed show about world music is 327.

The voices of Wichita are represented in KMUW's commentator program which includes the following 14 volunteer hosts talking about matters relevant to Wichita:

<b><i>Commentator</i></b>	<b><i>Segment</i></b>
Sarah Bagby	Book Reviews
Jedd Beaudoin	A Musical Life
Richard Crowson	Politics
Ken Ciboski	Local Politics
Jim Erickson	Movie Reviews
Lael Ewy	On Words
Mark Foley	Musical Space
Robin Henry	Past & Present
Lindsay Herkommer-DeVries	Art Review
Samuel McConnell	Your Move
Sanda Moore Coleman	On Stage
Jay Price	Past & Present
Robert E. Weems, Jr.	Past & Present
Zach Gingrich-Gaylord	New American Songbook

Community outreach saw its greatest increase ever with development of EngageICT: Democracy on Tap. This monthly event to inform voters gained support from the Knight Foundation and positive feedback from listeners and community leaders, alike. In addition, KMUW continue to sponsor and participate in events ranging from job fairs to festivals to bike races. KMUW's media sponsorship program offers on-air announcements at no charge to local non-profit events that best fit KMUW's mission in Wichita. KMUW focused more attention on developing its bicycle team, The Radio Flyers and its running team, The KMUW Street Team. These provide exposure in diverse areas where KMUW would otherwise not be present.

### **Closing Statement**

FY 2016 was a major turning point for the station with its move into downtown Wichita. The newly positioned facility will be key in future fundraising, outreach and community relationships. The station also purchased broadcast equipment for new studios, including microphones and computers, as well as furniture for the new office spaces. This move was on the heels of a major internal restructuring and expansion in FY 2015. These substantial investments will take the station to the next level in revenue, listenership and outreach in the coming years.

### **CONTACTING THE STATION'S FINANCIAL MANAGEMENT**

KMUW-FM Radio  
121 N. Mead  
Suite 200  
Wichita, KS 67202  
316-978-6789

**KMUW-FM Radio**  
(A public telecommunications entity operated  
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unit of the State of Kansas)

STATEMENTS OF NET POSITION

June 30,

**ASSETS**

	2016	2015
Current assets		
Cash and cash equivalents	\$ 499,957	\$ 1,014,956
Investments	91,165	98,686
Receivables		
Member pledges	182,663	145,708
Program underwriting	55,423	86,807
Contributions	13,350	-
Grants	2,968	-
Prepaid expenses	65,537	68,531
Total current assets	911,063	1,414,688
Noncurrent assets		
Contributions receivable	13,300	-
Capital assets, net	1,045,216	310,179
Total noncurrent assets	1,058,516	310,179
Total assets	\$ 1,969,579	\$ 1,724,867

**LIABILITIES**

Current liabilities		
Accounts payable and accrued liabilities	\$ 191,687	\$ 140,749
Deferred revenue	6,063	12,487
Total current liabilities	197,750	153,236

**NET POSITION**

Invested in capital assets	1,045,216	310,179
Unrestricted	726,613	1,261,452
Total net position	1,771,829	1,571,631
Total liabilities and net position	\$ 1,969,579	\$ 1,724,867

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

## KMUW-FM Radio

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended June 30,

	<u>2016</u>	<u>2015</u>
Operating revenues		
Memberships and underwriting	\$ 1,192,163	\$ 1,178,637
CPB community service grants	160,347	171,210
KPBC operating grants	29,679	37,613
Other grants	70,090	-
Other contributions	40,000	-
Tower rentals	36,308	36,624
In-kind contributed support	62,218	56,523
Other	26,225	72,508
Total operating revenues	<u>1,617,030</u>	<u>1,553,115</u>
Expenses		
Program services		
Programming and production	1,075,220	988,029
Broadcasting and engineering	269,868	246,571
Program information and promotion	208,024	185,131
Supporting services		
Management and general	738,503	672,227
Fundraising and membership development	322,589	230,065
Underwriting and grant solicitation	148,607	165,399
Total expenses	<u>2,762,811</u>	<u>2,487,422</u>
Operating loss	<u>(1,145,781)</u>	<u>(934,307)</u>
Nonoperating revenues		
Support from Wichita State University		
Appropriations - station operations	362,619	356,959
Appropriations - Old Town facility	578,766	-
Indirect administrative support	365,373	368,633
Utilities	41,646	41,991
Investment earnings (loss)	(2,425)	(201)
Total nonoperating revenues	<u>1,345,979</u>	<u>767,382</u>
Change in net position	200,198	(166,925)
Net position at beginning of year	<u>1,571,631</u>	<u>1,738,556</u>
Net position at end of year	<u>\$ 1,771,829</u>	<u>\$ 1,571,631</u>

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

## KMUW-FM Radio

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

### STATEMENTS OF CASH FLOWS

For the years ended June 30,

	2016	2015
Cash flows from operating activities		
Memberships and underwriting	\$ 1,192,163	\$ 1,076,894
Grants and contracts	300,116	208,823
Other	62,533	109,132
Payments to employees for services	(1,279,623)	(1,082,399)
Payments to suppliers for goods and services	(944,391)	(844,015)
Net cash used in operating activities	(669,202)	(531,565)
Cash flows from noncapital financing activities		
Appropriations	941,385	356,959
Cash flows from capital and related financing activities		
Purchase of capital equipment	(792,278)	-
Cash flows from investing activities		
Investment earnings (loss)	(2,425)	(201)
Change in pooled investments	7,521	1,673
Net cash provided by investing activities	5,096	1,472
Net change in cash and cash equivalents	(514,999)	(173,134)
Cash and cash equivalents at beginning of year	1,014,956	1,188,090
Cash and cash equivalents at end of year	\$ 499,957	\$ 1,014,956

#### Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (1,145,781)	\$ (934,307)
Adjustments to reconcile operating loss to net cash used in operating activities		
Indirect administrative support and utilities provided by Wichita State University	407,019	410,624
Depreciation	57,241	66,405
Changes in assets and liabilities		
Accounts receivable	(35,189)	(103,644)
Prepaid expenses	2,994	(6,979)
Accounts payable and accrued liabilities	50,938	34,436
Deferred revenue	(6,424)	1,900
Net cash used in operating activities	\$ (669,202)	\$ (531,565)

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

## **KMUW-FM Radio**

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

#### **NOTE A - SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Reporting entity

**KMUW-FM Radio** (KMUW) is operated by Wichita State University (the University), with Wichita Radio Reading Service (WRRS), a subcarrier channel broadcasting to visually impaired listeners. The University is a component unit of the State of Kansas, is governed by the Kansas Board of Regents, and is included in the State's financial statements as part of the university system component unit.

KMUW operates as one of many departments within the University. Corporation for Public Broadcasting (CPB) grantees are required to prepare financial statements that discretely display the financial position and activities of the public broadcasting entity, not those of a parent institution or governmental unit, and independent auditors must audit and opine on those separately issued statements. This requirement applies to all public broadcasting entities, regardless of whether other accounting standards require the parent institution or governmental unit to include the public broadcasting entity in its separately issued, institution-wide or government-wide financial statements.

2. Measurement focus and basis of accounting

KMUW prepares its financial statements as a business-type activity in conformity with applicable pronouncements of Governmental Accounting Standards Board (GASB). Accordingly, KMUW's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

KMUW has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

### 3. Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 those estimates.

### 4. Cash and cash equivalents

Cash and cash equivalents consist of pooled cash accounts on deposit with both the University and the Wichita State University Foundation (Foundation). KMUW considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### 5. Investments

Investments consist of pooled investments held at the Foundation and are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

Investment earnings (losses) consist of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

### 6. Receivables

Receivables consist of pledges, contributions and grants receivable and unpaid underwriting. Past due accounts determined not to be collectible by management are charged off to expense. Accounts receivable at June 30, 2016 and 2015 are considered to be fully collectible.

### 7. Capital assets

Capital assets with a value equal or greater than \$5,000 are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of contributed assets. Other equipment valued at less than \$5,000 is reported as expense in the year of purchase or donation. Equipment is depreciated over its estimated useful life of 5 to 8 years, building improvements are depreciated over 40 years and leasehold improvements are depreciated over the shorter of the asset life or term of the lease. Expenditures for repairs and maintenance which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

### 8. Net position

Net position of KMUW is classified in three components:

- Invested in capital assets consists of equipment net of accumulated depreciation and reduced by related debt, if any.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. KMUW did not have any restricted net position at June 30, 2016 and 2015.
- Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

### 9. Operating revenues and expenses

KMUW's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from transactions associated with the management, scheduling, and broadcasting of radio programs, the station's principal activity. Wichita State University support is reported as nonoperating revenues. Operating expenses are all expenses incurred in the management, scheduling, and broadcasting of radio programs.

### 10. Grant revenue recognition

Receipts from CPB community service grants and KPBC (Kansas Public Broadcasting Council) operating grants, which are generally for unrestricted purposes, are recognized as revenue when received. Receipts from all other grants are recognized as revenue when the restricted reimbursable expenditures are incurred. Grants authorized but not received are reported as a receivable if the revenue recognition criterion has been met.

### 11. Deferred revenue

Deferred revenue represents grants and contract awards for which KMUW has not met all of the applicable eligibility requirements, and receipts for underwriting of future programming.

### 12. In-kind contributed support

The estimated fair value of donated materials and supplies is recorded as revenue and expense in the period when the items are received.

### 13. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited using methods estimated to be reasonable by management.



## **NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued**

### **14. Indirect administrative support**

KMUW occupies, without charge, certain premises located in and owned by the State of Kansas. The station's separate financial statements reflect, as nonoperating revenue and operating expense of an equal amount, indirect administrative support provided by the University. In addition to contributed facilities, such support includes direct and indirect expenses incurred by the University in support of station operations. The value of contributed facilities and administrative support is determined in accordance with CPB guidelines, which approximates fair value, and is reported and recognized in the period when the premises are used. Indirect administrative support amounted to \$365,373 and \$368,633 for the years ended June 30, 2016 and 2015, respectively.

### **15. Risk management**

Wichita State University (and KMUW) is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. The University, as a state educational institution of Kansas, is subject to the State of Kansas self-insurance program with regard to comprehensive general liability and personal injury insurance. The University is covered by the State's umbrella insurance policies for automobile liability and the Board of Regents building, contents and business interruption insurance policy. The State of Kansas does not insure state-owned automobiles for bodily injury and property damages. Also, as a state educational institution, the University is self-insured relative to worker's compensation, medical and unemployment insurance.

### **16. Income taxes**

KMUW is exempt from federal income taxes under Wichita State University's exemption as a governmental instrumentality under Section 115 of the Internal Revenue Code on income related to its exempt purpose.

## **NOTE B - OWNERSHIP, CONTROL AND MANAGEMENT**

KMUW is managed and controlled by Wichita State University. All land and structures pertinent to the operation of the station are owned by the State of Kansas and have not been reflected as assets in the accompanying statements, except for facility improvements specific to station operations.

## **NOTE C - DEPOSITS AND INVESTMENTS**

### **Deposits**

Cash and cash equivalents included balances on deposit with the University and with the Foundation, related parties, as follows as of June 30, 2016 and 2015:

## NOTE C - DEPOSITS AND INVESTMENTS - continued

	2016	2015
University	\$ 170,645	\$ 287,061
Foundation	329,312	727,895
Total balances on deposit	<u>\$ 499,957</u>	<u>\$ 1,014,956</u>

Custodial credit risk is the risk that in the event of a failure of a custodian, KMUW's deposits may not be returned to it. At June 30, 2016 and 2015, \$329,312 and \$727,895, respectively, of KMUW's deposit balances were exposed to custodial credit risk. To minimize custodial risk, KMUW considers the financial strength of its depository relationships.

### Investments

KMUW may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities. KMUW's investments have been included in a pooled investment account owned and managed by the Foundation.

At June 30, KMUW had the following investments:

	2016	2015
Pooled investments (managed by the Foundation)	<u>\$ 91,165</u>	<u>\$ 98,686</u>

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation investment policy followed by the KMUW includes ongoing assessment of the composition of fixed income investments to total investments.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. KMUW requires investments to be maintained in accordance with the Foundation investment policy.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, KMUW will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Pooled investments managed by the Foundation are held by the investments' counterparty, not in the name of KMUW.

## NOTE D - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. KMUW uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, KMUW measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available. There were no assets measured utilizing level 3 inputs as of June 30, 2016 and 2015.

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Onputs (Level 3)
<u>June 30, 2016</u>				
Pooled investments	<u>\$ 91,165</u>	<u>\$ -</u>	<u>\$ 91,165</u>	<u>\$ -</u>
<u>June 30, 2015</u>				
Pooled investments	<u>\$ 98,686</u>	<u>\$ -</u>	<u>\$ 98,686</u>	<u>\$ -</u>

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

## NOTE E - ECONOMIC DEPENDENCY

As disclosed in Note A, KMUW is operated by Wichita State University from which the station receives substantial financial support. KMUW also receives substantial financial support from its members and contributors. Should a significant reduction in support from either source occur, KMUW operations would be adversely effected.

## NOTE F - PENSION PLAN

Wichita State University maintains a qualified deferred compensation plan under section 403(b) of the Internal Revenue Code. The plan is a defined contribution plan. Under the plan, employees are required to defer 5.5% of their compensation after one year of service and the station contributes an additional 8.5%. KMUW's contributions to this plan totaled \$66,483 and \$52,004 for the years ended June 30, 2016 and 2015.

## NOTE G - CAPITAL ASSETS

Capital assets consist of the following:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Broadcasting equipment	\$ 1,298,835	\$ 13,512	\$ (174,904)	\$ 1,137,443
Leasehold improvements	-	778,766	-	778,766
Accumulated depreciation	(988,656)	(57,241)	174,904	(870,993)
Net capital assets	<u>\$ 310,179</u>	<u>\$ 735,037</u>	<u>\$ (349,808)</u>	<u>\$ 1,045,216</u>

  

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Broadcasting equipment	\$ 1,298,835	\$ -	\$ -	\$ 1,298,835
Accumulated depreciation	(922,251)	(66,405)	-	(988,656)
Net capital assets	<u>\$ 376,584</u>	<u>\$ (66,405)</u>	<u>\$ -</u>	<u>\$ 310,179</u>

CPB Financial Reporting Guidelines specify that appropriations revenue include "... any direct costs incurred or absorbed by the licensee specifically for the station." In this regard, the University (licensee) incurred \$778,766 of costs to remodel and equip a new broadcast facility for the station in the Old Town area of downtown Wichita. For its share of the costs, KMUW contributed \$200,000, resulting in a net appropriation of \$578,766 for the facility. Renovation was completed and the facility was placed in service late in fiscal year 2016.

## NOTE H - OPERATING LEASES

The University leases space occupied by KMUW as its primary broadcast facility. The lease is for a five-year period commencing July 1, 2015, with a renewal option for an additional five year period. The lease calls for fixed rent payable in monthly installments of \$5,000 per month plus additional rent for certain operating costs and parking fees. Total rent paid for the year ended June 30, 2016, including additional rent, amounted to \$79,044.

**NOTE H - OPERATING LEASES - continued**

Future minimum lease payments by the University for space occupied by KMUW are as follows as of June 30, 2016:

Year ended June 30,	
2017	\$ 60,000
2018	60,000
2019	60,000
2020	60,000
	<u>60,000</u>
	<u>\$ 240,000</u>

On KMUW's former premises, there is a tower that is not sufficient for radio broadcasting. KMUW leases space on its tower to other entities through May 2020. The following is a schedule of future rentals on noncancelable operating leases:

Year ended June 30,	
2017	\$ 35,966
2018	33,866
2019	30,959
2020	13,788
	<u>13,788</u>
	<u>\$ 114,579</u>

**NOTE I - RELATED PARTY TRANSACTIONS**

Certain assets related to endowed funds were transferred to the Foundation for management in accordance with a management services agreement. Cash and certain investments were combined with Foundation accounts. The amount of assets, consisting of deposits and pooled investments, with the Foundation totaled \$420,477 and \$856,581 at June 30, 2016 and 2015, respectively.

## **Other Supplementary Information**

**KMUW-FM Radio**

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

	Program services				Supporting services				Grand Total
	Programming and production	Broadcasting and engineering	Program information and promotion	Total program services	Management and general	Fundraising and membership development	Underwriting and grant solicitation	Total supporting services	
Salaries and benefits	\$ 646,816	\$ 77,910	\$ 165,051	\$ 889,777	\$ 224,966	\$ 195,686	\$ -	\$ 420,652	\$ 1,310,429
Programming provider fees									
National Public Radio	262,346	8,931	-	271,277	-	-	-	-	271,277
American Public Media	75,132	-	-	75,132	-	-	-	-	75,132
Public Radio International	31,219	-	-	31,219	-	-	-	-	31,219
Public Radio Exchange	12,278	-	-	12,278	-	-	-	-	12,278
Indirect administrative support	-	-	-	-	365,373	-	-	365,373	365,373
Corporate support consultant	-	-	-	-	-	-	146,856	146,856	146,856
Depreciation	-	57,241	-	57,241	-	-	-	-	57,241
Other	47,429	125,786	42,973	216,188	148,164	126,903	1,751	276,818	493,006
Total	<u>\$ 1,075,220</u>	<u>\$ 269,868</u>	<u>\$ 208,024</u>	<u>\$ 1,553,112</u>	<u>\$ 738,503</u>	<u>\$ 322,589</u>	<u>\$ 148,607</u>	<u>\$ 1,209,699</u>	<u>\$ 2,762,811</u>

**KMUW-FM Radio**

(A public telecommunications entity operated  
by Wichita State University, a component  
unit of the State of Kansas)

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015

	Program services				Supporting services				Grand Total
	Programming and production	Broadcasting and engineering	Program information and promotion	Total program services	Management and general	Fundraising and membership development	Underwriting and grant solicitation	Total supporting services	
Salaries and benefits	\$ 544,239	\$ 77,401	\$ 146,534	\$ 768,174	\$ 232,491	\$ 111,502	\$ 4,668	\$ 348,661	\$ 1,116,835
Programming provider fees									
National Public Radio	258,402	8,742	-	267,144	-	-	-	-	267,144
American Public Media	74,519	-	-	74,519	-	-	-	-	74,519
Public Radio International	33,061	-	-	33,061	-	-	-	-	33,061
Public Radio Exchange	6,574	-	-	6,574	-	-	-	-	6,574
Indirect administrative support	-	-	-	-	368,633	-	-	368,633	368,633
Corporate support consultant	-	-	-	-	-	-	152,305	152,305	152,305
Depreciation	-	66,405	-	66,405	-	-	-	-	66,405
Other	71,234	94,023	38,597	203,854	71,103	118,563	8,426	198,092	401,946
Total	<u>\$ 988,029</u>	<u>\$ 246,571</u>	<u>\$ 185,131</u>	<u>\$ 1,419,731</u>	<u>\$ 672,227</u>	<u>\$ 230,065</u>	<u>\$ 165,399</u>	<u>\$ 1,067,691</u>	<u>\$ 2,487,422</u>



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<b>McALESTER</b>	101 S. 2ND. STE. B	McALESTER, OK 74501-5345	918-426-1234
<b>TUCSON</b>	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
<b>TULSA</b>	8023 E. 63RD PL. STE 500	TULSA, OK 74133-1209	918-494-8700
<b>WAGONER</b>	611-D W. CHEROKEE ST.	WAGONER, OK 74467-4618	918-485-5531
<b>WICHITA</b>	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335