

KVNO-FM

(A Public Telecommunications Entity Operated
by University of Nebraska at Omaha)

Independent Auditor's Report and Financial Statements
June 30, 2019 and 2018

KVNO-FM
(A Public Telecommunications Entity Operated
by University of Nebraska at Omaha)
June 30, 2019 and 2018

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Independent Auditor's Report

Audit Committee
Board of Regents
University of Nebraska/KVNO-FM
Lincoln, Nebraska

We have audited the accompanying financial statements of KVNO-FM (Station), a Public Telecommunications Entity operated by University of Nebraska at Omaha, as of and for the years ended June 30, 2019 and 2018, 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KVNO-FM, a Public Telecommunications Entity operated by University of Nebraska at Omaha, as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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.

BKD, LLP

Omaha, Nebraska
January 10, 2020

KVNO-FM
(A Public Telecommunications Entity Operated
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Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018

Introduction

The following discussion provides an overview of the financial position of KVNO-FM, (the Station) for the years ended June 30, 2019 and 2018, and includes an analysis of the Station's financial statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes.

Overview

KVNO is operated by the University of Nebraska at Omaha and provides a noncommercial educational radio service to the Omaha-Council Bluffs metro area. The station's license is held by the University of Nebraska Board of Regents. The station's facilities are located in Omaha, Nebraska on the campus of the University of Nebraska at Omaha. Since 1972, the Station has broadcast primarily classical music, news and fine arts programming. Facilities include on-air production studios, a news center, offices, a reception area, engineering offices and workplace and a music library. The KVNO broadcast towers are located at 72nd and Crown Point in Omaha. KVNO-FM broadcasts in both analog and digital via a studio to transmitter link (STL) to our primary tower location and an analog only signal to a backup secondary transmitter and separate tower location when necessary. Both KVNO transmitters and antennas are located at the 72nd and Crown Point tower site on the KETV Channel 7 Tower and the KMTV Channel 3 tower. KVNO broadcasts at 8900 watts.

Financial Highlights

This discussion and analysis of the Station's financial statements provides an overview of the Station's financial performance during the years ended June 30, 2019, 2018, and 2017. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting change and current known facts, it should be read in conjunction with the Station's basic financial statements and the footnotes.

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Financial Highlights – Continued

Statements of Net Position

The Statements of Net Position present the financial position of the Station at the end of the fiscal year and include all assets and liabilities of the Station. The net position presents the current financial condition of the Station. Assets and liabilities are generally measured using current values, with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation. A summary of the Station's assets, liabilities and net position at June 30, 2019, 2018, and 2017 is as follows:

Statements of Net Position

	June 30		
	2019	2018	2017
Assets			
Current assets	\$ 541,702	\$ 362,178	\$ 275,702
Non-current assets	6,080	-	-
Total assets	<u>547,782</u>	<u>362,178</u>	<u>275,702</u>
Liabilities			
Current liabilities	60,225	56,681	168,904
Total liabilities	<u>60,225</u>	<u>56,681</u>	<u>168,904</u>
Net Position			
Net investment in capital assets	6,080	-	-
Unrestricted	481,477	305,497	106,798
Total net position	<u>\$ 487,557</u>	<u>\$ 305,497</u>	<u>\$ 106,798</u>

Total assets increased approximately 51.3% and 31.4% for years ended June 30, 2019 and 2018, respectively, and decreased approximately 9.7% for the year ended June 30, 2017. The increase is primarily due to the use of funding from the University and University of Nebraska Foundation to support operations. At June 30, 2019, the Station's net position was \$487,557. This is comprised of Unrestricted - \$481,477 and Net Investment in Capital Assets - \$6,080.

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Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018

Financial Highlights – Continued

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the Station's results of operations. The statements distinguish revenues and expenses between operating and non-operating categories and provide a view of the Station's operating margin.

Statements of Revenues, Expenses and Changes Net Position

	Years Ended June 30		
	2019	2018	2017
Operating Revenue			
Program underwriting	\$ 40,057	\$ 48,105	\$ 67,036
Community Service Grants	100,633	116,891	90,045
Total operating revenues	<u>140,690</u>	<u>164,996</u>	<u>157,081</u>
Operating Expenses			
Program services	717,586	730,525	726,454
Supporting services	275,284	292,756	324,682
Total operating expenses	<u>992,870</u>	<u>1,023,281</u>	<u>1,051,136</u>
Operating Loss	<u>(852,180)</u>	<u>(858,285)</u>	<u>(894,055)</u>
Nonoperating Revenues	<u>1,034,240</u>	<u>1,056,984</u>	<u>838,343</u>
Increase (Decrease) in Net Position	182,060	198,699	(55,712)
Net Position, Beginning of Year	<u>305,497</u>	<u>106,798</u>	<u>162,510</u>
Net Position, End of Year	<u>\$ 487,557</u>	<u>\$ 305,497</u>	<u>\$ 106,798</u>

Total operating revenues decreased approximately 14.7% for the year ended June 30, 2019, increased 5.0% for the year ended June 30, 2018, and decreased 15.1% for the year ended June 30, 2017. Underwriting sales decreased during 2019, 2018, and 2017. Total operating expenses decreased from approximately \$1,051,000 to \$1,023,000 for the year ended June 30, 2018 before decreasing to approximately \$992,000 for the year ended June 30, 2019. Total non-operating revenues decreased by 2.3% for the year ended June 30, 2019 and increased by approximately 26.1% and 9.3% for the years ended June 30, 2018 and 2017, respectively. Overall, this produced an increase in net position from \$305,497 to \$487,557 in 2019.

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Years Ended June 30, 2019 and 2018

Financial Highlights – Continued

Statements of Cash Flows

The Statements of Cash Flows provide a view of the sources and uses of the Station's cash resources. Comparative summary statements of cash flows for the years ended June 30, 2019, 2018, and 2017 are as follows:

Statements of Cash Flows

	Years Ended June 30		
	2019	2018	2017
Operating Activities			
Grants and contracts received	\$ 147,909	\$ 148,969	\$ 169,212
Payments to suppliers	(203,591)	(198,930)	(168,149)
Payments to employees	(599,163)	(633,728)	(647,936)
Net change in due to/due from University	(181,553)	(165,384)	66,772
Net cash used in operating activities	(836,398)	(849,073)	(580,101)
Investing Activities			
Purchase of property and equipment	(6,400)	-	-
Net cash used in investing activities	(6,400)	-	-
Noncapital Financing Activities			
Contributions	241,829	331,637	257,588
University appropriations	611,972	517,579	334,687
Transfers from assets held by others	(11,003)	(143)	(12,174)
Net cash provided by noncapital financing activities	842,798	849,073	580,101
Change in Equity in Pooled Cash	-	-	-
Equity in Pooled Cash, Beginning of Year	-	-	-
Equity in Pooled Cash, End of Year	\$ -	\$ -	\$ -

Cash used in operating activities reflects the continued need for funding from noncapital financing activities, as funding from grants and other operating revenues are not sufficient to cover operational needs. The Station's most significant source of cash is noncapital financing activities from the University, grants from the Corporation for Public Broadcasting (CPB), and donor contributions.

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Statements of Net Position
June 30, 2019 and 2018

Assets

	2019	2018
Current Assets		
Accounts and contributions receivable	\$ 2,169	\$ 6,424
Due from University	258,017	76,464
Prepaid expenses	2,531	2,625
Assets held by others	278,985	276,665
Total current assets	541,702	362,178
Noncurrent Assets		
Capital assets, net	6,080	-
Total noncurrent assets	6,080	-
Total assets	547,782	362,178

Liabilities and Net Position

Current Liabilities		
Accounts payable and accrued expenses	\$ 56,566	\$ 56,681
Unearned revenue	3,659	-
Total current liabilities	60,225	56,681
Net Position		
Net investment in capital assets	6,080	-
Unrestricted	481,477	305,497
Total net position	\$ 487,557	\$ 305,497

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Program underwriting	\$ 40,057	\$ 48,105
Community Service Grants (CSG)	100,633	116,891
	<u>140,690</u>	<u>164,996</u>
Operating Expenses		
Program services		
Programming and production	523,782	536,773
Broadcasting	139,617	138,122
Program information	54,187	55,630
Supporting services		
Management, general and administrative	209,062	224,969
Fundraising	50,167	51,331
Underwriting	16,055	16,456
	<u>992,870</u>	<u>1,023,281</u>
Operating Loss	<u>(852,180)</u>	<u>(858,285)</u>
Nonoperating Revenues		
University appropriations	611,972	517,579
Indirect University support	118,748	132,130
In-kind contributions	71,069	68,370
Foundations and non-profits contributions	11,549	24,044
Memberships and other individuals contributions	230,280	307,593
Investment gain (loss)	(9,378)	7,268
	<u>1,034,240</u>	<u>1,056,984</u>
Increase in Net Position	182,060	198,699
Net Position, Beginning of Year	<u>305,497</u>	<u>106,798</u>
Net Position, End of Year	<u>\$ 487,557</u>	<u>\$ 305,497</u>

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Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Grants and contracts received	\$ 147,909	\$ 148,969
Payments to suppliers	(203,591)	(198,930)
Payments to employees	(599,163)	(633,728)
Net change in due to/due from University	(181,553)	(165,384)
	<u>(836,398)</u>	<u>(849,073)</u>
Investing Activities		
Purchase of property and equipment	(6,400)	-
	<u>(6,400)</u>	<u>-</u>
Noncapital Financing Activities		
Contributions	241,829	331,637
University appropriations	611,972	517,579
Transfers to funds held by others	(11,003)	(143)
	<u>842,798</u>	<u>849,073</u>
Change in Equity in Pooled Cash	-	-
Equity in Pooled Cash, Beginning of Year	<u>-</u>	<u>-</u>
Equity in Pooled Cash, End of Year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (852,180)	\$ (858,285)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	320	-
Indirect University support	118,748	132,130
In-kind contributions	71,069	68,370
Change in assets and liabilities		
Accounts receivable	3,560	(2,509)
Prepaid expenses	94	(92)
Accounts payable and accrued expenses	(115)	(9,785)
Due to (from) University	(181,553)	(165,384)
Unearned revenue	3,659	(13,518)
	<u>3,659</u>	<u>(13,518)</u>
Net Cash Used in Operating Activities	<u>\$ (836,398)</u>	<u>\$ (849,073)</u>

KVNO-FM
(A Public Telecommunications Entity Operated
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Notes to Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

KVNO-FM (the “Station”) is operated by the University of Nebraska at Omaha (the University) and serves Eastern Nebraska and Western Iowa. The Station’s major emphasis is broadcasting classical music to its listening audience. The Station’s revenues and other support are derived principally from contributions and university appropriations.

Basis of Accounting and Presentation

The Station is considered a special purpose government engaged only in business-type activities. The financial statements of the Station have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The Station first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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 deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Assets Held by Others

The Station is the beneficiary of funds held by other organizations related to the University. Pooled funds of \$278,985 and \$276,665 at June 30, 2019 and 2018, respectively, held by the University of Nebraska Foundation are recorded as assets held by others on the statements of net position.

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Notes to Financial Statements
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Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Accounts Receivable

Accounts receivable consists of amounts billed to underwriters plus unbilled amounts for outstanding underwriting contracts. The Station analyzes collectability of underwriting and other receivables based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the underwriter. There is no allowance recorded at June 30, 2019 and 2018.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. The Station's capitalization policy includes all items with a cost greater than \$5,000 and an estimated useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Station:

Towers & Transmission Equipment	5-20 years
Production Equipment	5-15 years

Compensated Absences

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

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Notes to Financial Statements
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Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Net Position

Net position of the Station is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

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 federal and state grants and underwriting contracts.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, such as contributed support by the University.

Revenue Recognition

The Station records revenue based on the following recognition policies:

Membership contributions are recognized as nonoperating revenues in the period they are received.

Unrestricted portions of Community Service Grants are recorded as revenue when received.

Grants for other purposes are recorded as unearned revenue, upon receipts of funds, until an expenditure is incurred for which the grant was intended. The amounts are then included in revenue. Upon completion of the project, any remaining balance in unearned revenue related to the project, if not required to be returned to the grantor, is recognized as revenue.

University appropriations are recorded as revenue in the statements of revenues, expenses and changes in net position when an expenditure is recorded.

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Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Income Taxes

As a component of a state institution of higher education, the income of the Station is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law.

Indirect University Support

Donated facilities from the University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense. Administrative support from the University consists of allocated administrative costs and certain other expenses incurred by the University on behalf of the Station.

In-kind Contributions

In addition to receiving cash contributions, the Station receives in-kind contributions of tower space from various donors. It is the policy of the Station to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2019 and 2018, \$71,069 and \$68,370, respectively, was received in in-kind contributions.

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Notes to Financial Statements
June 30, 2019 and 2018

Note 2: Capital Assets

Capital assets activity for the years ended June 30, 2019 and 2018, was:

2019	Beginning Balance	Additions	Reductions	Ending Balance
Towers and transmission equipment	\$ 311,669	\$ 6,400	\$ -	\$ 318,069
Production equipment	50,735	-	-	50,735
Total	<u>362,404</u>	<u>6,400</u>	<u>-</u>	<u>368,804</u>
Less accumulated depreciation				
Towers and transmission equipment	311,669	320	-	311,989
Production equipment	50,735	-	-	50,735
Total	<u>362,404</u>	<u>320</u>	<u>-</u>	<u>362,724</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ 6,080</u>	<u>\$ -</u>	<u>\$ 6,080</u>
2018				
Towers and transmission equipment	\$ 311,669	\$ -	\$ -	\$ 311,669
Production equipment	50,735	-	-	50,735
Total	<u>362,404</u>	<u>-</u>	<u>-</u>	<u>362,404</u>
Less accumulated depreciation				
Towers and transmission equipment	311,669	-	-	311,669
Production equipment	50,735	-	-	50,735
Total	<u>362,404</u>	<u>-</u>	<u>-</u>	<u>362,404</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Note 3: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 26% and 23% of all contributions were received from one grant source in June 30, 2019 and 2018, respectively.

Note 4: Related Party Transactions

As described in Note 1, the Station is the beneficiary of funds held by other organizations related to the University, including the University of Nebraska Foundation. The Station's pooled cash is also held by the University.

The University provides appropriations and indirect support to the Station, as reported on the statements of revenues, expenses and changes in net position. Indirect support consists of certain administrative costs and other expenses incurred by the University on behalf of the Station.