

**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, 2018 and 2017**



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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of KMUW-FM Radio (a public telecommunications entity operated by Wichita State University, a component unit of the State of Kansas), which comprise the statements of net position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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 22 and 23, 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 7, 2019  
Wichita, Kansas

# **KMUW-FM Radio**

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the years ended June 30, 2018 and 2017

### **INTRODUCTION**

This report, Management's Discussion and Analysis, provides an overview of the financial position and results of activities of KMUW-FM Radio (hereinafter "KMUW" or "the station") for the year ended June 30, 2018, with comparative information for the year ended June 30, 2017. It has been prepared by management and is required supplemental information to the financial statements that follow. The objective of this report is to help readers of the financial statements better understand KMUW's financial position and operating activities for the year ended June 30, 2018.

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

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

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

### **USING THE FINANCIAL STATEMENTS**

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

## STATEMENTS OF NET POSITION

The Statements of Net Position present KMUW's financial position as of June 30, 2018 and 2017. 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, 2018, the station's net position was \$1,417,461.

## SUMMARY STATEMENTS OF NET POSITION

	2018	2017
Cash and cash equivalents	\$ 264,709	\$ 511,619
Capital assets, net of depreciation	836,841	938,998
Other assets	464,235	482,176
Total assets	1,565,785	1,932,793
Liabilities	148,324	130,078
Net position	\$ 1,417,461	\$ 1,802,715

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

The Statements of Revenues, Expenses and Changes in Net Position serve as "income statements" and present the results of KMUW's financial activity for the years ending June 30, 2018 and 2017. GASB principles require the categorization of revenues and expenses as either operating or nonoperating with university support falling in the nonoperating category. Since university support comprises a significant part of the station's revenues each year, the reader of the financial statements should focus on the change in net position rather than the operating loss. The summary that follows illustrates this point.

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

	2018	2017
Memberships, underwriting and gifts	\$ 1,425,735	\$ 1,752,838
Grants	254,233	212,411
Other	227,524	159,379
Total operating revenues	1,907,492	2,124,628
Expenses:		
Program services	1,738,320	1,543,856
Supporting services	1,360,913	1,354,145
Total expenses	3,099,233	2,898,001
Operating loss	(1,191,741)	(773,373)
Support from Wichita State University	799,463	794,030
Investment earnings (loss)	7,024	10,229
Change in net position	\$ (385,254)	\$ 30,886

More information about financial matters follows in the Economic Environment section. Gifts in 2017 included a one-time bequest of \$320,000.

## STATEMENTS OF CASH FLOWS

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

## SUMMARY STATEMENTS OF CASH FLOWS

	2018	2017
Cash flows used in operating activities	\$ (613,425)	\$ (359,718)
Cash flows from noncapital financing activities - appropriations	361,256	365,972
Cash flows from investing activities	5,259	5,408
Net change in cash and cash equivalents	\$ (246,910)	\$ 11,662

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

## **CAPITAL ASSETS**

Wichita State University and KMUW invested in a new broadcast facility in the Old Town area of downtown Wichita, with station personnel and operations moving April 25, 2016. There were no additional investments in capital assets in FY 2018 or FY 2017.

## **ECONOMIC ENVIRONMENT**

### **Summary**

As part of the Fiscal Year (FY) 2018 Management Summary, it is appropriate to provide a five-year overview of context for KMUW's fiscal position, including where it came from and where it is headed. General Manager Debra Fraser (who authored this analysis) joined KMUW effective June 29, 2014. Soon thereafter, WSU announced KMUW's move to Old Town as part of its larger Innovation Campus partnership with Airbus. The announcement was a great fit for the station's plan to become more active in the community, and the move to Old Town occurred in the spring of 2016.

While construction was getting underway in Old Town, station management's plan to expand community outreach through news and engagement was coming together. This important expansion would add four positions, two in news and two in the newly-formed engagement department. Three of the new full-time equivalent positions were promoted from student assistant positions and one entry-level digital news reporter was hired through a national search. The expansion was accompanied by a staff-wide professional salary evaluation which determined pay scales at 25%-35% below market competition. The plan to remedy the salary discrepancies and expand news and engagement departments was drawn through consultation with WSU's Provost. It was presented as sustainable through a three-year plan. Meaning the new expenses would be sustainable in three years with new revenue, but supplemented from the station's reserve account until then.

It was initially expected the university would cover the full cost of the move, but unexpected costs associated with the move arose. The project was projected to cost \$480,000 in early 2015, including construction, equipment, furniture, architectural fees, signage and movers. This is the amount WSU covered. Unfortunately, the overall cost was closer to \$1 million. KMUW covered the additional expenses without the ability or time to plan and execute a capital campaign fundraiser. These additional expenses included \$200,000 cash toward construction, \$60,000 cash and on-air trade for architectural fees, more than \$50,000 in signage, \$80,000 in cash and trade for equipment, \$40,000 for furniture and more than \$10,000 on-air trade for movers.

It is worthy to note that in FY 2016, both of KMUW's primary fundraisers became gravely ill and the station maintained financial responsibility throughout that period (half of FY 2016 and half of FY 2017) and hired emergency staff to cover the work overload.

FY 2018 brought the beginning of a statewide reporting project that required hiring two additional reporters who are paid 50% by a CPB grant and 50% by the station. This statewide effort is the result of a grant request made in 2016.

In FY 2018, the WSU Foundation began charging KMUW transaction fees totaling \$20,000 per year to collect the station's fundraising revenue. This revenue is raised independently by station staff, while providing more than \$8 million in revenue and planned gifts toward the Foundation's "Shock the World" goal.



Most of these fiscal circumstances are mentioned in previous Management Discussion and Analysis reports, but this overview offers a clearer understanding of the jumps in salaries and expenses over the five-year period. Over that same five-year period, traditional revenue has increased nearly a half-million dollars. Despite the fiscal challenges, the overall community involvement goals of the station, including expanded news coverage and engagement projects, have been exceeded. Additionally, these projects have been recognized for excellence locally and nationally. Fiscal management plans for FY 2019 are addressed in the closing statement.

### **Listener and Corporate Support**

Listener support and corporate support both saw modest income increases in FY 2018, about \$90,000 between them, though not enough to off-set increases in expenses. The drop in donors (to 3,861 in FY 2018 from 4,113 in FY 2017) was not surprising to the public media industry following the record fundraising of fall 2016 and spring 2017, attributed to heightened interest in news or the “Trump Bump.” It is impressive that while donor numbers settled back down, the amount of money donated did not. At the same time, a major goal that has been accomplished and maintained was converting more donors to monthly sustaining contributors, which will continue to increase in the coming fiscal period. KMUW now has 42% of its membership income coming monthly from sustaining donors. The goal for FY 2019 is 45%. The FY 2018 modest increase in underwriting income should be positively affected by the reorganization of that fundraising department at the start of FY 2019. New revenue streams were introduced in FY 2018 and should be fruitful in FY 2019. Grants are planned to become a regular part of KMUW’s internal revenue expectations. Plus, KMUW experimented with event fundraising and plans to develop it into a mature and dependable stream for FY 2019. Another revenue goal has been in planned giving. The Director of Major and Planned Gifts has already secured more than a \$600,000 dollars in planned gifts for KMUW. This revenue stream is designed to be a savings mechanism and is not intended for annual operating costs.

### **Community Service and Outreach**

During FY 2018, KMUW’s efforts have deepened as well as expanded via both its engagement and its news efforts. In the engagement department, the community is activated every month in a variety of ways, including through our civic engagement panel discussions and many other events for listeners, members, and residents of South Central Kansas. In the news department, the community is educated about the Wichita area and well beyond. Increased local content and more regular local newscasts throughout the day keeps them informed, not only about our nation and world, but about our home town. In 2019, KMUW plans to produce its own news show segments through efficient and clever “pre-purposing” of staff time and content. What results will be unique to our community and of the highest quality. In pursuit of this goal, the station recently hosted Jim Russell (aka The Program Doctor) for a weeklong conversation and exploration with staff about what makes our listening area unique and what might make for phenomenal radio programming. KMUW is continuing to collaborate with the Kansas News Service (KNS), delivering Wichita’s news and KMUW reporters’ voices to six public radio stations in Kansas and bringing KMUW listeners more news from all across the state. This program has also brought grant revenue to KMUW for news reporting this year. In addition to several prestigious national journalism awards, KMUW was named the Kansas Association of Broadcasters Large Market Station of the Year for the fifth year in a row. This competition includes both public and commercial stations throughout Kansas.

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

- **Large Market Radio:** *Station of the Year*
- **1<sup>st</sup> place**
  - Public Affairs Program, “Volunteer Teachers Help Refugees Learn English as They Rebuild Lives in Wichita” (Nadya Faulx)
  - Hard News Feature/Enterprise, “Then and Now: The Summer of Justice” (Aileen LeBlanc)
  - News Feature, “Sedgwick County Takes Integrated Approach to Mental Health Crisis Intervention” (Deborah Shaar)
  - Editorial/Commentary, “The Times are A-Freaking Me Out” (Richard Crowson; produced by Fletcher Powell)
- **2<sup>nd</sup> place**
  - Public Service Announcement, “A Wichita Basketball Coach Overcomes Depression” (Carla Eckels)
- **Honorable Mention**
  - Public Service Announcement, “Kids Health Hugging” (Carla Eckels)
  - Public Affairs Program, “Newman Basketball Coach and Wife Recount His Struggle with Depression – And His Return to Normal” (Carla Eckels)
  - Sports Feature, “A Sea of Orange, Wichita Wings Superfans Recount Team’s Glory Years in New Book” (Abigail Beckman)
  - Hard News Feature/Enterprise, “He Was Just Wandering Off, Living with One of Alzheimer’s Most Dangerous Side Effects” (Carla Eckels)
  - Station Website: KMWU.org (Beth Golay, Nadya Faulx, and Hugo Phan)

The diversity and popularity of KMWU’s arts and music programming continues to reach more and more listeners as the KMWU-produced show *Global Village* added another dozen stations and has reached 400 stations worldwide. Plus, KMWU is building a podcast selection that will grow in FY 2019.

The diversity of voices also continues through KMWU’s commentator segments. This effort to include multiple perspectives from Wichita helps make listeners feel more connected to the community while making KMWU even more relatable and enjoyable. Our commentaries include topics by the following hosts, who are primarily community volunteers:

<u>Commentator</u>	<u>Segment</u>
Sarah Bagby	Book Reviews
Jedd Beaudoin	A Musical Life & Cultural Shorts
Josh Cary & Tom Jackson	Cooking with Fire
Curt Clonts	An Artist's Perspective
Richard Crowson	Politics
Ken Ciboski	Local Politics
Lael Ewy	On Words
Mark Foley	Musical Space
Beth Golay	Marginalia
Robin Henry	Past & Present
Samuel McConnell	Your Move
Sanda Moore Coleman	On Stage
Fletcher Powell	Indie Film Guide & Movie Review
Jay Price	Past & Present
Robert E. Weems, Jr.	Past & Present
Zach Gingrich-Gaylord	New American Songbook

We continue to grow efforts to include new voices. In FY 2018 our now-annual Girl Scout project put young girls on the air on Thanksgiving Day in an effort to teach them how broadcasting works and award them with an official KMWU Patch. KMWU also reaches younger audiences with an outreach project in coordination with NPR, called Generation Listen. Plus, the KMWU Street Team participates in races throughout the year and the Radio Flyers bicycle team represents KMWU in the annual Bike MS race. In 2019, KMWU plans to open these programs up to more listeners and residents by marketing our programs more broadly and forming new partnerships in the community.

### **Closing Statement**

FY 2018 was a year of exponential growth in content projects, on the local, state and national levels. KMWU has been selected as one of six stations in the country that will partner with the NPR program *1A with Joshua Johnson* for a project called *Voices Across America*. This national attention opens doors for outside funding that KMWU could not have qualified for just a few years ago. The first of two *1A* Town Hall events in Wichita will be held in October 2019, providing Kansans with a voice on the national stage in elections and important issues. In addition, the national program *Latino USA* plans a trip to Wichita for a live broadcast in 2019. NPR's Korva Coleman is planning a trip to Wichita to assist KMWU with a fundraising event and Nina Totenberg is considering a similar effort.

2019 marks KMWU's 70<sup>th</sup> anniversary, making it a perfect time to capitalize on using events as fundraisers. A fundraising event committee of station supporters will help make these efforts successful. KMWU news features have been broadcast nationally on *Morning Edition*, *All Things Considered* and *Marketplace* as a result of the well-planned news content growth and statewide public broadcasting collaboration. KMWU has reorganized its grant writing efforts and expects strong revenue growth with assistance from the Wichita Community Foundation and the WSU Foundation's grant assistance program. Planned grant requests total \$232,000 in FY 2019. The reorganization of KMWU's underwriting department has the station on track to earn an additional 10% in corporate revenue. Membership income is projected up by a minimum of 5% resulting in additional revenue from donors and underwriters of at least \$97,000.

FY 2019 savings will come from not filling some vacant positions and other cost-cutting measures. The combination of increased revenue and savings will put KMWU on a path to cover all costs, stay in the black, and add to its reserves.

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

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

**KMUW-FM Radio**  
(A public telecommunications entity operated  
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STATEMENTS OF NET POSITION

June 30,

**ASSETS**

	2018	2017
Current assets		
Cash and cash equivalents	\$ 264,709	\$ 511,619
Investments	97,751	95,986
Receivables		
Member pledges	198,406	185,928
Program underwriting	53,274	69,969
Contributions	25,834	34,133
Grants	12,705	2,962
Prepaid expenses	67,932	64,031
Total current assets	<u>720,611</u>	<u>964,628</u>
Noncurrent assets		
Contributions receivable	8,333	29,167
Capital assets, net of depreciation	836,841	938,998
Total noncurrent assets	<u>845,174</u>	<u>968,165</u>
Total assets	<u><u>\$ 1,565,785</u></u>	<u><u>\$ 1,932,793</u></u>

**LIABILITIES**

Current liabilities		
Accounts payable and accrued liabilities	\$ 138,058	\$ 123,973
Deferred revenue	10,266	6,105
Total current liabilities	<u>148,324</u>	<u>130,078</u>

**NET POSITION**

Investment in capital assets	836,841	938,998
Unrestricted	580,620	863,717
Total net position	<u>1,417,461</u>	<u>1,802,715</u>
Total liabilities and net position	<u><u>\$ 1,565,785</u></u>	<u><u>\$ 1,932,793</u></u>

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

## KMUW-FM Radio

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

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

For the years ended June 30,

	2018	2017
Operating revenues		
Memberships and underwriting	\$ 1,131,524	\$ 1,100,415
Major gifts and bequests	294,211	575,090
CPB community service grants	196,444	171,903
KPBC operating grants	28,734	29,620
Other grants	29,055	10,888
Capital fund contributions	-	77,333
Special fundraising activities	24,992	30,854
In-kind contributed support	188,410	97,982
Other	14,122	30,543
Total operating revenues	1,907,492	2,124,628
Expenses		
Program services		
Programming and production	1,136,094	1,098,304
Broadcasting and engineering	315,796	264,191
Program information and promotion	286,430	181,361
Supporting services		
Management and general	726,016	781,981
Fundraising and membership development	401,289	399,315
Underwriting and grant solicitation	233,608	172,849
Total expenses	3,099,233	2,898,001
Operating loss	(1,191,741)	(773,373)
Nonoperating revenues		
Support from Wichita State University		
Appropriations - station operations	361,256	365,972
Indirect administrative support	405,023	395,967
Utilities	33,184	32,091
Investment earnings (loss)	7,024	10,229
Total nonoperating revenues	806,487	804,259
Change in net position	(385,254)	30,886
Net position at beginning of year	1,802,715	1,771,829
Net position at end of year	\$ 1,417,461	\$ 1,802,715

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

## KMUW-FM Radio

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

### STATEMENTS OF CASH FLOWS

For the years ended June 30,

	2018	2017
Cash flows from operating activities		
Memberships, underwriting and gifts	\$ 1,461,799	\$ 1,698,419
Grants	244,490	249,067
Other	40,561	61,397
Payments to employees for services	(1,449,295)	(1,426,781)
Payments to suppliers for goods and services	(910,980)	(941,820)
Net cash used in operating activities	(613,425)	(359,718)
Cash flows from noncapital financing activities		
Appropriations	361,256	365,972
Cash flows from investing activities		
Investment earnings (loss)	7,024	10,229
Change in pooled investments	(1,765)	(4,821)
Net cash provided by investing activities	5,259	5,408
Net change in cash and cash equivalents	(246,910)	11,662
Cash and cash equivalents at beginning of year	511,619	499,957
Cash and cash equivalents at end of year	\$ 264,709	\$ 511,619

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

Operating loss	\$ (1,191,741)	\$ (773,373)
Adjustments to reconcile operating loss to net cash used in operating activities		
Indirect administrative support and utilities provided by Wichita State University	438,207	428,058
Depreciation	102,157	106,218
Changes in assets and liabilities		
Accounts receivable	23,607	(54,455)
Prepaid expenses	(3,901)	1,506
Accounts payable and accrued liabilities	14,085	(67,714)
Deferred revenue	4,161	42
Net cash used in operating activities	\$ (613,425)	\$ (359,718)

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

## **KMUW-FM Radio**

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

#### **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). KMWU 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, program underwriting, contributions and grants receivable and unpaid underwriting. Program underwriting, contributions and grants receivable at June 30, 2018 and 2017 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 three components:

- Investment in capital assets consists of equipment net of accumulated depreciation and reduced by related debt, if any.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. KMUW did not have any restricted net position at June 30, 2018 and 2017.
- Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

### 9. Operating revenues and expenses

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

### 10. 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 114 and 100 major individual donors for the years ended 2018 and 2017, respectively, including a \$320,000 bequest from an estate during the year ended June 30, 2017.

### 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.

### 12. Deferred revenue

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

### 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.

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

### **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**

KMUW occupies, without charge, certain premises located in and owned by the State of Kansas. The station's separate financial statements reflect, as nonoperating revenue and operating expense of an equal amount, indirect administrative support provided by the University. In addition to contributed facilities, such support includes direct and indirect expenses incurred by the University in support of station operations. The value of contributed facilities and administrative support is determined in accordance with CPB guidelines, which approximates fair value, and is reported and recognized in the period when the premises are used. Indirect administrative support amounted to \$405,023 and \$395,967 for the years ended June 30, 2018 and 2017, respectively.

### **16. Risk management**

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

### **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. Financial statement presentation**

Certain items in prior year financial statements have been reclassified to conform to the 2018 presentation.

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

### 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, 2021, 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, 2018 and 2017:

	2018	2017
University	\$ 161,167	\$ 155,910
Foundation	103,542	355,709
Total balances on deposit	<u>\$ 264,709</u>	<u>\$ 511,619</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, 2018 and 2017, \$103,542 and \$355,709, 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.

## NOTE C - DEPOSITS AND INVESTMENTS - continued

### 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:

	<u>2018</u>	<u>2017</u>
Pooled investments (managed by the Foundation)	<u>\$ 97,751</u>	<u>\$ 95,986</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, 2018 and 2017.

## NOTE D - FAIR VALUE MEASUREMENTS - continued

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, 2018</u>				
Pooled investments	<u>\$ 97,751</u>	<u>\$ -</u>	<u>\$ 97,751</u>	<u>\$ -</u>
<u>June 30, 2017</u>				
Pooled investments	<u>\$ 95,986</u>	<u>\$ -</u>	<u>\$ 95,986</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 \$84,927 and \$83,169 for the years ended June 30, 2018 and 2017.

## NOTE G - CAPITAL ASSETS

Capital assets consist of the following:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Broadcasting equipment	\$ 1,137,443	\$ -	\$ (145,619)	\$ 991,824
Leasehold improvements	778,766	-	-	778,766
Accumulated depreciation	(977,211)	(102,157)	145,619	(933,749)
Net capital assets	<u>\$ 938,998</u>	<u>\$ (102,157)</u>	<u>\$ -</u>	<u>\$ 836,841</u>

  

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Broadcasting equipment	\$ 1,137,443	\$ -	\$ -	\$ 1,137,443
Leasehold improvements	778,766	-	-	778,766
Accumulated depreciation	(870,993)	(106,218)	-	(977,211)
Net capital assets	<u>\$ 1,045,216</u>	<u>\$ (106,218)</u>	<u>\$ -</u>	<u>\$ 938,998</u>

## NOTE H - OPERATING LEASES

The University leases space occupied by KMUW as its primary broadcast facility. The lease is for a five-year period commencing July 1, 2015, with a renewal option for an additional five year period. The lease calls for fixed rent payable in monthly installments of \$5,000 per month plus additional rent for certain operating costs and parking fees. Total rent paid for the years ended June 30, 2018 and 2017, including additional rent, amounted to \$91,628 and \$79,044, respectively.

Future minimum lease payments by the University for space occupied by KMUW are as follows as of June 30, 2018:

Year ended June 30,	
2019	\$ 60,000
2020	<u>60,000</u>
	<u>\$ 120,000</u>

#### **NOTE I - RELATED PARTY TRANSACTIONS**

Certain assets related to endowed funds were transferred to the Foundation for management in accordance with a management services agreement. Cash and certain investments were combined with Foundation accounts. The amount of assets included in the statements of net position, consisting of deposits and pooled investments, with the Foundation totaled \$201,293 and \$451,695 at June 30, 2018 and 2017, 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, 2018, total appropriations and utilities were \$361,256 and \$33,184, respectively. For the year ended June 30, 2017, total appropriations and utilities were \$365,972 and \$32,091, respectively.

#### **NOTE J – SUBSEQUENT EVENTS**

Management of KMUW has evaluated subsequent events through January 7, 2019, 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, 2018

	Program services				Supporting services				Grand Total
	Programming and production	Broadcasting and engineering	Program information and promotion	Total program services	Management and general	Fundraising and membership development	Underwriting and grant solicitation	Total supporting services	
Salaries and benefits	\$ 628,662	\$ 100,814	\$ 230,952	\$ 960,428	\$ 267,806	\$ 197,105	\$ 38,040	\$ 502,951	\$1,463,379
Programming provider fees									
National Public Radio	274,757	10,407	-	285,164	-	-	-	-	285,164
American Public Media	79,131	-	-	79,131	-	-	-	-	79,131
Public Radio International	17,910	-	-	17,910	-	-	-	-	17,910
Public Radio Exchange	10,909	-	-	10,909	-	-	-	-	10,909
New York Public Radio	7,760	-	-	7,760	-	-	-	-	7,760
Indirect administrative support	-	-	-	-	405,023	-	-	405,023	405,023
Corporate support consultant	-	-	-	-	-	-	175,838	175,838	175,838
Depreciation	-	102,157	-	102,157	-	-	-	-	102,157
Other	116,965	102,418	55,478	274,861	53,187	204,184	19,730	277,101	551,962
Total	<u>\$ 1,136,094</u>	<u>\$ 315,796</u>	<u>\$ 286,430</u>	<u>\$ 1,738,320</u>	<u>\$ 726,016</u>	<u>\$ 401,289</u>	<u>\$ 233,608</u>	<u>\$ 1,360,913</u>	<u>\$3,099,233</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, 2017

	Program services				Supporting services				Grand Total
	Programming and production	Broadcasting and engineering	Program information and promotion	Total program services	Management and general	Fundraising and membership development	Underwriting and grant solicitation	Total supporting services	
Salaries and benefits	\$ 676,313	\$ 87,833	\$ 143,710	\$ 907,856	\$ 242,173	\$ 221,567	\$ 7,604	\$ 471,344	\$ 1,379,200
Programming provider fees									
National Public Radio	255,349	9,836	-	265,185	-	-	-	-	265,185
American Public Media	75,859	-	-	75,859	-	-	-	-	75,859
Public Radio International	23,740	-	-	23,740	-	-	-	-	23,740
Public Radio Exchange	10,971	-	-	10,971	-	-	-	-	10,971
New York Public Radio	7,390	-	-	7,390	-	-	-	-	7,390
Indirect administrative support	-	-	-	-	395,967	-	-	395,967	395,967
Corporate support consultant	-	-	-	-	-	-	159,182	159,182	159,182
Depreciation	-	106,218	-	106,218	-	-	-	-	106,218
Other	48,682	60,304	37,651	146,637	143,841	177,748	6,063	327,652	474,289
Total	<u>\$ 1,098,304</u>	<u>\$ 264,191</u>	<u>\$ 181,361</u>	<u>\$1,543,856</u>	<u>\$ 781,981</u>	<u>\$ 399,315</u>	<u>\$ 172,849</u>	<u>\$1,354,145</u>	<u>\$ 2,898,001</u>

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