

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, 2014 and 2013



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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 statements of net position of KMUW-FM Radio (a public telecommunications entity operated by Wichita State University, a component unit of the State of Kansas) as of June 30, 2014 and 2013, 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, 2014 and 2013, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 17 and 18, 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 Can & Monroe, L.L.P.

January 9, 2015
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, 2014 and 2013

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, 2014, with comparative information for the year ended June 30, 2013. 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, 2014.

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 500 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, 2014 and 2013. 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, 2014, the station's net position was \$1,738,556. KMUW's financial position is sound.

SUMMARY STATEMENTS OF NET POSITION

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,188,090	\$ 1,142,332
Capital assets, net of depreciation	376,584	461,395
Other assets	<u>290,782</u>	<u>280,058</u>
Total assets	1,855,456	1,883,785
Liabilities	<u>116,900</u>	<u>81,354</u>
Net position	<u>\$ 1,738,556</u>	<u>\$ 1,802,431</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position serve as "income statements" and present the results of KMUW's financial activity for the years ending June 30, 2014 and 2013. GASB principles require the categorization of revenues and expenses as either operating or nonoperating with university support falling in the nonoperating category. Since university support comprises a significant part of the station's revenues each year, the reader of the financial statements should focus on the change in net position rather than the operating loss. The summary that follows illustrates this point.

SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2014</u>	<u>2013</u>
Memberships and underwriting	\$ 1,038,632	\$ 1,119,673
Grants and contracts	197,006	220,018
Other	<u>98,910</u>	<u>102,630</u>
Total operating revenues	1,334,548	1,442,321
Total expenses	<u>2,102,142</u>	<u>1,868,106</u>
Operating loss	(767,594)	(425,785)
Support from Wichita State University	692,481	609,988
Investment earnings (loss)	<u>11,238</u>	<u>7,736</u>
Change in net position	<u>\$ (63,875)</u>	<u>\$ 191,939</u>

Our member numbers were down a little from 3,343 in 2013 to 3,296 in 2014, with the decline also having an effect on member financial support. More information about this follows in the Economic Environment section.

STATEMENTS OF CASH FLOWS

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

SUMMARY STATEMENTS OF CASH FLOWS

	<u>2014</u>	<u>2013</u>
Cash flows used in operating activities	\$ (280,557)	\$ (127,449)
Cash flows from noncapital financing activities - appropriations	325,077	313,492
Cash flows from investing activities	<u>1,238</u>	<u>3,435</u>
Net change in cash and cash equivalents	<u>\$ 45,758</u>	<u>\$ 189,478</u>

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

CAPITAL ASSETS

KMUW completed a significant upgrade to its equipment and broadcast capabilities in fiscal year (FY) 2010. The station purchased no additional equipment in either FY 2014 or FY 2013.

ECONOMIC ENVIRONMENT

Summary

Immediately following the close of FY 2014, KMUW hired a new general manager, Debra Fraser, a 25-year veteran of public radio from Houston. This concluded a period of significant transition between two other leaders in the fiscal year, outgoing general manager Mark McCain and interim general manager Mike Wood. Throughout the year, KMUW maintained mostly steady performance in fundraising and content, positioning the station for future growth in audience numbers, revenue and community service. The station's staff is to be commended for accomplishing this during a period of major management and structural transition.

Listener and Corporate Support

Listener support and corporate support saw a slight dip in FY 2014. The changes in the leadership environment effected financial goal-setting, which in turn affected plans for revenue-generating projects. Listenership (the number of people listening to the station) saw an increase of about 500 additional listeners throughout the year according to Arbitron and the Radio Research Consortium, and the amount of time that listeners actually used the station in a week went up from 7.9 hours to 8.5 hours.

Community Service and Outreach

KMUW's commitment to community service is clearly evident in its focus on content in FY 2014. Both news and music content expanded their reach. A new news director was hired at the start of the fiscal year. Aileen LeBlanc brought many years of experience with in-depth, long-form news coverage to KMUW. Full-time reporter Sean Sandefur was hired in the winter and immediately began training with LeBlanc on developing NPR style coverage for Wichita. This reporting style made KMUW stories more likely to be carried by NPR. LeBlanc extended this mentoring to new WSU interns and restructured the news department to assign long-time reporter Carla Eckels as assistant news director. This new structure and training resulted in immediate returns with KMUW's designation in 2014 as "Large Market Station of the Year" by the Kansas Public Broadcasters, and the station received the most awards of any large market station in Kansas. KMUW competed against both commercial and public broadcasters for the following statewide awards:

- Special Program – *Crossing the Cedar Fence: Discussing Abortion on the Anniversary of Dr. Tiller’s Murder*, by Aileen LeBlanc and KMUW staff
- Public Affairs Program – *Q&A: The Affordable Care Act in Kansas*, by Aileen LeBlanc and KMUW staff
- News Feature – *Why Is There An Imbalance Between Primary Care Doctors and Specialists?*, by Aileen LeBlanc
- News Feature – *Tobacco and Kansas, A \$1 Billion Relationship*, by Sean Sandefur
- Spot News – *Spray-Painted Racial Epithets Deface Hispanic Mural*, by Carla Eckels
- Spot News – *Terry Lee Loewen Charged with Suicide Bombing Attempt at Mid-Continent*, by Aileen LeBlanc and Hugo Phan
- Station Promotion Announcement – *Music Programming Promo*, by Fletcher Powell
- Editorial/Commentary – *Football...Really...Football?*, by Richard Crowson

The diverse musical content remained a respected presence in the community. The program *Global Village* presents a wide range of world music from around the world. The program is distributed nationally through Public Radio Exchange (PRX). Approximately 200 stations from 80 broadcast organizations aired *Global Village* in the past year.

Guest commentators continue to comprise an important element of KMUW’s relevant local content. In FY 2014, KMUW utilized the talents of 12 guest commentators:

<u>Commentator</u>	<u>Segment</u>
Sarah Bagby	Watermark Book Reviews
Richard Crowson	Politics
Jim Erickson	Movie Reviews
Lael Ewy	On Words
Mark Foley	Musical Space
Robin Henry	Past & Present
Lindsay Herkommer-DeVries	Art Review
Samuel McConnell	Your Move
Sanda Moore Coleman	On Stage
Jay Price	Past & Present
Tanya Tandoc	Local Food
Robert E. Weems, Jr.	Past & Present

Community outreach beyond what is broadcast includes a variety of outreach events. This element of KMUW's presence is crucial to keeping the station relevant and diverse. Events range from job fairs to festivals to bike races. KMUW also continues the media sponsorship program. This program offers on-air announcements at no charge to local nonprofit events that best fit KMUW's mission in Wichita.

Membership in the KMUW student organization, Stubblefield Society, continued to increase. Society membership increased from 150 in July 2013 to 289 in July 2014. This three-year old program is designed to be affordable and expose students to news and cultural events they might not otherwise attend, and it serves as a tool to cultivate future KMUW donors. Group organizers hope to make Stubblefield Society a Recognized Student Organization (RSO) as recognized by the WSU Office of Student Involvement. KMUW also continued to strengthen its social media presence on Facebook and Twitter.

Closing Statement

FY 2014 was a useful time for KMUW to strengthen its content base while keeping fiscal matters at a steady pace in the midst of significant and repeated leadership transitions.

CONTACTING THE STATION'S FINANCIAL MANAGEMENT

KMUW-FM Radio
3317 E. 17th Street North
Wichita, KS
316-978-6789

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

June 30,

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,188,090	\$ 1,142,332
Pooled investments	100,359	90,359
Accounts receivable	128,871	131,981
Prepaid expenses	<u>61,552</u>	<u>57,718</u>
Total current assets	1,478,872	1,422,390
Capital assets, net	<u>376,584</u>	<u>461,395</u>
Total assets	<u><u>\$ 1,855,456</u></u>	<u><u>\$ 1,883,785</u></u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 106,313	\$ 77,515
Deferred revenue	<u>10,587</u>	<u>3,839</u>
Total current liabilities	<u>116,900</u>	<u>81,354</u>

NET POSITION

Invested in capital assets	376,584	461,395
Unrestricted	<u>1,361,972</u>	<u>1,341,036</u>
Total net position	<u>1,738,556</u>	<u>1,802,431</u>
Total liabilities and net position	<u><u>\$ 1,855,456</u></u>	<u><u>\$ 1,883,785</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,

	<u>2014</u>	<u>2013</u>
Operating revenues		
Memberships and underwriting	\$ 1,038,632	\$ 1,119,673
CPB community service grants	161,474	152,758
KPBC operating grants	35,532	67,260
Tower rentals	32,945	30,694
In-kind contributed support	28,872	34,840
Other	37,093	37,096
Total operating revenues	<u>1,334,548</u>	<u>1,442,321</u>
Expenses		
Program services		
Programming and production	854,979	797,836
Broadcasting and engineering	231,385	215,507
Program information and promotion	86,986	88,248
Supporting services		
Management and general	567,651	431,448
Fundraising and membership development	202,895	172,138
Underwriting and grant solicitation	158,246	162,929
Total expenses	<u>2,102,142</u>	<u>1,868,106</u>
Change in net position - operating loss	<u>(767,594)</u>	<u>(425,785)</u>
Nonoperating revenues		
Support from Wichita State University		
Appropriations	325,077	313,492
Indirect administrative support	326,862	259,682
Utilities	40,542	36,814
Investment earnings (loss)	11,238	7,736
Total nonoperating revenues	<u>703,719</u>	<u>617,724</u>
Change in net position	(63,875)	191,939
Net position at beginning of year	<u>1,802,431</u>	<u>1,610,492</u>
Net position at end of year	<u>\$ 1,738,556</u>	<u>\$ 1,802,431</u>

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,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Memberships and underwriting	\$ 1,048,491	\$ 1,029,591
Grants and contracts	197,006	220,018
Other	70,039	67,790
Payments to employees for services	(847,316)	(762,239)
Payments to suppliers for goods and services	(748,777)	(682,609)
Net cash used in operating activities	<u>(280,557)</u>	<u>(127,449)</u>
Cash flows from noncapital financing activities		
Appropriations	<u>325,077</u>	<u>313,492</u>
Cash flows from investing activities		
Investment earnings (loss)	11,238	7,736
Change in pooled investments	(10,000)	(4,301)
Net cash provided by investing activities	<u>1,238</u>	<u>3,435</u>
Net change in cash and cash equivalents	45,758	189,478
Cash and cash equivalents at beginning of year	<u>1,142,332</u>	<u>952,854</u>
Cash and cash equivalents at end of year	<u>\$ 1,188,090</u>	<u>\$ 1,142,332</u>
 Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (767,594)	\$ (425,785)
Adjustments to reconcile operating loss to net cash used in operating activities		
Indirect administrative support and utilities provided by Wichita State University	367,404	296,496
Depreciation	84,811	85,713
Other	-	5,000
Changes in assets and liabilities		
Accounts receivable	3,110	(91,456)
Prepaid expenses	(3,834)	(4,183)
Accounts payable and accrued liabilities	28,798	5,392
Deferred revenue	6,748	1,374
Net cash used in operating activities	<u>\$ (280,557)</u>	<u>\$ (127,449)</u>

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

KMUW-FM Radio

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NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance previously contained in various FASB and AICPA pronouncements issued on or before November 30, 1989 that does not conflict with or contradict GASB pronouncements.

KMUW has also implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Accordingly, the accompanying statement of financial position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

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 WSU 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 WSU 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.

6. Accounts receivable

Accounts receivable consist of pledge and grant receivables and unpaid underwriting. Past due accounts determined not to be collectible by management are charged off to expense. Accounts receivable at June 30, 2014 and 2013 are considered to be fully collectible.

7. Capital assets

Capital assets with a value equal or greater than \$5,000 are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of contributed assets. Other equipment valued at less than \$5,000 is reported as expense in the year of purchase or donation. Equipment is depreciated over its estimated useful life of 5 to 8 years, and building improvements are depreciated over 40 years. 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.

8. Net position

Net position of KMUW is classified in three components. Net position invested in capital assets consist of equipment net of accumulated depreciation and reduced by related debt. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted. KMUW did not have any restricted net position at June 30, 2014 and 2013.

NOTE A - SUMMARY OF ACCOUNTING POLICIES – continued

9. Operating revenues and expenses

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

10. Grant revenue recognition

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

11. Deferred revenue

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

12. In-kind contributed support

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

13. Functional allocation of expenses

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

14. Indirect administrative support

KMUW occupies, without charge, certain premises located in and owned by the State of Kansas. The station's separate financial statements reflect, as nonoperating revenue and operating expense of an equal amount, indirect administrative support provided by the University. In addition to contributed facilities, such support includes direct and indirect expenses incurred by the University in support of station operations. The value of contributed facilities and administrative support is determined in accordance with CPB guidelines, which approximates fair value, and is reported and recognized in the period when the premises are used. Indirect administrative support amounted to \$326,862 and \$259,682 for the years ended June 30, 2014 and 2013, respectively.

NOTE A - SUMMARY OF ACCOUNTING POLICIES – continued

15. Risk management

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

16. Income taxes

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

NOTE B - OWNERSHIP, CONTROL AND MANAGEMENT

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

NOTE C - POOLED INVESTMENTS

KMUW's investments have been included in a pooled investment account owned and managed by the WSU Foundation. The underlying securities are held by the investment's counterparty and not in the name of the station.

NOTE D - OPERATING LEASES

On KMUW's premises, there is a tower that is not sufficient for radio broadcasting. KMUW leases space on its tower to other entities through May 2019. The following is a schedule of future rentals on noncancelable operating leases:

Year ended June 30,	
2015	\$ 31,443
2016	17,440
2017	17,440
2018	17,440
2019	14,534
	<hr/>
	\$ 98,297
	<hr/>

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 \$39,598 and \$37,962 for the years ended June 30, 2014 and 2013.

NOTE G - CAPITAL ASSETS

Capital assets consist of the following:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Broadcasting equipment	\$ 1,298,835	\$ -	\$ -	\$ 1,298,835
Accumulated depreciation	837,440	84,811	-	922,251
	<u>\$ 461,395</u>	<u>\$ (84,811)</u>	<u>\$ -</u>	<u>\$ 376,584</u>

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Broadcasting equipment	\$ 1,306,834		\$ 7,999	\$ 1,298,835
Accumulated depreciation	754,726	85,713	2,999	837,440
	<u>\$ 552,108</u>	<u>\$ (85,713)</u>	<u>\$ 5,000</u>	<u>\$ 461,395</u>

Equipment purchased with proceeds from two U. S. Department of Commerce Public Telecommunications Facilities Program grants, awarded in September 2005, is subject to a 10-year federal lien.

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, 2014

	Program services				Supporting services				Totals
	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	\$ 461,188	\$ 73,039	\$ 72,952	\$ 607,179	\$ 173,031	\$ 91,136	\$ 4,767	\$ 268,934	\$ 876,113
National Public Radio fees	234,074	8,300	-	242,374	-	-	-	-	242,374
Public Radio International fees	33,721	-	-	33,721	-	-	-	-	33,721
American Public Media fees	71,538	-	-	71,538	-	-	-	-	71,538
Indirect administrative support	-	-	-	-	326,862	-	-	326,862	326,862
Corporate support consultant	-	-	-	-	-	-	147,707	147,707	147,707
Depreciation	-	84,811	-	84,811	-	-	-	-	84,811
Other	54,458	65,235	14,034	133,727	67,758	111,759	5,772	185,289	319,016
Total	<u>\$ 854,979</u>	<u>\$ 231,385</u>	<u>\$ 86,986</u>	<u>\$ 1,173,350</u>	<u>\$ 567,651</u>	<u>\$ 202,895</u>	<u>\$ 158,246</u>	<u>\$ 928,792</u>	<u>\$ 2,102,142</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, 2013

	Program services				Supporting services				Totals
	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	\$ 414,967	\$ 74,189	\$ 46,564	\$ 535,720	\$ 104,235	\$ 102,253	\$ 25,423	\$ 231,911	\$ 767,631
National Public Radio fees	218,667	8,022	-	226,689	-	-	-	-	226,689
Public Radio International fees	34,384	-	-	34,384	-	-	-	-	34,384
American Public Media fees	65,800	-	-	65,800	-	-	-	-	65,800
Indirect administrative support	-	-	-	-	259,682	-	-	259,682	259,682
Corporate support consultant	-	-	-	-	-	-	127,384	127,384	127,384
Depreciation	-	85,713	-	85,713	-	-	-	-	85,713
Other	64,018	47,583	41,684	153,285	67,531	69,885	10,122	147,538	300,823
Total	<u>\$ 797,836</u>	<u>\$ 215,507</u>	<u>\$ 88,248</u>	<u>\$ 1,101,591</u>	<u>\$ 431,448</u>	<u>\$ 172,138</u>	<u>\$ 162,929</u>	<u>\$ 766,515</u>	<u>\$ 1,868,106</u>

WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335
TULSA	8023 E. 63RD PL., STE. 500	TULSA, OK 74133-1209	918-494-8700
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
McALESTER	300 E. CHOCTAW AVENUE	McALESTER, OK 74501-5028	918-426-3272