

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, 2021 and 2020



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Independent Auditor's Report

Wichita State University Management
KMUW-FM Radio
(A public telecommunications entity operated
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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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 10 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 23 and 24, 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.

Regin Carr & Monroe LLP

January 12, 2022
Wichita, Kansas

KMUW-FM Radio

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended June 30, 2021 and 2020

INTRODUCTION

This report, Management's Discussion and Analysis, provides an overview of the financial position and results of activities of KMUW-FM Radio ("KMUW" or "the station") for the year ended June 30, 2021, with comparative information for the year ended June 30, 2020. Station management prepared the analysis to supplement the financial statements that follow. This report aims to help readers of the financial statements better understand KMUW's financial position and operating activities for the year ended June 30, 2021.

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 preparing 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 programming schedule rich in news, information, music, arts and ideas. KMUW's mission is to serve as a trusted source of local, national and world news. And to provide 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 is a state agency of Kansas governed by the Kansas Board of Regents. The State of Kansas issues financial statements that include the 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. We will review each of these financial statements in the following sections and identify highlights.

STATEMENTS OF NET POSITION

The Statements of Net Position present the station's financial position as of June 30, 2021 and 2020. 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, 2021, the station's net position was \$1,515,273.

SUMMARY STATEMENTS OF NET POSITION

	2021	2020
Cash and cash equivalents	\$ 1,077,581	\$ 725,168
Capital assets, net of depreciation	550,587	646,005
Other assets	493,524	470,415
Total assets	2,121,692	1,841,588
Liabilities	606,419	579,874
Net position	\$ 1,515,273	\$ 1,261,714

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses, and Changes in Net Position present the station's financial activity for the years ending June 30, 2021 and 2020. GASB principles require the categorizing revenues and expenses as either "operating" or "nonoperating."

GASB also specifies categorizing university support as nonoperating. Because 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

	2021	2020
Memberships, sponsorships, and gifts	\$ 1,576,100	\$ 1,546,240
Grants	787,744	441,852
Other	168,038	182,310
Total operating revenues	2,531,882	2,170,402
Expenses:		
Program services	1,837,368	1,737,331
Supporting services	1,191,353	1,316,286
Total expenses	3,028,721	3,053,617
Operating loss	(496,839)	(883,215)
Support from Wichita State University	728,590	831,970
Investment earnings (loss)	21,808	(1,848)
Change in net position	\$ 253,559	\$ (53,093)

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 significant sources and uses of cash. GASB principles promulgate four sources of cash flows: from operating activities, from noncapital financing activities, from capital assets and related financing activities, and from investing activities. Cash inflows from state appropriations are critical to funding station operations. But, as noted previously, GASB principles require reporting appropriations as nonoperating cash flows.

SUMMARY STATEMENTS OF CASH FLOWS

	2021	2020
Cash flows (used in) or provided by operating activities	\$ (359,047)	\$ 32,624
Cash flows from noncapital financing activities - appropriations	705,164	421,549
Cash flows from investing activities	6,296	4,268
Net change in cash and cash equivalents	<u>\$ 352,413</u>	<u>\$ 458,441</u>

The indirect administrative support reported as nonoperating revenue on the Statements of Revenues, Expenses, and Changes in Net Position estimates the value of facilities and services the station received from the university. The station determined its value according to CPB guidelines. It is absent from the Statements of Cash Flows because it is non-cash 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. There were no additional investments in capital assets in FY2021 or FY2020.

ECONOMIC ENVIRONMENT

Summary

The economic fluctuations of FY 2021 did not have an overall impact on KMUW's usual revenue streams. Increasing individual gifts and grants offset the drop in sponsorships (formerly underwriting) income. This made the grant amounts received directly due to COVID a much-needed cushion while pandemic uncertainties continue. KMUW worked closely with WSU finance, legal counsel, and the Board of Regents to facilitate the application and eligibility for a second-round federal PPP loan. All indicators suggest 100% forgiveness of the loan amount. If that's the case, the income will be recognized as grant revenue due to the pandemic economic crisis.

Revenue

The station's overall combined revenue for membership and sponsorships was up about \$30,000, primarily thanks to a bequest gift that helped offset the FY21 losses in sponsorship sales. The drop in sponsorship revenue was directly attributable to the pandemic-driven recession. At the same time, the decrease in sponsorship income was the primary driver behind CPB providing additional grant funding through a federal emergency relief package. KMUW's growing grants program also positively impacted the bottom line. Overall, with the same number of donors giving more than ever before along

with federal and project grants, KMWU closed the fiscal year on a very sound economic footing.

Engagement and Diversity

KMWU's daily news coverage, hiring, and events reflect its commitment to news, diversity, and community engagement. KMWU continued to offer trusted and meaningful community conversations through virtual events to engage and educate about relevant and personal interest topics from the safety of one's own home. These events included:

1. July 15, 2020 – Digital Literary Feast, *Hidden Valley Road* by Robert Koker
Attendees gathered virtually to discuss schizophrenia and the complicated family dynamics and legacy of the Galvin family.
2. July 23, 2020 – Digital Engage ICT Democracy on Tap, Back to School Preparedness
Representatives from USD 259 and Wichita State University shared with viewers the practices, policies, and suggestions for returning to school in the fall of 2020.
3. August 11, 2020 – Digital Engage ICT Democracy on Tap, A Vaccine for Misinformation
KMWU convened digitally to discuss misinformation and how to discern trustworthy sources. This event featured USA Today journalist Susan Page.
4. August 19, 2020 – Digital Literary Feast, *The Memory Police* by Yoko Ogawa
Attendees discussed magical realism and the effects of censorship, both prominent themes in this translated work of science fiction.
5. September 16, 2020 – Digital Literary Feast, *Via Negativa* by Daniel Hornsby
Attendees discussed religion, specifically the Catholic faith, and the author's own Kansas connections.
6. October 7, 2020 – 4th Congressional District Candidates Estes and Lombard Debate
Republican Rep. Ron Estes and Democratic candidate Laura Lombard were asked to share their positions on issues such as criminal justice reform, marijuana laws, and, of course, the federal government's response to the COVID-19 pandemic and the impact it has had on the economy.
7. October 22, 2020 – Digital Engage ICT Democracy on Tap, U.S. Senate Candidates Bollier and Marshall Debate; Our Democracy on Tap Panel Breaks It Down
The two candidates running for Kansas' U.S. Senate seat met for a debate hosted by KMWU and KWCH Channel 12. Republican U.S. Rep. Roger Marshall and Democratic state Sen. Barbara Bollier were asked to share their positions on issues such as the government response to the pandemic, health care and the Affordable Care Act, taxes, and law enforcement.
8. October 27, 2020 – Digital Engage ICT Democracy on Tap, Election Savvy
Attendees learned about the who, what, where, when, and why of the upcoming elections in Sedgwick county. KMWU provided information on safe voting in the pandemic in four languages via 12 local community service organizations.

9. November 17, 2020 – Digital Engage ICT Democracy on Tap, One Small Step: Courageous Political Conversations
KMUW's Engage ICT: Digital Democracy on Tap and Kansas Leadership Center partnered to present One Small Step: Courageous Political Conversations, a special collaboration with StoryCorps' One Small Step. It featured a conversation with Dave Isay, the founder of StoryCorps, on the importance of coming together during a divisive time in our history. We also spoke with Wichita's One Small Step participants about how they felt bridging an ideological divide with a stranger.
10. November 18, 2020 – Digital Literary Feast, *Transcendent Kingdom* by Yaa Gyasi
Attendees discussed the intersections between the scientific and spiritual world and the lasting effects of losing a family member.
11. December 15, 2020 – Digital Engage ICT Democracy on Tap, Coping with Socially Isolated Holidays
Attendees learned how to cope with socially isolated holidays during this uncertain time when the pandemic is keeping families apart.
12. February 17, 2021 – Digital Literary Feast, *The Hare* by Melanie Finn
Attendees discussed feminism and the challenges presented by rural living.
13. February 23, 2021 – Digital Engage ICT Democracy on Tap, COVID-19 Vaccine
Attendees learned about Kansas's vaccine rollout plan and discussed who should get vaccinated against COVID-19.
14. March 17, 2021 – Digital Literary Feast, *The Bad Muslim Discount* by Syed M. Masood
Attendees discussed racism, the challenges of immigration, and family loyalty at this virtual book discussion.
15. April 13, 2021 – Digital Engage ICT Democracy on Tap, Kansas Legislative Update
Local experts shared predictions about the upcoming legislative session, including bills introduced, debated, passed, or on the horizon. The panel included a KMUW/Kansas News Service reporter who covers the Kansas Statehouse.
16. April 16, 2021 – Digital Literary Feast, *No One is Talking About This* by Patricia Lockwood
Attendees discussed this experimental and non-traditional novel, including current pop-culture references and the pitfalls of social media.
17. May 19, 2021 – Digital Literary Feast, *Susan, Linda, Nina & Cokie: The Extraordinary Story of the Founding Mothers of NPR* by Lisa Napoli
At the first in-person event of 2021, attendees discussed the roots of NPR and heard from a panel of KMUW's "founding mothers." It included conversations about the challenges that women in broadcasting faced 50 years ago and today. Three of the experienced broadcast women from KMUW attended to answer questions directly and share their own stories.

19. June 8, 2021 – Digital Engage ICT Democracy on Tap, Immigration in Kansas
Attendees learned about immigration trends in Kansas and the obstacles immigrants currently face.

News Content

The quality of KMUW news reporters and station producers is reflected in the numerous awards bestowed upon KMUW from the Kansas Association of Broadcasters (KAB), once again in 2021. KMUW provided award-winning online news and cultural content via the website and app, items also recognized by the KAB.

Kansas Association of Broadcasters Statewide Awards Earned by KMUW

- **Large Market Radio:** *Station of the Year* (eight years running)
- **1st place**
 - Public Service Announcement: "The Who and How of Voting / Next Best Thing"
(Jordan Kirtley and Fletcher Powell)
 - Public Affairs Program: "1A's Friday News Roundup: Wichita Edition"
(Sarah Jane Crespo, Haley Crowson, Nadya Faulx, and Tom Shine)
 - Sports Feature: "Bowling Alleys Struggle to Sell Experiences During the Pandemic"
(Deborah Shaar)
 - Spot News: "Fans Welcome Affiliated Baseball Back to Wichita as Wind Surge Plays Home Opener" (Nadya Faulx)
 - Special Program: "One Small Step: Courageous Political Conversations"
(Sarah Jane Crespo and Haley Crowson)
 - Editorial /Commentary: "One Last Thing: Remembering Tom Moffitt" (Tom Shine)
- **2nd place**
 - Public Affairs Program: "The Range" March 19, 2021 (Nadya Faulx, Tom Shine, and Lu Anne Stephens)
 - Sports Feature: "Born to Coach: Isaac Brown Leading the Shockers to Surprising Heights" (Carla Eckels)
 - News Feature: "'Her Spirit Was Bright, It Was Happy,' Remembering Wichita Icon Karla Burns" (Carla Eckels)
 - Complete Severe Weather Coverage: "Temperatures Drive-Up Power Demand Across Kansas" (Brian Grimmett)
 - Editorial /Commentary: "Movie Review: Revisiting the Great Failure of 'One from the Heart'" (Tom Shine)

- Station Website: kmuw.org
(Nadya Faulx, Hugo Phan, Jordan Kirtley, and Beth Golay)
- **Honorable Mention**
 - Station Promotion Announcement: "Oscar Predictions" (Beth Golay, Fletcher Powell, Mackenzie Haas, and Jordan Kirtley)
 - Complete Newscast: June 8, 2021, 3 p.m. newscast (Fletcher Powell)
 - Sports Feature: "Wichita Sports Shop Showcases One Man's Lifelong Love of Baseball" (Tom Shine)
 - Hard News Feature: "What's a Newspaper Without a Newsroom? Many, Like the Wichita Eagle, Are Finding Out" (Tom Shine)
 - Complete Severe Weather Coverage: "Kansas Customers Left to Pay the Price After Winter Storm Sends Natural Gas Prices Soaring" (Brian Grimmett)
 - Editorial/Commentary: "Hindsight: EMILY's List" (Robin Henry and Fletcher Powell)
 - DJ Personality: "Soulsations" (Carla Eckels)

Other Activities

The pandemic brought many issues to the forefront that were not new to our community but deserved further attention and focus. One such issue was the **mental health** of all ages and walks of life. In response, KMUW partnered with the Sedgwick County Mental Health Association to develop a series of reports about ways listeners can help others and themselves. The series brought to light heightened areas of concern, such as self-harming behaviors, isolation and aging, and effects of extensive screen time. It also shared information about local resources, treatments, and mentorships. KMUW participated with ten other local media outlets in sharing mental health content through a community-wide effort with the Wichita Journalism Collaborative.

The second year of the Korva Coleman Journalism Internship for a Person of Color went extraordinarily well. After the first year being remote due to the pandemic, we were excited this year's summer program was in person. This project is a national model for other stations and the National Public Radio network.

Closing Statement

The revenue goal for FY2021 was to maintain our financial position through the continuing pandemic. KMUW far exceeded that by recovering sponsorship clients, increasing the average donor gift, increasing the percentage of sustaining donors, and securing an additional CPB Rescue Plan grant.

The pandemic forced KMUW to utilize alternative revenue options, including grants from family foundations and national organizations, along with state and federal government grantors. In FY2021, KMUW restructured its fundraising department to make it more efficient. It has already proven to be more effective with the help of a public broadcasting consulting firm specializing in corporate sponsorships. This experience will continue to serve the station well in the future.

This new fundraising focus also results in substantial growth of the KMUW sustaining program. More than half of the individual donors use the monthly program via credit card or bank account. These are also donors with far higher retention rates than traditional individual contributors.

KMUW continues to receive national recognition, with programs planning to visit Wichita in the coming year, including The Moth Radio Show and Story Corps. Three of KMUW's music programs expand distribution across the state and country and internationally. The Kansas Public Broadcasting Archive project led by KMUW is developing into a national model for other states and regions in cooperation with the Library of Congress.

CONTACTING THE STATION'S FINANCIAL MANAGEMENT

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

KMUW-FM Radio

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STATEMENTS OF NET POSITION

June 30,

ASSETS

	2021	2020
Current assets		
Cash and cash equivalents	\$ 1,077,581	\$ 725,168
Investments	105,293	89,781
Receivables		
Member pledges	215,061	226,883
Program sponsorships	64,189	81,410
Grants	39,652	3,449
Prepaid expenses	69,329	68,892
Total current assets	<u>1,571,105</u>	<u>1,195,583</u>
Noncurrent assets		
Capital assets, net of depreciation	<u>550,587</u>	<u>646,005</u>
Total assets	<u><u>\$ 2,121,692</u></u>	<u><u>\$ 1,841,588</u></u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	\$ 232,557	\$ 227,638
Paycheck Protection Program loan	296,667	-
Deferred revenue	77,195	352,236
Total current liabilities	<u>606,419</u>	<u>579,874</u>

NET POSITION

Investment in capital assets	550,587	646,005
Unrestricted	964,686	560,709
Restricted - expendable	-	55,000
Total net position	<u>1,515,273</u>	<u>1,261,714</u>
Total liabilities and net position	<u><u>\$ 2,121,692</u></u>	<u><u>\$ 1,841,588</u></u>

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

KMUW-FM Radio

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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended June 30,

	2021	2020
Operating revenues		
Memberships and sponsorships	\$ 1,296,477	\$ 1,210,814
Major gifts and bequests	279,623	335,426
CPB community service grants	180,658	173,955
CPB - other grants	219,725	112,027
KPBC operating grants	35,631	34,029
Other grants	351,730	121,841
In-kind contributed support	160,226	135,003
Other	7,812	47,307
Total operating revenues	2,531,882	2,170,402
Expenses		
Program services		
Programming and production	1,195,425	1,133,873
Broadcasting and engineering	282,384	333,559
Program information and promotion	359,559	269,899
Supporting services		
Management and general	650,180	738,979
Fundraising and membership development	322,076	336,531
Sponsorship and grant solicitation	219,097	240,776
Total expenses	3,028,721	3,053,617
Operating loss	(496,839)	(883,215)
Nonoperating revenues		
Support from Wichita State University		
Appropriations - station operations	408,497	421,549
Indirect administrative support	286,648	376,221
Utilities	33,445	34,200
Investment earnings (loss)	21,808	(1,848)
Total nonoperating revenues	750,398	830,122
Change in net position	253,559	(53,093)
Net position at beginning of year	1,261,714	1,314,807
Net position at end of year	\$ 1,515,273	\$ 1,261,714

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

KMUW-FM Radio

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STATEMENTS OF CASH FLOWS

For the years ended June 30,

	2021	2020
Cash flows from operating activities		
Memberships, sponsorships, and gifts	\$ 1,327,130	\$ 1,177,437
Grants	754,512	1,212,582
Other	7,812	45,459
Payments to employees for services	(1,658,385)	(1,658,038)
Payments to suppliers for goods and services	(790,116)	(744,816)
Net cash (used in) or provided by operating activities	(359,047)	32,624
Cash flows from noncapital financing activities		
Appropriations	408,497	421,549
SBA PPP loan	296,667	-
Net cash provided by noncapital financing activities	705,164	421,549
Cash flows from investing activities		
Investment earnings (loss)	21,808	(1,848)
Change in pooled investments	(15,512)	6,116
Net cash provided by investing activities	6,296	4,268
Net change in cash and cash equivalents	352,413	458,441
Cash and cash equivalents at beginning of year	725,168	266,727
Cash and cash equivalents at end of year	\$ 1,077,581	\$ 725,168
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (496,839)	\$ (883,215)
Adjustments to reconcile operating loss to net cash used in operating activities		
Indirect administrative support and utilities provided by Wichita State University	320,093	410,421
Depreciation	95,418	95,418
Changes in assets and liabilities		
Accounts receivable	(7,160)	12,939
Prepaid expenses	(437)	(2,274)
Accounts payable and accrued liabilities	4,919	53,990
Deferred revenue	(275,041)	345,345
Net cash (used in) or provided by operating activities	\$ (359,047)	\$ 32,624

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

KMUW-FM Radio

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NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, unpaid program sponsorships, and contributions and grants receivable. Unpaid pledges at year-end are reduced by 10 percent in anticipation of some pledges not being fulfilled. Pledge reductions were \$23,896 and \$25,209 for the years ended June 30, 2021 and 2020, respectively. Program sponsorships, contributions and grants receivable at June 30, 2021 and 2020 are considered to be fully collectible. Past due accounts determined not to be collectible by management are charged off to expense.

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 the following components:

- Investment in capital assets consists of equipment net of accumulated depreciation and reduced by related debt, if any.
- Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.
- Restricted – nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. 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 - nonexpendable net position at June 30, 2021 and 2020.
- Restricted – expendable net position includes resources for which KMUW is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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. Major gifts and bequests

CPB defines major gifts and bequests as any individual donor, including estates and trusts, who contributes an amount, in aggregate, equal to or greater than \$1,000 in the reporting year. KMUW had 131 and 122 major individual donors for the years ended June 30, 2021 and 2020, respectively.

11. 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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

12. Deferred revenue

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

13. 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.

14. 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.

15. Indirect administrative support

KMWU 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 was valued at \$286,648 and \$376,221 for the years ended June 30, 2021 and 2020, respectively.

16. Risk management

Wichita State University (and KMWU) 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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

17. 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.

18. Paycheck Protection Program loan

On June 4, 2021, KMUW qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$296,667 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1% per annum, with the first six months of interest deferred, has a term of five years and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon KMUW's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by KMUW.

KMUW has recorded the PPP Loan as debt and will recognize a gain on extinguishment when KMUW has been legally released as the primary obligor through forgiveness approval from the lender. Subsequent to June 30, 2021, the forgiveness application was filed. It is anticipated the full amount of the loan will be forgiven.

19. New accounting pronouncements

In June 2017, the Governmental Accounting Standards Board issued Statement No.87, Leases, that will supersede the current lease requirements. The Statement requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as financing. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Station's year ending June 30, 2022, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

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, 2021 and 2020:

	2021	2020
University	\$ 322,367	\$ 160,202
Foundation	755,214	564,966
Total balances on deposit	<u>\$ 1,077,581</u>	<u>\$ 725,168</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, 2021 and 2020, \$755,214 and \$564,966, 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:

	2021	2020
Pooled investments (managed by the Foundation)	<u>\$ 105,293</u>	<u>\$ 89,781</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, 2021 and 2020.

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

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2021</u>				
Pooled investments	<u>\$105,293</u>	<u>\$ -</u>	<u>\$ 105,293</u>	<u>\$ -</u>
<u>June 30, 2020</u>				
Pooled investments	<u>\$ 89,781</u>	<u>\$ -</u>	<u>\$ 89,781</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 \$97,880 and \$108,498 for the years ended June 30, 2021 and 2020.

NOTE G - CAPITAL ASSETS

Capital assets consist of the following:

	June 30, 2020	Additions	Deletions	June 30, 2021
Broadcasting equipment	\$ 991,824	\$ -	\$ -	\$ 991,824
Leasehold improvements	778,766	-	-	778,766
Accumulated depreciation	(1,124,585)	(95,418)	-	(1,220,003)
Net capital assets	<u>\$ 646,005</u>	<u>\$ (95,418)</u>	<u>\$ -</u>	<u>\$ 550,587</u>
	June 30, 2019	Additions	Deletions	June 30, 2020
Broadcasting equipment	\$ 991,824	\$ -	\$ -	\$ 991,824
Leasehold improvements	778,766	-	-	778,766
Accumulated depreciation	(1,029,167)	(95,418)	-	(1,124,585)
Net capital assets	<u>\$ 741,423</u>	<u>\$ (95,418)</u>	<u>\$ -</u>	<u>\$ 646,005</u>

NOTE H - RESTRICTED NET POSITION - EXPENDABLE

Expendable restricted net position of \$55,000 was available for the 2020 Election Blueprint as of June 30, 2020. There was no expendable restricted net position as of June 30, 2021.

NOTE I - 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 years ended June 30, 2021 and 2020, including additional rent, amounted to \$88,360 and \$90,028, respectively.

NOTE I - OPERATING LEASES - continued

The University renewed its lease in February 2020 under the same terms. Future minimum lease payments by the University for space occupied by KMUW are as follows as of June 30, 2021:

Year ended June 30,	
2022	\$ 60,000
2023	60,000
2024	60,000
2025	60,000
	<hr/>
	\$ 240,000
	<hr/>

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 included in the statements of net position, consisting of deposits and pooled investments, with the Foundation totaled \$860,507 and \$654,747 at June 30, 2021 and 2020, respectively.

The University provided indirect administrative support, as referenced in Note A, appropriations, and utilities in support of station operations. For the year ended June 30, 2021, total appropriations and utilities were \$408,497 and \$33,445, respectively. For the year ended June 30, 2020, total appropriations and utilities were \$421,549 and \$34,200, respectively.

NOTE J – SUBSEQUENT EVENTS

Management of KMUW has evaluated subsequent events through January 12, 2022, the date the financial statements were available to be issued.

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, 2021

	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	Sponsorship and grant solicitation	Total supporting services	
Salaries and benefits	\$ 724,054	\$ 111,983	\$ 212,596	\$ 1,048,633	\$ 286,526	\$ 179,077	\$ 169,065	\$ 634,668	\$1,683,301
Programming provider fees									
National Public Radio	268,479	11,338	-	279,817	-	-	-	-	279,817
American Public Media	65,992	-	-	65,992	-	-	-	-	65,992
Public Radio Exchange	33,831	-	-	33,831	-	-	-	-	33,831
New York Public Radio	10,570	-	-	10,570	-	-	-	-	10,570
Indirect administrative support	-	-	-	-	286,648	-	-	286,648	286,648
Corporate support consultant	-	-	-	-	-	-	47,588	47,588	47,588
Depreciation	-	95,418	-	95,418	-	-	-	-	95,418
Other	92,499	63,645	146,963	303,107	77,006	142,999	2,444	222,449	525,556
Total	<u>\$ 1,195,425</u>	<u>\$ 282,384</u>	<u>\$ 359,559</u>	<u>\$ 1,837,368</u>	<u>\$ 650,180</u>	<u>\$ 322,076</u>	<u>\$ 219,097</u>	<u>\$ 1,191,353</u>	<u>\$3,028,721</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, 2020

	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	Sponsorship and grant solicitation	Total supporting services	
Salaries and benefits	\$ 664,467	\$ 132,115	\$ 212,067	\$ 1,008,649	\$ 302,821	\$ 176,855	\$ 175,266	\$ 654,942	\$1,663,591
Programming provider fees									
National Public Radio	271,374	11,222	-	282,596	-	-	-	-	282,596
American Public Media	77,950	-	-	77,950	-	-	-	-	77,950
Public Radio Exchange	32,041	-	-	32,041	-	-	-	-	32,041
New York Public Radio	13,604	-	-	13,604	-	-	-	-	13,604
Indirect administrative support	-	-	-	-	376,221	-	-	376,221	376,221
Corporate support consultant	-	-	-	-	-	-	55,212	55,212	55,212
Depreciation	-	95,418	-	95,418	-	-	-	-	95,418
Other	74,437	94,804	57,832	227,073	59,937	159,676	10,298	229,911	456,984
Total	<u>\$ 1,133,873</u>	<u>\$ 333,559</u>	<u>\$ 269,899</u>	<u>\$ 1,737,331</u>	<u>\$ 738,979</u>	<u>\$ 336,531</u>	<u>\$ 240,776</u>	<u>\$ 1,316,286</u>	<u>\$3,053,617</u>

EL DORADO	115 S. MAIN ST., STE 103	EL DORADO, KS 67042-3403	316-321-1150
McALESTER	517 E. CHEROKEE AVE.	McALESTER, OK 74501-5335	918-426-1234
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711 -3648	520-624-8229
TULSA	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-271-5400
WAGONER	509 S. MCQUARRIE AVE.	WAGONER, OK 74467-6223	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2994	316-264-2335