

**KTXT-TV**  
**(A Public Telecommunications Entity**  
**Licensed to Texas Tech University)**

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FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

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**KTXT-TV**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**

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## INDEPENDENT AUDITOR'S REPORT

Texas Tech University Board of Regents  
Lubbock, Texas:

We have audited the accompanying financial statements of KTXT-TV (A Public Telecommunications Entity Licensed to Texas Tech University) (KTXT) as of and for the years ended August 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of KTXT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTXT as of August 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KTXT's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements 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 audit 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 the 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.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
January 17, 2012



**KTXT-TV**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

**Introduction and Reporting Entity**

The following discussion and analysis is an overview of the financial position and activities of KTXT-TV (KTXT) for the years ended August 31, 2011 and 2010. Management of KTXT has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

KTXT is a licensee of Texas Tech University (the University) and is governed by the University's Board of Regents. KTXT's primary functions are to establish and promote noncommercial educational telecommunications facilities within a 65-mile radius of Lubbock, Texas including all or part of 13 counties. Cable and satellite have extended the KTXT's reach to an additional estimated seven counties.

Texas Tech University is the licensee of the only public television station in Lubbock. This station primarily broadcasts PBS programming, including at least 50 hours of children's programming each week. The signal reaches over 396,000 potential viewers in 158,360 television households, and out of that number approximately 35,000 households watch each week. Contributing membership consists of approximately 1,200 households.

The FCC mandated that all noncommercial educational television broadcasters convert to digital transmission in 2003. With support from members, the Corporation for Public Broadcasting, the Helen Jones Foundation, the Texas Infrastructure Fund (TIF), the Meadows Foundation, Houston Endowment and PTFP/NTIA, KTXT began broadcasting their HD signal on December 11, 2003. The grants from TIF, Meadows Foundation, Houston Endowment and PTFP/NTIA were applied for and awarded to the Texas Public Broadcasters Association (TPBA) and these grant funds were distributed to the 13 Texas public broadcasting stations.

**Overview of the Financial Statements**

The financial statements of KTXT consist of the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. Statement 35 requires the classification of net assets into three categories – invested in capital assets, restricted, and unrestricted.

The Statements of Net Assets include assets, liabilities and net assets of KTXT as of August 31, 2011 and 2010. These statements are classified into current and non-current assets and liabilities, with net assets classified in the categories as noted above. The Statements of Revenues, Expenses, and Changes in Net Assets depict the operating revenues and expenses resulting in net operating income, which is then combined with non-operating revenues to provide the total change in net assets. The Statements of Cash Flows show the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**KTXT-TV**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

**Financial Highlights**

The financial position of KTXT remains strong. Net assets totaled \$4,130,586 and \$4,500,428 at August 31, 2011 and 2010, respectively. Net assets decreased by \$397,435 and increased by \$260,551 for fiscal years 2011 and 2010, respectively. Operating revenues totaled \$1,765,164 for fiscal year 2011 compared to \$2,092,405 for fiscal year 2010, a decrease of \$327,241. Operating expenses totaled \$2,172,173 for fiscal year 2011 compared to \$1,825,651 for fiscal year 2010, an increase of \$346,522. The net operating loss for fiscal year 2011 was \$407,009 compared to income of \$266,754 for fiscal year 2010, a change of \$673,763. Non-operating revenue expense includes interest income and grant refunds.

KTXT's property and equipment, net of accumulated depreciation, totaled \$2,398,222 and \$2,770,943 at August 31, 2011 and 2010, respectively. Property and equipment additions totaled \$88,134 and \$527,983 in fiscal year 2011 and 2010, respectively.

**Condensed Financial Statements**

**Condensed Statements of Net Assets**

	2011	2010
Current assets	\$ 1,732,364	\$ 1,779,485
Property and equipment, net	<u>2,398,222</u>	<u>2,770,943</u>
Total assets	<u>\$ 4,130,586</u>	<u>\$ 4,550,428</u>
Current liabilities	<u>\$ 27,678</u>	<u>\$ 50,085</u>
Unrestricted net assets	1,629,858	1,688,461
Restricted net assets	74,828	40,939
Invested in property and equipment	<u>2,398,222</u>	<u>2,770,943</u>
Total net assets	<u>4,102,908</u>	<u>4,500,343</u>
Total liabilities and net assets	<u>\$ 4,130,586</u>	<u>\$ 4,550,428</u>

Current assets consist primarily of cash and accounts receivable. Property and equipment are presented net of accumulated depreciation of \$3,861,370 and \$3,477,357 at August 31, 2011 and 2010, respectively. Current liabilities consist of accounts payable and deferred revenue.



**KTXT-TV**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

**Condensed Statements of Revenues, Expenses, and Changes in Net Assets**

	2011	2010
Operating revenues	\$ 1,765,164	\$ 2,092,405
Operating expenses	<u>2,172,173</u>	<u>1,825,651</u>
Operating income (loss)	(407,009)	266,754
Non-operating revenue	<u>9,574</u>	<u>(6,203)</u>
Increase in net assets	(397,435)	260,551
Net assets, beginning of year	<u>4,500,343</u>	<u>4,239,792</u>
Net assets, end of year	<u><u>\$ 4,102,908</u></u>	<u><u>\$ 4,500,343</u></u>

Operating revenues consist primarily of contributions, grants from the Corporation for Public Broadcasting, and donated support from Texas Tech University. Operating expenses consist primarily of programming and production and broadcasting expenses.

**Condensed Statements of Cash Flows**

	2011	2010
Net cash flows from operating activities	\$ (46,349)	\$ 1,175,697
Net cash flows from investing activities	9,574	7,095
Net cash flows from capital and related financing activities	<u>(88,134)</u>	<u>(527,983)</u>
Net (decrease) increase in cash and cash equivalents	(124,909)	654,809
Cash and cash equivalents, beginning of year	<u>1,508,948</u>	<u>854,139</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,384,039</u></u>	<u><u>\$ 1,508,948</u></u>

Cash flows from operating activities were used primarily for the purchase of property and equipment.

**Request for Information**

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of KTXT's finances and to account for the funding it receives. Additional details can be requested by mail at the following address:

General Manager  
KTXT-TV  
P.O. Box 42161  
Lubbock, TX 79409

**KTXT-TV**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**STATEMENTS OF NET ASSETS**  
**AUGUST 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,384,039	\$ 1,508,948
Accounts receivable	6,822	26,012
Prepaid expenses	<u>341,503</u>	<u>244,525</u>
Total current assets	<u>1,732,364</u>	<u>1,779,485</u>
Property and equipment, at cost		
Building	623,700	623,700
Transmitter, antenna and tower	1,954,324	1,954,324
Broadcasting and production equipment	3,592,535	3,581,243
Office equipment	64,937	64,937
Furniture and fixtures	<u>24,096</u>	<u>24,096</u>
	6,259,592	6,248,300
Less: accumulated depreciation	<u>(3,861,370)</u>	<u>(3,477,357)</u>
Property and equipment, net	<u>2,398,222</u>	<u>2,770,943</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,130,586</u></b>	<b><u>\$ 4,550,428</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,630	\$ 33,437
Deferred revenue	<u>17,048</u>	<u>16,648</u>
Total current liabilities	<u>27,678</u>	<u>50,085</u>
Net assets		
Unrestricted	1,629,858	1,688,461
Restricted	74,828	40,939
Invested in property and equipment	<u>2,398,222</u>	<u>2,770,943</u>
Total net assets	<u>4,102,908</u>	<u>4,500,343</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,130,586</u></b>	<b><u>\$ 4,550,428</u></b>

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

**KTXT-TV**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED AUGUST 31, 2011 AND 2010**

	2011	2010
<b>OPERATING REVENUES</b>		
Contributions	\$ 168,674	\$ 189,201
Grants from the Corporation for Public Broadcasting	680,005	726,395
Donated support from Texas Tech University		
Direct administrative support	535,518	450,479
Indirect administrative support	178,855	152,755
Donated materials and services	20,750	53,396
Federal grants	-	332,086
Other grants	90,075	102,333
Underwriting revenue	59,724	64,600
Miscellaneous income	31,563	21,160
Total operating revenues	<u>1,765,164</u>	<u>2,092,405</u>
<b>OPERATING EXPENSES</b>		
Program services		
Programming and production	670,460	513,502
Broadcasting	871,875	675,204
Program information	62,845	124,758
	<u>1,605,180</u>	<u>1,313,464</u>
Supporting services		
Management and general	457,318	288,771
Fund raising and membership development	109,675	223,416
	<u>566,993</u>	<u>512,187</u>
Total operating expenses	<u>2,172,173</u>	<u>1,825,651</u>
<b>OPERATING (LOSS) INCOME</b>	(407,009)	266,754
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest income	9,574	7,095
Grant refunds	-	(13,298)
	<u>9,574</u>	<u>(6,203)</u>
<b>CHANGE IN NET ASSETS</b>	(397,435)	260,551
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,500,343</u>	<u>4,239,792</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,102,908</u>	<u>\$ 4,500,343</u>

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



**KTXT-TV**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from contributors, grants, and underwriters	\$ 1,764,004	\$ 2,504,054
Payments to employees	(484,820)	(484,094)
Payments to suppliers	(1,172,334)	(675,163)
Payments for employee benefits	(153,199)	(169,100)
Net cash (used) provided by operating activities	<u>(46,349)</u>	<u>1,175,697</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on cash and cash equivalents	<u>9,574</u>	<u>7,095</u>
Net cash provided by investing activities	<u>9,574</u>	<u>7,095</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(88,134)</u>	<u>(527,983)</u>
Net cash used by capital & related financing activities	<u>(88,134)</u>	<u>(527,983)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(124,909)	654,809
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,508,948</u>	<u>854,139</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,384,039</u></u>	<u><u>\$ 1,508,948</u></u>
Reconciliation of operating (loss) income to net cash flows from operating activities		
Operating (loss) income	\$ (407,009)	\$ 253,456
Adjustments to reconcile income from operations to net cash from operating activities:		
Depreciation	450,510	410,475
Loss on disposal of property and equipment	10,345	-
Net change in:		
Accounts receivable	19,190	467,686
Prepaid programming	(96,978)	23,884
Accounts payable and accrued liabilities	(22,807)	22,837
Deferred revenue	400	(2,641)
Total adjustments	<u>360,660</u>	<u>922,241</u>
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ (46,349)</u></u>	<u><u>\$ 1,175,697</u></u>

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

**KTXT-TV**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: *NATURE OF ORGANIZATION***

Organization

KTXT-TV (KTXT) is a public telecommunications entity licensed through the Federal Communications Commission to Texas Tech University (University) in Lubbock, Texas and provides public television to the South Plains area of Texas and Eastern New Mexico. Accordingly, KTXT's financial activity is incorporated into the financial statements of the University, which is included in the Comprehensive Annual Financial Report of the State of Texas. The University is a state-supported school, created by the Legislature of the State of Texas. As such, it is a subdivision of the State of Texas and is tax-exempt under Section 115 of the Internal Revenue Code.

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Basis of Accounting

KTXT's financial records are maintained in a manner consistent with guidelines set by the Corporation for Public Broadcasting (CPB). These guidelines are in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

The University adopted GASB Statement (GASBS) No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended by GASBS 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus and GASB Statement No. 38, Certain Financial Statement Note Disclosures. Accordingly, KTXT has been required to comply with certain provisions of these statements that establish standards for external reporting for state and local governments and require that resources be classified for accounting and reporting purposes in the following four net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
  - Nonexpendable – Net assets subject to externally imposed stipulations that KTXT maintains permanently. KTXT does not have any restricted nonexpendable net assets.
  - Expendable – Net assets whose use by KTXT is subject to externally imposed stipulations that can be fulfilled by actions of KTXT pursuant to those stipulations or that expire by the passage of time. Restricted net assets were \$74,828 and \$40,939 as of August 31, 2011 and 2010, respectively. The net assets are restricted for purchases of property and equipment.
- Unrestricted – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of KTXT's management or may otherwise be limited by contractual agreements with outside parties.



**KTXT-TV**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

In accordance with GASBS 35, as amended, entities that have heretofore reported using the AICPA not-for-profit model, as defined in GASBS 29, may use enterprise fund accounting and financial reporting as a business type activity. As such an entity, KTXT's activities are reported similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by KTXT are described below.

Fund Accounting

The assets, liabilities, and net assets of KTXT are maintained in two self-balancing fund groups as follows:

- Operating funds include unrestricted resources that are available for support of KTXT's operations.
- The property fund includes all KTXT resources restricted or expended for property and equipment.

Revenue Recognition

Contributions and grants that are unrestricted are recorded as support when the cash is received. Unrestricted pledges for future contributions are not recorded. Pledges from local businesses and individuals to finance specific programs are recorded and reported on the statement of net assets as deferred revenues until the programs are broadcast. At such time, the amounts are included in revenues. KTXT distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from activities performed in connection with KTXT's purpose as stated above. All revenues and expenses not meeting this definition are reported as non-operating.

Grants received from the Corporation for Public Broadcasting are recorded as revenue when the funds are received. Contributions and grants restricted for specific uses are reported on the accompanying statement of net assets as restricted net assets until the funds are expended.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. KTXT has elected not to follow Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989.

When both restricted and unrestricted resources are available for use, it is KTXT's policy to use restricted resources first, then unrestricted resources as they are needed.



**KTXT-TV**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

Accounts Receivable

Accounts receivable consist of uncollected pledged contributions from local businesses and individuals to finance specific programs and restricted grant funds uncollected at year-end. All amounts considered uncollectible have been written off.

Prepaid Programming

Prepaid Programming consists primarily of programming purchased by KTXT that will be aired in the next fiscal year. As the programming is telecast, the costs incurred will be included in operating expenses.

Property and Equipment

Property and equipment is defined as an asset with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Property and equipment are carried at cost, or in the case of donated assets, at estimated fair market value at date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When property and equipment are retired or otherwise disposed of, the carrying value and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations for the period. For property and equipment acquired through federally funded grants, the respective Federal agency retains liens on these assets for a period of ten years. At August 31, 2011 and 2010, the net book value of this property was \$1,025,576 and \$1,288,300, respectively.

In-kind Contributions

In-kind contributions are recorded as support and expense in the accompanying financial statements. In-kind contributions consist of various materials, property and professional services donated for the benefit of KTXT. These donations are recorded at fair market value. The CPB no longer considers the personal services of volunteers in their determination of nonfederal financial support; therefore, these services are excluded from the financial statements. The total number of volunteer hours for the years ended August 31, 2011 and 2010 was approximately 1,400 and 2,000, respectively.

Donated facilities and administrative support have been computed in accordance with guidelines established by the CPB and consist of the following for the years ended August 31, 2011 and 2010:

	2011	2010
Direct administrative support	\$ 535,518	\$ 450,479
Institutional support	152,771	126,428
Physical plant operations	11,700	11,943
Occupancy	14,384	14,384
	<u>\$ 714,373</u>	<u>\$ 603,234</u>

**KTXT-TV**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

Cash and Cash Equivalents

KTXT's cash is held by the University in a pooled cash account that is managed by the University. Included in the pooled account are demand deposits in banks, local funds held by the state, state reimbursements in transit, repurchase agreements, Texpool and TexSTAR investments. These are considered cash equivalents. Interest income is allocated to KTXT on a quarterly basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

**NOTE 3: *CORPORATION FOR PUBLIC BROADCASTING COMMUNITY SERVICE GRANTS***

The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.



**KTXT-TV**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity and useful lives of assets for the years ended August 31, 2011 and 2010 are summarized below:

	Life	Balance August 31, 2010	Additions	Retirements	Balance August 31, 2011
Building	40 yrs	\$ 623,700	\$	\$	\$ 623,700
Tower, transmitter and antenna equipment	10-20 yrs	1,954,324			1,954,324
Broadcasting and production equipment	3-10 yrs	3,581,243	88,134	(76,842)	3,592,535
Office equipment	3-10 yrs	64,937			64,937
Furniture and fixtures	1-5 yrs	24,096			24,096
Depreciable assets, at cost		6,248,300	88,134	(76,842)	6,259,592
Accumulated depreciation		(3,477,357)	(450,510)	66,497	(3,861,370)
Depreciable assets, net		<u>\$ 2,770,943</u>	<u>\$ (362,376)</u>	<u>\$ (10,345)</u>	<u>\$ 2,398,222</u>

	Life	Balance August 31, 2009	Additions	Retirements	Balance August 31, 2010
Building	40 yrs	\$ 623,700	\$	\$	\$ 623,700
Tower, transmitter and antenna equipment	10-20 yrs	1,954,324			1,954,324
Broadcasting and production equipment	3-10 yrs	3,054,410	527,983	(1,150)	3,581,243
Office equipment	3-10 yrs	64,937			64,937
Furniture and fixtures	1-5 yrs	24,096			24,096
Depreciable assets, at cost		5,721,467	527,983	(1,150)	6,248,300
Accumulated depreciation		(3,068,032)	(410,475)	1,150	(3,477,357)
Depreciable assets, net		<u>\$ 2,653,435</u>	<u>\$ 117,508</u>	<u>\$ -</u>	<u>\$ 2,770,943</u>



**KTXT-TV**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: *CHANGES IN DEFERRED REVENUE***

Changes in contributions and grants included in deferred revenue during the years ended August 31, 2011 and August 31, 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 16,648	\$ 19,289
Additions - contributions and grants	60,124	61,959
Deductions - contributions and grants recognized as revenue and support or capital additions	<u>(59,724)</u>	<u>(64,600)</u>
Balance, end of year	<u>\$ 17,048</u>	<u>\$ 16,648</u>

**NOTE 6: *RETIREMENT PLANS***

The State of Texas has joint contributory retirement plans for its employees of which substantially all of KTXT's employees are participants. The primary plan is a defined benefit plan administered by the Teacher Retirement System of Texas (System). The System is a cost-sharing, multi-employer public employee retirement system. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123. The contributory percentage of participant salaries provided by the University was 6.644% and 6.0% for August 31, 2011 and 2010, respectively. Each participant contributed 6.4% of annual compensation for both years. During the years ended August 31, 2011 and 2010, the University contributed \$32,070 and \$31,996 to the plan, respectively.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System of Texas. This optional retirement plan (which is a defined contribution plan) is available for full-time faculty, executive management, professional and administrative employees. The contributory percentage of participant salaries provided by the University was 6.644% and 6.0% for August 31, 2011 and 2010, respectively. Each participant contributed 6.4% of annual compensation for both years. For the years ended August 31, 2011 and 2010, no employees participated in the optional retirement program.

**KTXT-TV**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: RECONCILIATION OF FINANCIAL STATEMENTS TO CPB REPORT**

	2011	2010
Revenue per audited financial statements	\$ 1,774,738	\$ 2,099,500
In-kind contributions	(20,750)	(53,396)
Indirect administrative support from Texas Tech University	<u>(178,855)</u>	<u>(152,755)</u>
Revenue per CPB report, Schedule A, Line 21	<u>\$ 1,575,133</u>	<u>\$ 1,893,349</u>
Expenses per audited financial statements	\$ 2,172,173	\$ 1,838,949
Non operating expenses	-	(13,298)
Cost of capital assets	<u>88,134</u>	<u>527,983</u>
Expenditures per CPB report, Schedule E, Line 10	<u>\$ 2,260,307</u>	<u>\$ 2,353,634</u>

**NOTE 8: SUBSEQUENT EVENT**

After the end of the current year, the University combined the University's public radio stations (KOHM-FM and KNCH-FM) with KTXT-TV. The new entity will be called Texas Tech Public Broadcasting.

**SUPPLEMENTAL INFORMATION**



**KTXT-TV**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**COMBINING STATEMENT OF NET ASSETS**  
**AUGUST 31, 2011**

	Operating Funds		Property Fund	Total
	Unrestricted	Restricted		
ASSETS				
ASSETS				
Cash and cash equivalents	\$ 1,309,211	\$ 74,828	\$ -	\$ 1,384,039
Accounts receivable	6,822	-	-	6,822
Prepaid expenses	341,503	-	-	341,503
Total current assets	1,657,536	74,828	-	1,732,364
Property and equipment, at cost				
Building	-	-	623,700	623,700
Transmitter, antenna and tower	-	-	1,954,324	1,954,324
Broadcasting and production equipment	-	-	3,592,535	3,592,535
Office equipment	-	-	64,937	64,937
Furniture and fixtures	-	-	24,096	24,096
	-	-	6,259,592	6,259,592
Less: Accumulated depreciation	-	-	(3,861,370)	(3,861,370)
Property and equipment, net	-	-	2,398,222	2,398,222
TOTAL ASSETS	\$ 1,657,536	\$ 74,828	\$ 2,398,222	\$ 4,130,586
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,630	\$ -	\$ -	\$ 10,630
Deferred revenue	17,048	-	-	17,048
Total current liabilities	27,678	-	-	27,678
NET ASSETS				
Unrestricted	1,629,858	-	-	1,629,858
Restricted	-	74,828	-	74,828
Invested in property and equipment	-	-	2,398,222	2,398,222
Total net assets	1,629,858	74,828	2,398,222	4,102,908
TOTAL LIABILITIES AND NET ASSETS	\$ 1,657,536	\$ 74,828	\$ 2,398,222	\$ 4,130,586

**KTXT-TV**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED AUGUST 31, 2011**

	Operating Funds		Property	Total
	Unrestricted	Restricted	Fund	
<b>OPERATING REVENUES</b>				
Contributions	\$ 158,674	\$ 10,000	\$ -	\$ 168,674
Grants from the Corporation for Public Broadcasting	681,821	(1,816)	-	680,005
Donated support from Texas Tech University				
Direct administrative support	-	535,518	-	535,518
Indirect administrative support	-	178,855	-	178,855
Donated materials and services-in-kind contributions	20,750	-	-	20,750
Other grants	-	90,075	-	90,075
Underwriting revenue	59,724	-	-	59,724
Miscellaneous income	31,563	-	-	31,563
Total operating revenues	952,532	812,632	-	1,765,164
<b>OPERATING EXPENSES</b>				
Program services				
Programming and production	594,575	75,885	-	670,460
Broadcasting	121,813	290,687	459,375	871,875
Program information	42,565	20,280	-	62,845
	758,953	386,852	459,375	1,605,180
Supporting services				
Management and general	101,227	354,611	1,480	457,318
Fund raising and membership development	109,675	-	-	109,675
	210,902	354,611	1,480	566,993
Total operating expenses	969,855	741,463	460,855	2,172,173
<b>OPERATING INCOME (LOSS)</b>	(17,323)	71,169	(460,855)	(407,009)
<b>NON-OPERATING REVENUE</b>				
Interest income	9,179	395	-	9,574
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(8,144)	71,564	(460,855)	(397,435)
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,688,461	40,939	2,770,943	4,500,343
<b>TRANSFER BETWEEN FUNDS</b>	(50,459)	(37,675)	88,134	-
<b>NET ASSETS, END OF YEAR</b>	\$ 1,629,858	\$ 74,828	\$ 2,398,222	\$ 4,102,908

**KTXT-TV**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2011**

	Operating Funds		Property Fund	Total
	Unrestricted	Restricted		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from contributors, grants, and underwriters	\$ 934,704	\$ 829,300	\$ -	\$ 1,764,004
Payments to employees	(161,927)	(322,893)	-	(484,820)
Payments to suppliers	(838,708)	(333,626)	-	(1,172,334)
Payments for employee benefits	(59,441)	(93,758)	-	(153,199)
Net cash used by operating activities	(125,372)	79,023	-	(46,349)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on cash and cash equivalents	9,179	395	-	9,574
Net cash provided by investing activities	9,179	395	-	9,574
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of property and equipment	(50,459)	(37,675)	-	(88,134)
Net cash used by capital and related financing activities	(50,459)	(37,675)	-	(88,134)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(166,652)	41,743	-	(124,909)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,475,863	33,085	-	1,508,948
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,309,211</u>	<u>\$ 74,828</u>	<u>\$ -</u>	<u>\$ 1,384,039</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ (17,323)	\$ 71,169	\$ (460,855)	\$ (407,009)
Adjustments to reconcile income from operations to net cash from operating activities				
Depreciation	-	-	450,510	450,510
Loss on disposal of property and equipment	-	-	10,345	10,345
Net change in:				
Accounts receivable	2,522	16,668	-	19,190
Prepaid expenses	(96,978)	-	-	(96,978)
Accounts payable and accrued liabilities	(13,993)	(8,814)	-	(22,807)
Deferred revenue	400	-	-	400
Total adjustments	(108,049)	7,854	460,855	360,660
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (125,372)</u>	<u>\$ 79,023</u>	<u>\$ -</u>	<u>\$ (46,349)</u>