

---

---

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2012*

---

---



News for the  
Four Rivers Region

## **Contents**

---

	<b>Page</b>
<b>Independent Auditors' Report</b> .....	1 - 2
Management's Discussion And Analysis .....	3- 9
 <b>Financial Statements</b>	
Statement Of Net Assets .....	10
Statement Of Revenues, Expenses And Changes In Net Assets .....	11
Statement Of Cash Flows.....	12
Notes To Financial Statements.....	13 - 21

## Independent Auditors' Report

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

We have audited the accompanying basic 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, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Station's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WKMS-FM Radio as of June 30, 2012 and 2011, and its changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents 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.

*RubinBrown LLP*

November 7, 2012

**MURRAY STATE UNIVERSITY  
WKMS-FM RADIO**

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012 And 2011**

**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, 2012 and 2011. 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 Assets, Statements of Revenues, Expenses and Changes in Net Assets, 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.

**Statements Of Net Assets**

The Statements of Net Assets present a financial picture of the Station's financial condition at the end of the 2012 and 2011 fiscal years by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets less liabilities).

**Assets**

Total assets at the end of the fiscal year 2012 were \$1,110,169, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$659,130 or 59.4% of total assets. For fiscal year 2012, total assets increased by \$110,804, primarily due to capital acquisitions of \$85,119 for a new antenna and \$72,327 for the construction of the LBL tower site generator.

Total assets at the end of the fiscal year 2011 were \$999,365, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$636,920 or 63.7% of total assets. For fiscal year 2011, total assets decreased by \$60,170, primarily due to increases in accumulated depreciation of \$83,828.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Management's Discussion And Analysis (*Continued*)

**Liabilities**

Total liabilities at the end of the fiscal year 2012 were \$137,396. Amounts payable to vendors and for payroll related obligations totaled \$116,755 or 85% of total liabilities. For fiscal year 2012, total liabilities increased by \$60,583, due primarily to federal and state grant payables of \$55,207 for the fixed generator for communications.

Total liabilities at the end of the fiscal year 2011 were \$76,813. Amounts payable to vendors and for payroll related obligations totaled \$57,112 or 74% of total liabilities. For fiscal year 2011, total liabilities decreased by \$4,551, due primarily to a decrease in deferred underwriter revenue of \$3,914.

**Net Assets**

Net assets were \$972,773 at the end of fiscal year 2012 and were divided into three major categories, defined as follows:

- Invested in capital assets, net of related debt and depreciation - 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 Statements Of Net Assets**

	<b>June 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>			
Current assets	\$ 474,647	\$ 392,227	\$ 675,216
Noncurrent assets	293,398	316,436	9,789
Capital assets	342,124	290,702	374,530
<b>Total Assets</b>	<b>1,110,169</b>	<b>999,365</b>	<b>1,059,535</b>
<b>Current Liabilities</b>	<b>137,396</b>	<b>76,813</b>	<b>81,364</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt and depreciation	342,125	290,702	374,530
Restricted for:			
Nonexpendable	10,000	10,000	10,000
Expendable:			
Operations and other	261,949	255,677	297,676
Capital	—	15,039	10,837
Unrestricted	358,699	351,134	285,128
<b>Total Net Assets</b>	<b>\$ 972,773</b>	<b>\$ 922,552</b>	<b>\$ 978,171</b>

**Statements Of Revenues, Expenses And Changes In Net Assets**

The Statements of Revenues, Expenses, and Changes in Net Assets present 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 nonoperating. Changes in total net assets as presented on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets.

**Revenues**

Total operating revenues, which exclude University appropriations, for the fiscal year 2012 were \$223,133. The primary source of operating revenues was from business and industry underwriting of \$115,011.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Management's Discussion And Analysis (*Continued*)

Nonoperating revenues for the fiscal year 2012, which included grants and contracts and University appropriations, totaled \$1,188,163. Grant and contract revenues related to nonexchange type agreements are classified as nonoperating 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 nonexchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total nonoperating revenues increased by \$109,890 during the year, which was due to insurance proceeds of \$52,000 for a damaged antenna and an increase in administrative support of \$40,581. Also, in 2012, capital grants amounted to \$100,405, which were composed of Federal grants of \$97,726 and state grants of \$8,679.

The Station received \$434,778 of Murray State University (the University) appropriations and \$281,782 of administrative support for the fiscal year 2012, which are classified as nonoperating revenues. These funds were used to support Station operating activities.

Total operating revenues, which exclude University appropriations, for the fiscal year 2011 were \$202,630. The primary source of operating revenues was from business and industry underwriting of \$100,417.

Nonoperating revenues for the fiscal year 2011, which included grants and contracts, totaled \$1,078,274. Grant and contract revenues related to nonexchange type agreements are classified as nonoperating revenues. In a nonexchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total nonoperating revenues decreased by \$356,713 during the year, which was due to a decrease in federal nonoperating grants of \$347,089.

The Station received \$416,097 of University appropriations and \$241,204 of administrative support for the fiscal year 2011, which are classified as nonoperating revenues. These funds were used to support Station operating activities.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Management's Discussion And Analysis (*Continued*)

**Expenses**

Total operating expenses for the fiscal year 2012 were \$1,461,481. Total program services and supporting services expenses were \$810,310 and \$545,147, 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 \$106,024 or 7% of total operating expenses.

Total operating expenses for the fiscal year 2011 were \$1,336,525. Total program services and supporting services expenses were \$767,522 and \$485,175, 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 \$83,828 or 6% of total operating expenses.

**Condensed Statements Of Revenues, Expenses And Changes In Net Assets**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>	\$ 223,134	\$ 202,630	\$ 187,149
<b>Operating Expenses</b>	1,461,481	1,336,523	1,343,666
<b>Operating Loss</b>	(1,238,347)	(1,133,893)	(1,156,517)
<b>Nonoperating Revenues</b>	1,188,163	1,078,274	1,434,987
<b>Capital Grants</b>	100,405	—	—
<b>Change In Net Assets</b>	50,221	(55,619)	278,470
<b>Net Assets - Beginning Of Year</b>	922,552	978,171	699,701
<b>Net Assets - End Of Year</b>	\$ 972,773	\$ 922,552	\$ 978,171

**Statements Of Cash Flows**

The Statements of Cash Flows provide a summary of the sources and uses of cash by defined categories. The primary purposes of the Statements 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.

## **MURRAY STATE UNIVERSITY WKMS-FM RADIO**

---

### Management's Discussion And Analysis (*Continued*)

For 2012, the major source of cash from operating activities was business and industry underwriting of \$111,305. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$656,387.

The cash flows from noncapital financing activities include \$434,778 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

The major use of cash for capital financing activities was the purchase of an antenna and generator for \$157,447.

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

For 2011, the major source of cash from operating activities was business and industry underwriting of \$104,886. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$624,209.

The cash flows from noncapital financing activities include \$416,097 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.

### **Capital Assets And Debt Administration**

The Station had a \$157,446 increase in capital assets during the fiscal year ended June 30, 2012. This change is due to the construction of the Land Between the Lakes (LBL) Tower Site Generator and the purchase of a new antenna located in LBL costing \$72,327 and \$85,119, respectively. The Station did not acquire any debt during the fiscal year ended June 30, 2012. The Station did not acquire any capital assets or debt during the fiscal year ended June 30, 2011.

### **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.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Management's Discussion And Analysis (*Continued*)

**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  
Kate Lochte, Station Manager  
Murray State University  
P.O. Box 9  
Murray, Kentucky 42071

**MURRAY STATE UNIVERSITY  
WKMS-FM RADIO**

**STATEMENT OF NET ASSETS**

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 376,107	\$ 331,074
Accounts receivable, net of allowance of \$17,363 in 2012 and \$17,420 in 2011	96,406	35,872
Prepaid expenses	2,134	25,281
<b>Total Current Assets</b>	<b>474,647</b>	<b>392,227</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	283,023	305,846
Restricted investments	10,375	10,590
Capital assets	924,660	767,214
Accumulated depreciation	(582,536)	(476,512)
<b>Total Noncurrent Assets</b>	<b>635,522</b>	<b>607,138</b>
<b>Total Assets</b>	<b>1,110,169</b>	<b>999,365</b>
<b>Current Liabilities</b>		
Accounts payable, accrued payroll and benefits	116,755	57,112
Deferred revenue	20,641	19,701
<b>Total Current Liabilities</b>	<b>137,396</b>	<b>76,813</b>
<b>Net Assets</b>		
Invested in capital assets	342,125	290,702
Restricted for:		
Nonexpendable	10,000	10,000
Expendable:		
Operations and other	261,949	255,677
Capital	—	15,039
Unrestricted	358,699	351,134
<b>Total Net Assets</b>	<b>\$ 972,773</b>	<b>\$ 922,552</b>

**MURRAY STATE UNIVERSITY  
WKMS-FM RADIO**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b>For The Years Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating Revenues</b>		
Business and industry underwriting	\$ 115,012	\$ 100,417
In-kind contributions	77,357	77,796
Other	30,765	24,417
<b>Total Operating Revenues</b>	<b>223,134</b>	<b>202,630</b>
<b>Operating Expenses</b>		
Program Services:		
Programming and production	533,165	540,660
Broadcasting	170,399	123,564
Program information	106,746	103,298
<b>Total Program Services</b>	<b>810,310</b>	<b>767,522</b>
Supporting Services:		
Management and general	468,851	409,771
Fund-raising	38,148	37,701
Underwriting and grant support	38,148	37,701
<b>Total Supporting Services</b>	<b>545,147</b>	<b>485,173</b>
Depreciation	106,024	83,828
<b>Total Operating Expenses</b>	<b>1,461,481</b>	<b>1,336,523</b>
<b>Operating Loss</b>	<b>(1,238,347)</b>	<b>(1,133,893)</b>
<b>Nonoperating Revenues</b>		
General appropriation from Murray State University	434,778	416,097
Donated facilities and administrative support from Murray State University	281,782	241,202
Community service grants from Corporation for Public Broadcasting	215,478	197,763
Subscriptions and memberships	203,979	221,439
Investment income	146	1,773
Insurance proceeds	52,000	—
<b>Total Nonoperating Revenues</b>	<b>1,188,163</b>	<b>1,078,274</b>
<b>Loss Before Capital Grants</b>	<b>(50,184)</b>	<b>(55,619)</b>
<b>Capital Grants</b>	<b>100,405</b>	<b>—</b>
<b>Increase (Decrease) In Net Assets</b>	<b>50,221</b>	<b>(55,619)</b>
<b>Net Assets - Beginning Of Year</b>	<b>922,552</b>	<b>978,171</b>
<b>Net Assets - End Of Year</b>	<b>\$ 972,773</b>	<b>\$ 922,552</b>

**MURRAY STATE UNIVERSITY  
WKMS-FM RADIO**

**STATEMENT OF CASH FLOWS**

	For The Years Ended June 30,	
	2012	2011
<b>Cash Flows From Operating Activities</b>		
Business and industry	111,306	\$ 104,886
Payments to employees	(656,387)	(624,209)
Payments to suppliers	(256,167)	(310,998)
Other operating revenues	27,337	24,417
<b>Net Cash Used In Operating Activities</b>	<b>(773,911)</b>	<b>(805,904)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
General appropriation from Murray State University	434,778	416,097
Grants and contracts	215,478	530,513
Subscriptions/memberships	205,752	218,784
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>856,008</b>	<b>1,165,394</b>
<b>Cash Flows From Capital Financing Activities</b>		
Capital grants	45,198	—
Purchase of capital assets	(157,447)	—
Insurance proceeds	52,000	—
<b>Net Cash Used In Capital Financing Activities</b>	<b>(60,249)</b>	<b>—</b>
<b>Cash Flows Provided By Investing Activities</b>		
Investment income	362	972
<b>Net Increase In Cash And Cash Equivalents</b>	<b>22,210</b>	<b>360,462</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>636,920</b>	<b>276,458</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>659,130</b>	<b>\$ 636,920</b>
<b>Reconciliation Of Operating Loss To Net Cash Used In Operating Activities:</b>		
Operating loss	(1,238,347)	\$ (1,133,893)
Donated facilities and administration expense	281,782	241,202
Depreciation	106,024	83,828
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(7,100)	7,409
Decrease in prepaid expenses	23,147	101
Increase in accounts payable and accrued expenses	57,593	3,003
Increase (decrease) in accrued compensation	2,050	(3,640)
Increase (decrease) in deferred revenue	940	(3,914)
<b>Net Cash Used In Operating Activities</b>	<b>(773,911)</b>	<b>\$ (805,904)</b>
<b>Supplemental Cash Flow Information</b>		
Donated facilities and administrative support from Murray State University	281,782	\$ 241,202
In-kind contributions	77,357	77,796
Unrealized loss on investments	215	800

**MURRAY STATE UNIVERSITY  
WKMS-FM RADIO**

---

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 And 2011**

**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.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Station has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements. The Station has elected to not apply FASB pronouncements issued after November 30, 1989.

**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.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Notes To Financial Statements (*Continued*)

**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.

**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	5-15 years

**Deferred Revenue**

Deferred 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 Assets**

The Station's net assets are classified as follows:

*Invested 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, 2012 or 2011. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Notes To Financial Statements (*Continued*)

*Restricted net assets - nonexpendable:* Nonexpendable restricted net asset 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 assets - expendable:* Restricted expendable net assets 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.

*Unrestricted net assets:* Unrestricted net assets 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 nonoperating 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.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. In a nonexchange 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 nonoperating revenues, in accordance with GASB No. 35.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Notes To Financial Statements (*Continued*)

**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 nonoperating revenues.

**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 \$281,782 and \$241,202 for the years ended June 30, 2012 and 2011, 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.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Notes To Financial Statements (*Continued*)

**2. Accounts Receivable**

Accounts receivable consist of:

	<u>2012</u>	<u>2011</u>
Business and industry underwriting	\$ 31,068	\$ 26,422
Subscription and membership pledges	24,066	25,896
Federal grants (transmitters)	47,593	—
Other	11,042	974
Allowance for doubtful accounts	<u>(17,363)</u>	<u>(17,420)</u>
	<u>\$ 96,406</u>	<u>\$ 35,872</u>

**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, 2012 and June 30, 2011, the carrying amounts of the Station's deposits were \$659,130 and \$636,920, respectively.

Currently the University maintains its deposits, outside of those held by the Commonwealth of Kentucky, in noninterest-bearing accounts at FDIC-insured institutions. With the passage of the Federal Dodd-Frank Act deposits held in noninterest-bearing transaction accounts with FDIC-insured institutions will be fully insured regardless of the amount in the account up to December 31, 2012. This action allows for the financial institutions to provide an interest earning credit to reduce service fees charged to the University.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Notes To Financial Statements (*Continued*)

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 and provides liquidity for the remaining pools. The Intermediate-Term Pool represents 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. However, all such investments in excess of FDIC are required to be fully collateralized by the U.S. Treasury and/or U.S. agency securities or other similar investments as provided by KRS 41.240. 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.

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

	<u>2012</u>	<u>2011</u>
Current cash and cash equivalents	\$ 376,107	\$ 331,074
Restricted cash and cash equivalents	283,023	305,846
	<u>\$ 659,130</u>	<u>\$ 636,920</u>

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

Notes To Financial Statements (*Continued*)

**4. Capital Assets**

Capital assets activity for the year ended June 30, 2012 is:

	Balance July 1, 2011	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2012
Construction in progress	\$ —	\$ 72,327	\$ —	\$ —	\$ 72,327
Nonbuilding improvements	213,906	—	—	—	213,906
Equipment	553,308	85,119	—	—	638,427
Less: Accumulated depreciation	476,512	106,024	—	—	582,536
<b>Capital assets, net</b>	<b>\$ 290,702</b>	<b>\$ 51,422</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 342,124</b>

Capital assets activity for the year ended June 30, 2011 was:

	Balance July 1, 2010	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2011
Construction in progress	\$ 297,243	\$ —	\$ (297,243)	\$ —	\$ —
Nonbuilding improvements	—	—	213,906	—	213,906
Equipment	469,971	—	83,337	—	553,308
Less: Accumulated depreciation	392,684	83,828	—	—	476,512
<b>Capital assets, net</b>	<b>\$ 374,530</b>	<b>\$ (83,828)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 290,702</b>

**5. Accounts Payable And Accrued Expenses**

Accounts payable and accrued expenses at June 30 consisted of:

	2012	2011
<b>Current Liabilities</b>		
Accounts payable - vendors	\$ 70,037	\$ 12,444
Accrued payroll and benefits	46,718	44,668
	<b>\$ 116,755</b>	<b>\$ 57,112</b>

## **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.

Reported NFFS for the Station were \$1,140,500 and \$1,063,605 for the years ended June 30, 2012 and 2011, respectively.

**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**

---

Notes To Financial Statements (*Continued*)

**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
		2012	2011	2010	
2009-2011	182,332	\$ (2,455)	\$ 64,487	\$ 117,845	\$ 2,455
2010-2012	198,575	56,393	142,182	—	—
2011-2013	180,541	114,790	—	—	65,751

**8. Natural Expense Classifications**

The Station's operating expenses by natural classification for the years ended June 30, 2012 and 2011 were as follows:

	Program Services	Management And General	Fundraising And Membership	Total	
				2012	2011
Compensation and benefits	\$ 438,353	\$ 144,763	\$ 76,296	\$ 659,412	\$ 619,595
Operating expenses	363,018	324,088	—	687,106	626,370
Noncapitalized equipment	8,939	—	—	8,939	6,730
	810,310	468,851	76,296	1,355,457	1,252,695
Depreciation	106,024	—	—	106,024	83,828
	\$ 916,334	\$ 468,851	\$ 76,296	\$ 1,461,481	\$ 1,336,523