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**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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## Independent Auditors' Report

Board of Regents  
Murray State University  
WKMS-FM Radio  
Murray, Kentucky

### Report On The Financial Statements

We have audited the accompanying financial statements of WKMS-FM Radio, a public telecommunications division of Murray State University, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WKMS-FM Radio as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*RubinBrown LLP*

November 11, 2016

# MURRAY STATE UNIVERSITY WKMS-FM RADIO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 And 2015

### Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of WKMS-FM Radio Station (the Station) for the years ended June 30, 2016 and 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Station is located on the campus of Murray State University (the University). WKMS broadcasts National Public Radio and local programs that inform, enrich and entertain in concert with the mission of the University. The Station's skilled staff, students and volunteers serve listeners with comprehensive music and information programs that reflect current affairs, history and cultures.

### Using The Financial Statements

The financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

### Statements Of Net Position

The Statements of Net Position present a financial picture of the Station's financial condition at the end of the 2016 and 2015 fiscal years by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets less liabilities).

#### Assets

Total assets at the end of the fiscal year 2016 were \$1,077,437, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$806,781 or 75% of total assets. For fiscal year 2016, total assets increased by \$90,223, primarily due to an increase cash from an increase in advertising revenue of \$36,476 and an increase in donations of \$41,896.

Total assets at the end of the fiscal year 2015 were \$987,214, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$673,417 or 68% of total assets. For fiscal year 2015, total assets decreased by \$7,841, primarily due to an increase in accumulated depreciation.

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Management's Discussion And Analysis (*Continued*)

**Liabilities**

Total liabilities at the end of the fiscal year 2016 were \$119,466. Amounts payable to vendors and for payroll related obligations totaled \$59,357, or 50% of total liabilities. For fiscal year 2016, total liabilities increased by \$17,362 due primarily to an increase in unearned revenue of \$9,934, the result of increased activity in current contracts.

Total liabilities at the end of the fiscal year 2015 were \$102,104. Amounts payable to vendors and for payroll related obligations totaled \$51,929 or 51% of total liabilities. For fiscal year 2015, total liabilities increased by \$2,414.

**Net Position**

Net position was \$957,971 at the end of fiscal year 2016 and was divided into three major categories, defined as follows:

- Net investment in capital assets - This category represents the Station's equity in equipment.
- Restricted - This category represents those assets restricted by an individual or entity external to the Station. Restricted expendable net assets represent the assets that may be expended by the Station, but must be spent for purposes as defined by the donor or external entity. Nonexpendable restricted net asset amounts represent amounts in which that the principal is to be maintained inviolate and in perpetuity and invested for the purposes of producing income, which may either be expended or added to principal.
- Unrestricted - This category represents the net assets held by the Station that have no formal restrictions placed upon them.

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Management's Discussion And Analysis (*Continued*)

**Condensed Statement Of Net Position**

	<b>June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Current assets	\$ 619,574	\$ 486,935	\$ 395,103
Noncurrent assets	307,187	288,827	362,374
Capital assets	150,676	211,452	237,578
<b>Total Assets</b>	<b>1,077,437</b>	<b>987,214</b>	<b>995,055</b>
<b>Current Liabilities</b>	<b>119,466</b>	<b>102,104</b>	<b>99,690</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt and depreciation	150,676	211,452	237,578
Restricted for:			
Nonexpendable	10,000	10,000	10,000
Expendable:			
Operations and other	274,459	269,066	292,199
Unrestricted	522,836	394,592	355,588
<b>Total Net Position</b>	<b>\$ 957,971</b>	<b>\$ 885,110</b>	<b>\$ 895,365</b>

**Statements Of Revenues, Expenses And Changes In Net Position**

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred and income or loss from operations for the current and prior fiscal years. Activities are reported as either operating or nonoperating. Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Position.

**Revenues**

Total operating revenues, which exclude University appropriations, for the fiscal year 2016 were \$236,535. The primary source of operating revenues was from business and industry underwriting of \$207,418.

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Management's Discussion And Analysis (*Continued*)

Nonoperating revenues for the fiscal year 2016, which included grants and contracts and University appropriations, totaled \$1,250,928. Grant and contract revenues related to nonexchange type agreements are classified as nonoperating revenues, unless the funds were used in capital projects. In this case, grants and contract revenues used to fund capital projects are classified as capital grants. In a nonexchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total nonoperating revenues increased by \$54,110 during the year, which was primarily due to an increase in administrative support from the University of \$20,286 and an increase in subscriptions and memberships of \$41,896.

The Station received \$469,512 of the University's appropriations and \$328,128 of administrative support for the fiscal year 2016, which are classified as nonoperating revenues. These funds were used to support station operating activities.

Nonoperating revenues for the fiscal year 2015, which included grants and contracts and University appropriations, totaled \$1,196,818. Grant and contract revenues related to nonexchange type agreements are classified as nonoperating revenues, unless the funds were used in capital projects. In this case, grants and contract revenues used to fund capital projects are classified as capital grants. In a nonexchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total nonoperating revenues increased by \$27,561 during the year, which was primarily due to an increase in administrative support from the University of \$13,005 and an increase in subscriptions and memberships of \$10,624.

The Station received \$482,733 of the University's appropriations and \$307,842 of administrative support for the fiscal year 2015, which are classified as nonoperating revenues. These funds were used to support station operating activities.

**Expenses**

Total operating expenses for the fiscal year 2016 were \$1,414,602. Total program services and supporting services expenses were \$791,012 and \$562,814, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$60,776 or 4% of total operating expenses.



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Management's Discussion And Analysis (*Continued*)

Total operating expenses for the fiscal year 2015 were \$1,471,621. Total program services and supporting services expenses were \$879,044 and \$531,801, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$60,776 or 4% of total operating expenses.

**Condensed Statements Of Revenues, Expenses And Changes In Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>	\$ 236,535	\$ 264,548	\$ 245,776
<b>Operating Expenses</b>	1,414,602	1,471,621	1,446,361
<b>Operating Loss</b>	(1,178,067)	(1,207,073)	(1,200,585)
<b>Nonoperating Revenues</b>	1,250,928	1,196,818	1,169,257
<b>Change In Net Position</b>	72,861	(10,255)	(31,328)
<b>Net Position - Beginning Of Year</b>	885,110	895,365	926,693
<b>Net Position - End Of Year</b>	\$ 957,971	\$ 885,110	\$ 895,365

**Statements Of Cash Flows**

The Statements of Cash Flows provide a summary of the sources and uses of cash by defined categories. The primary purposes of the Statements of Cash Flows are to provide information about the Station's cash receipts and payments during the years and to help assess the Station's ability to generate future net cash flows and meet obligations as they become due.

For 2016, the major source of cash from operating activities was business and industry underwriting of \$200,392. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$668,616.

The cash flows from noncapital financing activities include \$469,512 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

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

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### Management's Discussion And Analysis (*Continued*)

For 2015, the major source of cash from operating activities was business and industry underwriting of \$166,001. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$726,639.

The cash flows from noncapital financing activities include \$482,733 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

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

### **Capital Assets And Debt Administration**

The Station did not acquire any capital assets or debt during fiscal year 2016.

The Station had an \$11,850 increase in capital assets during fiscal year 2015. This change is due to the purchase of a beacon light system and a digital audio console and the disposal of a modular console. The Station did not acquire any debt during fiscal year 2015.

### **Economic Factors Affecting Future Periods**

- Appropriations decisions by the United States Congress may impact grants from the Corporation for Public Broadcasting, which in turn, may impact the Station's budget for programming expenses.
- Changing economic conditions in the region will continue to have an impact upon the underwriting and fundraising efforts of the Station.
- The overtime changes as outlined in the Department of Labor's final regulations for the Fair Labor Standards Act (FLSA) overtime changes will have an impact on WKMS financial resources. The final regulations, which will be effective December 1, 2016, set the salary threshold of \$47,476 (\$913 per week) and will impact 3 positions (or 43% of all WKMS employees) currently classified as exempt from the overtime regulations.

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Management's Discussion And Analysis (*Continued*)

**Contacting The Station's Financial Management**

This financial report is designed to provide a general overview of the Station's finances and to show the Station's accountability for the money it receives. Additional details can be requested by mail at the following address:

WKMS Radio Station  
Chad Lampe, Station Manager  
Murray State University  
2018 University Station  
Murray, Kentucky 42071

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**STATEMENT OF NET POSITION**

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 509,825	\$ 395,690
Accounts receivable, net of allowance of \$30,021 in 2016 and \$24,393 in 2015	95,561	67,071
Prepaid expenses	14,188	24,174
<b>Total Current Assets</b>	<b>619,574</b>	<b>486,935</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	296,956	277,727
Restricted investments	10,231	11,100
Capital assets	932,691	932,691
Accumulated depreciation	(782,015)	(721,239)
<b>Total Noncurrent Assets</b>	<b>457,863</b>	<b>500,279</b>
<b>Total Assets</b>	<b>1,077,437</b>	<b>987,214</b>
<b>Current Liabilities</b>		
Accounts payable, accrued payroll and benefits	59,357	51,929
Unearned revenue	60,109	50,175
<b>Total Current Liabilities</b>	<b>119,466</b>	<b>102,104</b>
<b>Net Position</b>		
Net investment in capital assets	150,676	211,452
Restricted for:		
Nonexpendable	10,000	10,000
Expendable:		
Operations and other	274,459	269,066
Unrestricted	522,836	394,592
<b>Total Net Position</b>	<b>\$ 957,971</b>	<b>\$ 885,110</b>

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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	For The Years Ended June 30,	
	2016	2015
<b>Operating Revenues</b>		
Business and industry underwriting	\$ 207,418	\$ 170,942
In-kind contributions	6,153	70,204
Other	22,964	23,402
<b>Total Operating Revenues</b>	<b>236,535</b>	<b>264,548</b>
<b>Operating Expenses</b>		
Program Services:		
Programming and production	552,144	571,351
Broadcasting	134,747	176,099
Program information	104,121	131,594
Total Program Services	791,012	879,044
Supporting Services:		
Management and general	497,906	473,073
Fund-raising	32,454	29,364
Underwriting and grant support	32,454	29,364
Total Supporting Services	562,814	531,801
Depreciation	60,776	60,776
<b>Total Operating Expenses</b>	<b>1,414,602</b>	<b>1,471,621</b>
<b>Operating Loss</b>	<b>(1,178,067)</b>	<b>(1,207,073)</b>
<b>Nonoperating Revenues</b>		
General appropriation from Murray State University	469,512	482,733
Donated facilities and administrative support from Murray State University	328,128	307,842
Community service grants from Corporation for Public Broadcasting	194,886	189,603
Subscriptions and memberships	258,414	216,518
Investment income	(12)	122
<b>Total Nonoperating Revenues</b>	<b>1,250,928</b>	<b>1,196,818</b>
<b>Increase (Decrease) In Net Position</b>	<b>72,861</b>	<b>(10,255)</b>
<b>Net Position - Beginning Of Year</b>	<b>885,110</b>	<b>895,365</b>
<b>Net Position - End Of Year</b>	<b>\$ 957,971</b>	<b>\$ 885,110</b>

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**STATEMENT OF CASH FLOWS**

	For The Years Ended June 30,	
	2016	2015
<b>Cash Flows From Operating Activities</b>		
Business and industry	\$ 200,392	\$ 166,001
Payments to employees	(668,616)	(726,639)
Payments to suppliers	(333,514)	(324,693)
Other operating revenues	22,964	23,402
<b>Net Cash Used In Operating Activities</b>	<b>(778,774)</b>	<b>(861,929)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
General appropriation from Murray State University	469,512	482,733
Grants and contracts	246,884	189,603
Subscriptions/memberships	194,885	213,360
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>911,281</b>	<b>885,696</b>
<b>Cash Flows Used In Capital Financing Activities</b>		
Purchases of capital assets	—	(34,650)
<b>Cash Flows Provided By Investing Activities</b>		
Investment income	857	812
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>133,364</b>	<b>(10,071)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>673,417</b>	<b>683,488</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 806,781</b>	<b>\$ 673,417</b>
<b>Reconciliation Of Operating Loss To Net Cash Used In Operating Activities:</b>		
Operating loss	\$ (1,178,067)	\$ (1,207,073)
Donated facilities and administration expense	328,128	307,842
Depreciation	60,776	60,776
Changes in assets and liabilities:		
Increase in accounts receivable	(16,959)	(13,386)
(Increase) decrease in prepaid expenses	9,986	(12,502)
Increase (decrease) in accounts payable and accrued expenses	10,772	(4,660)
Decrease in accrued compensation	(3,344)	(1,372)
Increase in deferred revenue	9,934	8,446
<b>Net Cash Used In Operating Activities</b>	<b>\$ (778,774)</b>	<b>\$ (861,929)</b>
<b>Supplemental Cash Flow Information</b>		
Donated facilities and administrative support from Murray State University	\$ 328,128	\$ 307,842
In-kind contributions	6,153	70,204
Unrealized gain on investments	(869)	(690)

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 And 2015**

**1. Summary Of Significant Accounting Policies**

**Nature Of Organization**

WKMS-FM Radio (the Station) is operated by and receives support from Murray State University (the University). The Station is included in the financial statements of the University.

Murray State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation formed to receive and invest funds for the enhancement and improvement of the University. The Foundation is a fundraising organization which administers certain funds on behalf of the University. The Foundation coordinates the receipt of contributions and disbursements of those receipts for the Station.

**Basis Of Accounting And Financial Statement Presentation**

The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**Restricted Cash, Cash Equivalents And Investments**

Cash and investments that are held by both the Station and the Foundation that are externally restricted are classified as restricted assets. These assets are used to purchase capital or other noncurrent assets, or for other restricted purposes. Restricted investments held by the Foundation on behalf of the Station are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

**Accounts Receivable**

Accounts receivable consist of grants and amounts to be received from business, industry, subscription and membership activities. Accounts receivable are recorded net of uncollectible amounts.

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Notes To Financial Statements (*Continued*)

**Capital Assets**

All capital assets, as defined by University policy, are recorded at cost at the date of acquisition, or if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The following estimated useful lives are being used by the Station:

<u>Asset</u>	<u>Estimated Life</u>
Buildings	40 years
Nonbuilding improvements	10 - 20 years
Equipment	5 - 25 years

**Unearned Revenue**

Unearned revenues include amounts received from grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned.

**Net Position**

The Station's net position is classified as follows:

*Net investment in capital assets:* This represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. There is no debt issued at June 30, 2016 or 2015. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net position - nonexpendable:* Nonexpendable restricted net position amounts represent amounts in which donors or other outside sources have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity and invested for the purposes of producing income, which may either be expended or added to principal.



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Notes To Financial Statements (*Continued*)

*Restricted net position - expendable:* Restricted expendable net position include resources in which the Station is legally or contractually obligated to spend in accordance with time or purpose restrictions imposed by external third parties.

*Unrestricted net position:* Unrestricted net position represent resources derived from underwriting sales and other sources. These resources are used for transactions relating to general operations of the Station, and may be used at the discretion of the governing board to meet current expenses or for any purpose.

**Classification Of Revenues**

The Station has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) business and industry underwriting, (2) in-kind contribution revenues, and (3) tower equipment rentals and other.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. In a nonexchange transaction, the Station receives value without directly giving equal value back, such as a gift or grant for which there is no return requirement. Additionally, certain significant revenues relied upon for operations, such as state appropriations, donated facilities and administrative support from the University and investment income are recorded as nonoperating revenues, in accordance with GASB No. 35.

**Pledges And Contributions**

The Station engages in periodic fundraising campaigns evidenced by on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial contributions are frequently made by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. An allowance for uncollectible contributions receivable is provided based upon the Station's judgment including such factors as prior collection history and type of contribution. Contributions and collected pledges are components of nonoperating revenues.

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Notes To Financial Statements (*Continued*)

**Facilities And Administrative Support**

The portion of the University's facilities and administration support attributable to the Station's operations and the value of space provided to the Station by the University are included as revenues and expenses, and are computed in accordance with guidelines established by the Corporation for Public Broadcasting. Total donated facilities and administrative support from the University including in-kind contributions were \$328,128 and \$307,842 for the years ended June 30, 2016 and 2015, respectively.

**Compensated Absences**

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are included at year-end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits are expected to be realized as paid time off or used to purchase service credits upon retirement. These are recognized as expense when the time off occurs or when service credit payments are incurred. No liability is accrued for such benefits employees have earned but not yet realized.

**Use Of Estimates**

Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**2. Accounts Receivable**

Accounts receivable consist of:

	<u>2016</u>	<u>2015</u>
Business and industry underwriting	\$ 70,492	\$ 53,533
Subscription and membership pledges	52,411	37,931
Other	2,679	—
Allowance for doubtful accounts	<u>(30,021)</u>	<u>(24,393)</u>
	<u>\$ 95,561</u>	<u>\$ 67,071</u>

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Notes To Financial Statements (*Continued*)

**3. Deposits And Investments**

**Deposits**

For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and the Foundation. Details of accounting transactions affecting cash are maintained by each entity. At June 30, 2016 and 2015, the carrying amounts of the Station's deposits were \$806,781 and \$673,417, respectively.

Currently the University maintains its deposits, outside of those held by the Commonwealth of Kentucky, in noninterest-bearing accounts at FDIC-insured institutions. All accounts are insured up to \$250,000. The deposits in these noninterest-bearing accounts are covered by an irrevocable, unconditional, and nontransferable letter of credit issued by Federal Home Loan Bank of Cincinnati.

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into two distinct classifications or "pools." The Short-Term Pool consists primarily of General Fund cash balances. The Intermediate-Term Pool and the Limited Term Pool represent Agency fund investments, state held component unit and fiduciary fund accounts held for the benefit of others by the state. Shares of each pool represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, Federal Deposit Insurance Corporation or any federal agency. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk other than compliance with the provisions of state law.

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Notes To Financial Statements (*Continued*)

Cash and cash equivalents as presented in the statements of net position captions include:

	<u>2016</u>	<u>2015</u>
Current cash and cash equivalents	\$ 509,825	\$ 395,690
Restricted cash and cash equivalents	<u>296,956</u>	<u>277,727</u>
	<u>\$ 806,781</u>	<u>\$ 673,417</u>

**4. Capital Assets**

Capital assets activity for the year ended June 30, 2016 is:

	<u>Balance</u>			<u>Deletions/</u>		<u>Balance</u>
	<u>2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>		<u>2016</u>
Nonbuilding improvements	\$ 213,906	\$ —	\$ —	\$ —	\$ —	\$ 213,906
Equipment	718,785	—	—	—	—	718,785
Less: Accumulated depreciation	721,239	60,776	—	—	—	782,015
Capital assets, net	<u>\$ 211,452</u>	<u>\$ (60,776)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 150,676</u>

Capital assets activity for the year ended June 30, 2015 was:

	<u>Balance</u>			<u>Deletions/</u>		<u>Balance</u>
	<u>2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>		<u>2015</u>
Nonbuilding improvements	\$ 213,906	\$ —	\$ —	\$ —	\$ —	\$ 213,906
Equipment	706,935	34,650	—	(22,800)	—	718,785
Less: Accumulated depreciation	683,263	60,776	—	(22,800)	—	721,239
Capital assets, net	<u>\$ 237,578</u>	<u>\$ (26,126)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 211,452</u>

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Notes To Financial Statements (*Continued*)

**5. Accounts Payable And Accrued Expenses**

Accounts payable and accrued expenses at June 30 consisted of:

	<u>2016</u>	<u>2015</u>
<b>Current Liabilities</b>		
Accounts payable - vendors	\$ 17,290	\$ 6,518
Accrued payroll and benefits	42,067	45,411
	<u>\$ 59,357</u>	<u>\$ 51,929</u>

**6. Nonfederal Financial Support (NFFS)**

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on non-federal financial support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria of each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operating purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational public broadcast television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

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Notes To Financial Statements (*Continued*)

Reported NFFS for the Station were \$1,278,649 and \$1,247,159 for the years ended June 30, 2016 and 2015, respectively.

**7. Community Service Grants (CSGs)**

The Station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The CSG's awarded and expended during the recent three fiscal years were as follows:

	Grant Awards	Expended As Of June 30,			Uncommitted Balance
		2016	2015	2014	
2013-2015	\$ 184,055	\$ 343	\$ 68,747	\$ 114,965	\$ —
2014-2016	184,510	84,807	93,316	—	6,387
2015-2017	182,822	68,956	—	—	113,866

**8. Natural Expense Classifications**

The Station's operating expenses by natural classification for the years ended June 30, 2016 and 2015 were as follows:

	Program Services	Management And General	Fundraising And Membership	Total	
				2016	2015
Compensation and benefits	\$ 454,922	\$ 146,645	\$ 64,908	\$ 666,475	\$ 719,912
Operating expenses	323,336	351,261	—	674,597	681,959
Noncapitalized equipment	12,754	—	—	12,754	8,974
	791,012	497,906	64,908	1,353,826	1,410,845
Depreciation	60,776	—	—	60,776	60,776
	\$ 851,788	\$ 497,906	\$ 64,908	\$ 1,414,602	\$ 1,471,621

## **9. Pension Liability**

In accordance with GASB Statement 68, Accounting for Pensions, the University must recognize a proportional share of the net pension liability for the Kentucky Employees Retirement System (KERS) and the Kentucky Teachers Retirement System (KTRS) the cost sharing state pension plans in which the University participates. This reporting requirement became effective for fiscal years ending June 30, 2015.

At June 30, 2016 the University reported a liability of \$263,527,741 for its proportionate shares of the net pension liability in the plans. The net pension liability for KTRS and KERS plans were measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans. The University's proportions of the net pension liabilities were based on projections of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the University's proportion was 0.722622% for KTRS, 0.854037% for KERS non-hazardous, and 0.388584% for KERS hazardous.

At June 30, 2015 the University reported a liability of \$233,580,719 for its proportionate shares of the net pension liability in the plans. The net pension liability for KTRS and KERS plans were measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans. The University's proportions of the net pension liabilities were based on projections of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the University's proportion was 0.710400% for KTRS, 0.882259% for KERS non-hazardous, and 0.405301% for KERS hazardous.

The Station is a department of the University; therefore, no balances were allocated to the Station. Please refer to the University's financial statements for a complete and comprehensive disclosure of the University's pension plans.