
MURRAY STATE UNIVERSITY
WKMS-FM RADIO
FINANCIAL STATEMENTS
JUNE 30, 2013



News for the
Four Rivers Region

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Independent Auditors' Report

Board of Regents and Audit Committee
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, 2013 and 2012, 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WKMS-FM Radio as of June 30, 2013 and 2012, 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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 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 19, 2013

MURRAY STATE UNIVERSITY WKMS-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2013 And 2012

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, 2013 and 2012. 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.

Statements Of Net Position

The Statements of Net Position present a financial picture of the Station's financial condition at the end of the 2013 and 2012 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 2013 were \$1,009,817, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$667,795 or 66% of total assets. For fiscal year 2013, total assets decreased by \$110,352, primarily due to reduction in accounts receivable for capital grants.

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% 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.

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Management's Discussion And Analysis (*Continued*)

Liabilities

Total liabilities at the end of the fiscal year 2013 were \$83,124. Amounts payable to vendors and for payroll related obligations totaled \$52,477 or 63% of total liabilities. For fiscal year 2013, total liabilities decreased by \$54,272, due primarily to the reduction in federal and state grant related payables of \$55,207 for the fixed generator for communications in 2012.

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 related payables of \$55,207 for the fixed generator for communications.

Net Position

Net position was \$926,693 at the end of fiscal year 2013 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 position represents 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 position 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 position held by the Station that have no formal restrictions placed upon them.

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Management's Discussion And Analysis (*Continued*)

Condensed Statement Of Net Position

	June 30,		
	2013	2012	2011
Assets			
Current assets	\$ 423,905	\$ 474,647	\$ 392,227
Noncurrent assets	297,067	293,398	316,436
Capital assets	288,845	342,124	290,702
Total Assets	1,009,817	1,110,169	999,365
Current Liabilities	83,124	137,396	76,813
Net Position			
Net investment in capital assets	288,845	342,125	290,702
Restricted for:			
Nonexpendable	10,000	10,000	10,000
Expendable:			
Operations and other	267,229	261,949	255,677
Capital	—	—	15,039
Unrestricted	360,619	358,699	351,134
Total Net Position	\$ 926,693	\$ 972,773	\$ 922,552

Statements Of Revenues, Expenses And Changes In Net Position

The Statements of Revenues, Expenses and Changes in Net Position 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 position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Position.

Revenues

Total operating revenues, which exclude University appropriations, for the fiscal year 2013 were \$224,289. The primary source of operating revenues was from business and industry underwriting of \$108,693.

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Management's Discussion And Analysis (*Continued*)

Nonoperating revenues for the fiscal year 2013, which included grants and contracts and University appropriations, totaled \$1,131,891. 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 decreased by \$56,272 during the year, which was due to a decrease in insurance proceeds of \$52,000 for a damaged antenna and a decrease in Corporation for Public Broadcasting funding of \$44,123.

The Station received \$448,262 of Murray State University (the University) appropriations and \$287,659 of administrative support for the fiscal year 2013, which are classified as nonoperating revenues. These funds were used to support Station operating activities.

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.

Expenses

Total operating expenses for the fiscal year 2013 were \$1,402,259. Total program services and supporting services expenses were \$814,416 and \$544,107, 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 \$43,736 or 3% of total operating expenses.

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Management's Discussion And Analysis (*Continued*)

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.

Condensed Statements Of Revenues, Expenses And Changes In Net Position

	2013	2012	2011
Operating Revenues	\$ 224,289	\$ 223,134	\$ 202,630
Operating Expenses	1,402,259	1,461,481	1,336,523
Operating Loss	(1,177,970)	(1,238,347)	(1,133,893)
Nonoperating Revenues	1,131,890	1,188,163	1,078,274
Capital Grants	—	100,405	—
Change In Net Position	(46,080)	50,221	(55,619)
Net Position - Beginning Of Year	972,773	922,552	978,171
Net Position - End Of Year	\$ 926,693	\$ 972,773	\$ 922,552

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.

For 2013, the major source of cash from operating activities was business and industry underwriting of \$119,880. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$666,555.

The cash flows from noncapital financing activities include \$448,262 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

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Management's Discussion And Analysis (*Continued*)

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

For 2012, the major source of cash from operating activities was business and industry underwriting of \$111,306. 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.

Capital Assets And Debt Administration

The Station had a \$9,543 decrease in capital assets during the fiscal year ended June 30, 2013. This change is due to a write down of assets held by WKMS. The Station did not acquire any debt during the fiscal year ended June 30, 2013.

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.

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
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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 POSITION

	June 30,	
	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 381,590	\$ 376,107
Accounts receivable, net of allowance of \$16,805 in 2013 and \$17,363 in 2012	38,123	96,406
Prepaid expenses	4,192	2,134
Total Current Assets	423,905	474,647
Noncurrent Assets		
Restricted cash and cash equivalents	286,205	283,023
Restricted investments	10,862	10,375
Capital assets	915,117	924,660
Accumulated depreciation	(626,272)	(582,536)
Total Noncurrent Assets	585,912	635,522
Total Assets	1,009,817	1,110,169
Current Liabilities		
Accounts payable, accrued payroll and benefits	52,477	116,755
Unearned revenue	30,647	20,641
Total Current Liabilities	83,124	137,396
Net Position		
Net investment in capital assets	288,845	342,125
Restricted for:		
Nonexpendable	10,000	10,000
Expendable:		
Operations and other	267,229	261,949
Unrestricted	360,619	358,699
Total Net Position	\$ 926,693	\$ 972,773

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2013	2012
Operating Revenues		
Business and industry underwriting	\$ 108,693	\$ 115,012
In-kind contributions	93,235	77,357
Other	22,361	30,765
Total Operating Revenues	224,289	223,134
Operating Expenses		
Program Services:		
Programming and production	547,374	533,165
Broadcasting	161,213	170,399
Program information	105,829	106,746
Total Program Services	814,416	810,310
Supporting Services:		
Management and general	478,387	468,851
Fund-raising	32,860	38,148
Underwriting and grant support	32,860	38,148
Total Supporting Services	544,107	545,147
Depreciation	43,736	106,024
Total Operating Expenses	1,402,259	1,461,481
Operating Loss	(1,177,970)	(1,238,347)
Nonoperating Revenues		
General appropriation from Murray State University	448,262	434,778
Donated facilities and administrative support from Murray State University	287,659	281,782
Community service grants from Corporation for Public Broadcasting	171,355	215,478
Subscriptions and memberships	223,197	203,979
Investment income	1,417	146
Insurance proceeds	—	52,000
Total Nonoperating Revenues	1,131,890	1,188,163
Loss Before Capital Grants	(46,080)	(50,184)
Capital Grants	—	100,405
Increase (Decrease) In Net Position	(46,080)	50,221
Net Position - Beginning Of Year	972,773	922,552
Net Position - End Of Year	\$ 926,693	\$ 972,773

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2013	2012
Cash Flows From Operating Activities		
Business and industry underwriting	\$ 119,880	\$ 111,306
Payments to employees	(666,555)	(656,387)
Payments to suppliers	(367,866)	(256,167)
Other operating revenues	25,539	27,337
Net Cash Used In Operating Activities	(889,002)	(773,911)
Cash Flows From Noncapital Financing Activities		
General appropriation from Murray State University	448,262	434,778
Grants and contracts	171,355	215,478
Subscriptions/memberships	221,914	205,752
Net Cash Provided By Noncapital Financing Activities	841,531	856,008
Cash Flows From Capital Financing Activities		
Capital grants	55,208	45,198
Purchase of capital assets	—	(157,447)
Insurance proceeds	—	52,000
Net Cash Provided By (Used In) Capital Financing Activities	55,208	(60,249)
Cash Flows Provided By Investing Activities		
Investment income	929	362
Net Increase In Cash And Cash Equivalents	8,665	22,210
Cash And Cash Equivalents - Beginning Of Year	659,130	636,920
Cash And Cash Equivalents - End Of Year	667,795	\$ 659,130
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities:		
Operating loss	(1,177,970)	\$ (1,238,347)
Donated facilities and administration expense	287,659	281,782
Depreciation	43,736	106,024
Losses on disposals of fixed assets	9,543	—
Changes in assets and liabilities:		
(Increase) decrease in operating accounts receivable	4,358	(7,100)
(Increase) decrease in prepaid expenses	(2,058)	23,147
Increase (decrease) in accounts payable and accrued expenses	(63,547)	57,593
Increase (decrease) in accrued compensation	(731)	2,050
Increase in unearned revenue	10,006	940
Net Cash Used In Operating Activities	\$ (889,002)	\$ (773,911)
Supplemental Cash Flow Information		
Donated facilities and administrative support from Murray State University	\$ 287,659	\$ 281,782
In-kind contributions	93,235	77,357
Unrealized gain (loss) on investments	488	(215)

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 And 2012**

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 an allowance for 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>
Nonbuilding improvements	7 years
Equipment	5-10 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 outstanding at June 30, 2013 or 2012. 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
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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 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 general appropriations, donated facilities and administrative support from the University and investment income are recorded as nonoperating 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 nonoperating revenues.

MURRAY STATE UNIVERSITY
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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 \$287,659 and \$281,782 for the years ended June 30, 2013 and 2012, 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>2013</u>	<u>2012</u>
Business and industry underwriting	\$ 29,887	\$ 31,068
Subscription and membership pledges	24,791	24,066
Federal grants (transmitters)	—	47,593
Other	250	11,042
Allowance for doubtful accounts	<u>(16,805)</u>	<u>(17,363)</u>
	<u>\$ 38,123</u>	<u>\$ 96,406</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, 2013 and 2012, the carrying amounts of the Station's deposits were \$667,795 and \$659,130, respectively.

Currently the University maintains its deposits, outside of those held by the Commonwealth of Kentucky, in noninterest-bearing accounts at FDIC-insured institutions. Prior to December 31, 2012, with the passage of the Federal Dodd-Frank Act deposits held in noninterest-bearing transaction accounts with FDIC-insured institutions were fully insured regardless of the amount in the account. This action allowed for the financial institutions to provide an interest earning credit to reduce service fees charged to the University. After December 31, 2012, the provision allowing non-interest bearing accounts to be fully insured expired. All accounts are insured up to \$250,000.

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.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

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 position captions include:

	<u>2013</u>	<u>2012</u>
Current cash and cash equivalents	\$ 381,590	\$ 376,107
Restricted cash and cash equivalents	286,205	283,023
	<u>\$ 667,795</u>	<u>\$ 659,130</u>

4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is:

	<u>Balance</u>			<u>Deletions/</u>	<u>Balance</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Nondepreciable:					
Construction in progress	\$ 72,327	\$ —	\$ —	\$ —	\$ 72,327
Depreciable:					
Nonbuilding improvements	213,906	—	—	—	213,906
Equipment	638,427	—	—	(9,543)	628,884
	852,333	—	—	(9,543)	842,790
Less: Accumulated depreciation	582,536	43,736	—	—	626,272
Capital assets, net	\$ 342,124	\$ (43,736)	\$ —	\$ (9,543)	\$ 288,845

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

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

	Balance			Deletions/	Balance
	July 1, 2011	Additions	Transfers	Retirements	June 30, 2012
Nondepreciable:					
Construction in progress	\$ —	\$ 72,327	\$ —	\$ —	\$ 72,327
Depreciable:					
Nonbuilding improvements	213,906	—	—	—	213,906
Equipment	553,308	85,119	—	—	638,427
	767,214	85,119	—	—	852,333
Less: Accumulated depreciation	476,512	106,024	—	—	582,536
Capital assets, net	\$ 290,702	\$ 51,422	\$ —	\$ —	\$ 342,124

5. Accounts Payable And Accrued Expenses

Accounts payable and accrued expenses at June 30 consisted of:

	2013	2012
Current Liabilities:		
Accounts payable - vendors	\$ 6,490	\$ 70,037
Accrued payroll and benefits	45,987	46,718
	\$ 52,477	\$ 116,755

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.

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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 \$1,150,563 and \$1,140,500 for the years ended June 30, 2013 and 2012, 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
		2013	2012	2011	
2010-2012	\$ 198,575	\$ —	\$ 56,393	\$ 142,182	\$ —
2011-2013	180,541	65,424	114,790	—	327
2012-2014	171,355	109,774	—	—	61,581

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8. Natural Expense Classifications

The Station's operating expenses by natural classification for the years ended June 30, 2013 and 2012 were as follows:

	Program Services	Management And General	Fundraising And Membership	Total	
				2013	2012
Compensation and benefits	\$ 459,429	\$ 140,676	\$ 65,720	\$ 665,825	\$ 659,412
Operating expenses	353,617	337,711	—	691,328	687,106
Noncapitalized equipment	1,370	—	—	1,370	8,939
	814,416	478,387	65,720	1,358,523	1,355,457
Depreciation	43,736	—	—	43,736	106,024
	\$ 858,152	\$ 478,387	\$ 65,720	\$ 1,402,259	\$ 1,461,481