

**KANU-FM RADIO STATION
AND AUDIO READER
UNIVERSITY OF KANSAS
Lawrence, Kansas**

**FINANCIAL STATEMENTS
For the years ended
June 30, 2015 and 2014**

And

INDEPENDENT AUDITOR'S REPORT

...KL...

Karlin & Long, LLC
Certified Public Accountants

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KANU-FM RADIO STATION AND AUDIO READER

University of Kansas

Lawrence, Kansas

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Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS**

To the Board of Directors
KANU-FM Radio Station and Audio Reader
University of Kansas
Lawrence, Kansas

We have audited the accompanying financial statements of KANU-FM Radio Station and Audio Reader (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, 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 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 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 of 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.

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Board of Directors

KANU-FM Radio Station and Audio Reader

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 KANU-FM Radio Station and Audio Reader (a nonprofit organization), as of June 30, 2015 and 2014 and the respective changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Karlin & Long, LLC". The signature is written in black ink and is positioned above the printed name of the firm.

Karlin & Long, LLC
Certified Public Accountants

December 28, 2015
Lawrence, Kansas

KANU - FM RADIO STATION AND AUDIO READER

University of Kansas

Lawrence, Kansas

COMBINED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2015 and 2014

	<u>KANU - FM Radio Station</u>	<u>Audio Reader</u>	<u>2015 Combined</u>	<u>2014 Combined</u>
Assets				
Current assets				
Cash in Bank (Note 3)	\$ 528,264	\$ 353,350	\$ 881,614	\$ 1,223,499
Investments	380,676	926,711	1,307,387	940,120
Inventory	7,100	700	7,800	7,800
Total current assets	<u>916,040</u>	<u>1,280,761</u>	<u>2,196,801</u>	<u>2,171,419</u>
Property and Equipment				
Leasehold improvements	9,687	122,177	131,864	131,864
Radio equipment	2,467,440	976,518	3,443,958	3,366,782
Vehicles	16,865	38,257	55,122	55,122
Office equipment	98,917	37,918	136,835	136,835
Structures	1,155,128	378,114	1,533,242	1,533,242
	<u>3,748,037</u>	<u>1,552,984</u>	<u>5,301,021</u>	<u>5,223,845</u>
Less accumulated depreciation	<u>(3,015,419)</u>	<u>(1,505,137)</u>	<u>(4,520,556)</u>	<u>(4,479,478)</u>
Total property and equipment	<u>732,618</u>	<u>47,847</u>	<u>780,465</u>	<u>744,367</u>
Total assets	<u>\$ 1,648,658</u>	<u>\$ 1,328,608</u>	<u>\$ 2,977,266</u>	<u>\$ 2,915,786</u>
Liabilities and Net Assets				
Current Liabilities				
Accrued expenses	<u>\$ 140,150</u>	<u>\$ 63,562</u>	<u>\$ 203,712</u>	<u>\$ 295,977</u>
Total current liabilities	<u>140,150</u>	<u>63,562</u>	<u>203,712</u>	<u>295,977</u>
Net Assets - Unrestricted	<u>1,508,508</u>	<u>1,265,046</u>	<u>2,773,554</u>	<u>2,600,991</u>
Total liabilities and net assets	<u>\$ 1,648,658</u>	<u>\$ 1,328,608</u>	<u>\$ 2,977,266</u>	<u>\$ 2,896,968</u>

The accompanying notes to financial statements
are an integral part of this statement.

KANU - FM RADIO STATION AND AUDIO READER

University of Kansas

Lawrence, Kansas

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2015 and 2014

	KANU - FM Radio Station	Audio Reader	2015 Combined	2014 Combined
Revenue				
Contributions	\$ 921,410	\$ 200,428	\$ 1,121,838	\$ 1,127,125
Underwriting	330,670	4,500	335,170	369,760
State funding	554,326	587,771	1,142,097	1,126,612
CPB grants funding	277,657		277,657	269,120
Grant funding	31,051		31,051	136,902
Interest income and unrealized gains	70,731	25,771	96,502	74,712
In-kind contributions				
Broadcasting	89,250		89,250	89,250
Occupancy	36,919		36,919	36,919
Indirect support				
KUEA	230,786	80,251	311,037	280,312
KU overhead	324,048	199,134	523,182	477,889
Volunteer services	4,934	596,831	601,765	741,319
Production work	592		592	700
Tower rental	8,784		8,784	8,528
	<u>2,881,158</u>	<u>1,694,686</u>	<u>4,575,844</u>	<u>4,739,148</u>
Total revenue				
Expenses				
Program and production	821,416	913,229	1,734,645	1,686,372
Broadcast	1,020,727	267,590	1,288,317	1,494,518
General and administrative	683,374	320,322	1,003,696	920,465
Fundraising	223,312	131,052	354,364	357,783
Depreciation	38,559	2,518	41,077	261,192
	<u>2,787,389</u>	<u>1,634,710</u>	<u>4,422,099</u>	<u>4,720,330</u>
Total expenses				
Change in Net Assets	<u>93,769</u>	<u>59,976</u>	<u>153,745</u>	<u>18,818</u>
Net Assets, Beginning of Year	<u>1,414,739</u>	<u>1,205,070</u>	<u>2,600,991</u>	<u>2,551,474</u>
Net Assets, End of Year	<u>\$ 1,508,508</u>	<u>\$ 1,265,046</u>	<u>\$ 2,773,554</u>	<u>\$ 2,600,991</u>

The accompanying notes to financial statements
are an integral part of this statement.

KANU - FM RADIO STATION AND AUDIO READERUniversity of Kansas
Lawrence, Kansas**COMBINED STATEMENTS OF CASH FLOWS**

For the years ended June 30, 2015 and 2014

	<u>KANU - FM Radio Station</u>	<u>Audio Reader</u>	<u>2015 Combined</u>	<u>2014 Combined</u>
Cash Flows From Operating Activities				
Changes in net assets	\$ 93,769	\$ 59,976	\$ 153,745	\$ 18,818
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	38,559	2,518	41,077	261,192
Change in assets and liabilities				
Accrued expenses	<u>(101,679)</u>	<u>9,414</u>	<u>(92,265)</u>	<u>104,868</u>
Net cash provided (used) by operating activities	<u>30,649</u>	<u>71,908</u>	<u>102,557</u>	<u>384,878</u>
Cash Flows From Investing Activities				
(Increase)decrease in short-term investments	17,775	(385,041)	(367,266)	(152,058)
Purchase of property and equipment	<u>(66,255)</u>	<u>(10,921)</u>	<u>(77,176)</u>	<u>(50,496)</u>
Net cash provided (used) by investing activities	<u>(48,480)</u>	<u>(395,962)</u>	<u>(444,442)</u>	<u>(202,554)</u>
Net Increase (Decrease) in Cash	(17,831)	(324,054)	(341,885)	182,324
Cash, Beginning of Year	<u>546,095</u>	<u>677,404</u>	<u>1,223,499</u>	<u>1,041,175</u>
Cash, End of Year	<u>\$ 528,264</u>	<u>\$ 353,350</u>	<u>\$ 881,614</u>	<u>\$ 1,223,499</u>

The accompanying notes to financial statements
are an integral part of this statement.

KANU - FM RADIO STATION AND AUDIO READER

University of Kansas
Lawrence, Kansas

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the years ended June 30, 2015 and 2014

	<u>KANU - FM</u> <u>Radio Station</u>	<u>Audio</u> <u>Reader</u>	<u>2015</u> <u>Combined</u>	<u>2014</u> <u>Combined</u>
Accounting	\$ 7,900	\$ -	\$ 7,900	\$ 7,800
Administrative	4,675	-	4,675	4,499
Advertising	15,257	620	15,877	15,000
Advisory board	3,611	-	3,611	3,724
Automotive	16,666	9,389	26,055	21,288
Books	-	5,964	5,964	6,791
Computer support	21,935	-	21,935	22,512
Contingency fund	15,446	3,655	19,101	7,727
Contracted work	17,780	16,081	33,861	19,986
Equipment repair	6,455	-	6,455	4,219
Expansion Project	-	15,314	15,314	8,988
Facility	14,173	14,739	28,912	31,455
Fundraising	14,560	6,534	21,094	18,524
Insurance	5,374	2,151	7,525	6,318
KU Budget Refund		-	-	10,000
Job searches	78	8,732	8,810	6,586
Licenses/Software	-	1,432	1,432	2,493
Live production	10,374	1,383	11,757	9,412
Memberships/ subscriptions	25,845	-	25,845	27,437
Miscellaneous	340	-	340	-
National public radio	-	3,351	3,351	234,909
Office supplies	1,961	1,422	3,383	5,125
Outreach	9,382	1,624	11,006	5,380
Postage	13,028	9,210	22,238	16,082
Printing	14,838	22,461	37,299	37,535
Programming	440,540	-	440,540	174,378
Rental and repair	-	-	-	-
Rescission	-	9,385	9,385	-
Salaries and fringe	1,220,771	584,489	1,805,260	1,871,532
Sales commissions	54,285	-	54,285	31,438
Sales tax payment	231	2,137	2,368	1,983
Staff meetings	508	1,118	1,626	1,174
Supplies and parts	12,645	3,682	16,327	8,824
Telecommunications	34,553	6,742	41,295	47,256
Translator expense	74,258	-	74,258	71,770
Travel	10,358	13,066	23,424	21,012
Underwriting	-	-	-	60,357
Broadcasting	89,250	-	89,250	89,250
Depreciation	38,559	2,518	41,077	261,192
KUEA	230,786	80,251	311,037	280,312
KU Overhead	324,048	199,134	523,182	477,889
Occupancy	36,919	-	36,919	36,919
Volunteer expense	-	11,295	11,295	9,935
Volunteer services	-	596,831	596,831	741,319
Total Expenses	<u>\$ 2,787,389</u>	<u>\$ 1,634,710</u>	<u>4,422,099</u>	<u>\$ 4,720,330</u>

The accompanying notes to financial statements
are an integral part of this statement

KANU – FM RADIO STATION AND AUDIO READER

University of Kansas

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

The combined financial statements of KANU-FM Radio Station and Audio Reader have been prepared on the accrual basis of accounting applying the generally accepted accounting and financial reporting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates. The significant accounting policies described below have been followed on a consistent basis.

Organization

In 1952, the University of Kansas was granted the operating license for KANU-FM Radio Station, a listener-supported public radio station. Audio Reader commenced operations in 1971 to provide reading services to the visually impaired over the radio. The combined financial statements include the accounts of KANU-FM Radio Station and Audio Reader, two closely related University functions under the control of one director. All material transactions between the entities have been eliminated in these combined statements.

Investments

Investments consist of deposits in a University-wide, diversified, dollar denominated, investment pool and have been recorded at cost which materially approximates market value.

Property and Equipment

Property and equipment are recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date of donation. Depreciation has been provided for using the straight-line method over the estimated useful lives of the assets which vary from three to forty years. Maintenance and repairs are charged to expense as incurred, whereas major renewals and improvements are capitalized. When items of property and equipment are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

KANU – FM RADIO STATION AND AUDIO READER
University of Kansas
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Inventory of Supplies

Inventory of supplies are recorded at cost when purchased and used on the first-in first-out basis.

Use of Accounting 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 certain assets, liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

In-Kind Contributions

In-kind contributions consist of donated professional services, donated programs, and donated facilities. Donated facilities from the University of Kansas consist of office and studio space, together with related occupancy costs, and are recorded in revenue and expense at their estimated fair rental values. This totaled \$ 126,169 and \$ 126,169 for KANU-FM for the years ended June 30, 2015 and 2014, respectively.

Administrative support from the University of Kansas consists of allocated institutional and academic support and allocated physical plant operations incurred by the university which benefits KANU-FM Radio Station and Audio Reader. Donated professional services are valued at their fair market values at the time of donation. This totaled \$ 554,834 for KANU-FM and \$ 279,385 for Audio Reader for the year ended June 30, 2015, and \$ 519,939 for KANU-FM and \$ 238,262 for Audio Reader for the year ended June 30, 2014.

Donated Personal Service of Volunteers

Donated personal services of volunteers are recorded as revenue and expense in the statement of operations at their estimated fair market values. This totaled \$ 4,934 for KANU-FM and \$ 596,831 for Audio Reader for the year ended June 30, 2015, and \$ 5,200 for KANU-FM and \$ 736,119 for Audio Reader for the year ended June 30, 2014.

KANU – FM RADIO STATION AND AUDIO READER
University of Kansas
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Pledges

Pledges are recorded as revenues when the funds are actually received by KANU-FM Radio Station and Audio Reader. Pledges receivable are not considered legally enforceable and, therefore, have not been recognized in the accompanying financial statements.

Income Taxes

KANU-FM Radio Station and Audio Reader are functions of the University of Kansas, which is exempt from federal income taxes under Section 501 (c) (25) of the Internal Revenue Code. It is not classified as a private foundation.

KANU-FM is a Not for Profit Organization under Internal Revenue regulations. The organization's federal tax returns for the fiscal years ending 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Cash Flow Information

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be a cash equivalent.

The Organization had no non-cash financing transaction in 2014 or 2013 and made no payments for income taxes or interest during the same period.

Pension Plan

Plan Description – The Organization Contributes to the Kansas Public Employees Retirement System (KPERS), TIAA-CREF and ING Financial, a cost sharing multiple-employer defined benefit pension plans, all plans are component units of the State of Kansas. All plans provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas Statutes Annotate Section 74-4901, et. seq. authorizes the creation of KPERS and allows such entities as the organization to elect participate for its eligible employees. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

KANU – FM RADIO STATION AND AUDIO READER
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 5% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414 (h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 7.74% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. TIAA-CREF and ING Financial requires contributions of 5.5% from employees and 8.5% from employers. The Organization's contributions to KPERS for the Organization's employees for the years ended June 30, 2015 and 2014 were \$ 3,573 and \$3,620, respectively, equal to the statutory required contributions for each year. The Organization's contributions to TIAA-CREF and ING Financial for the Organization's employees for the years ended June 30, 2015 and 2015 were \$97,973 and \$86,868, respectively.

Concentration of Credit Risk

Financial accounting standards require disclosure of information about financial instruments with off balance sheet risk and about financial instruments with concentrations of credit risk.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization places its cash and cash equivalents and investments with high credit quality financial intuitions. The Organization has not incurred any material credit related losses.

NOTE 2 – Risk Management

The organization is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 3 – Service Organization

KANU-Radio and Audio Reader utilized the accounting services of University of Kansas Endowment Association.

KANU – FM RADIO STATION AND AUDIO READER

University of Kansas

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Subsequent Events

Subsequent events for management's review have been evaluated through December 28, 2015. The date in the prior sentence is the date the financial statements were available to be issued.