

KVNO-FM

(A Public Telecommunications Entity Operated
by University of Nebraska at Omaha)
Independent Auditor's Report and Financial Statements
June 30, 2016 and 2015

KVNO-FM
(A Public Telecommunications Entity Operated
by University of Nebraska at Omaha)
June 30, 2016 and 2015

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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, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and of 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 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 the University of Nebraska at Omaha, as of June 30, 2016 and 2015, and the changes in its financial position and its 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 listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Omaha, Nebraska
November 30, 2016

KVNO-FM
(A Public Telecommunications Entity Operated
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Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

Introduction

The following discussion provides an overview of the financial position of KVNO-FM, (the Station) for the years ended June 30, 2016 and 2015, 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, 2016, 2015 and 2014. 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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Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

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, 2016, 2015 and 2014 is as follows:

Statements of Net Position

	June 30		
	2016	2015	2014
Assets			
Current assets	\$ 251,310	\$ 386,314	\$ 514,926
Non-current assets	-	1,603	5,253
Total assets	<u>251,310</u>	<u>387,917</u>	<u>520,179</u>
Liabilities			
Current liabilities	<u>88,800</u>	<u>74,050</u>	<u>87,356</u>
Total liabilities	<u>88,800</u>	<u>74,050</u>	<u>87,356</u>
Net Position			
Net investment in capital assets	-	1,603	5,253
Unrestricted	<u>162,510</u>	<u>312,264</u>	<u>427,570</u>
Total net position	<u>\$ 162,510</u>	<u>\$ 313,867</u>	<u>\$ 432,823</u>

Total assets decreased approximately 35.2%, 25.4%, and 15.8% for the years ended June 30, 2016, 2015 and 2014, respectively. The decrease is primarily due to the use of KVNO funds administered by the UNO Alumni Association and University of Nebraska Foundation to support operations in addition to the decrease in the value of investments. At June 30, 2016, the Station's net position was \$162,510. This is comprised of Unrestricted - \$162,510.

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Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

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		
	2016	2015	2014
Operating Revenue			
Program underwriting	\$ 74,491	\$ 59,632	\$ 86,679
Community Services Grants	110,625	129,806	120,845
Total operating revenues	<u>185,116</u>	<u>189,438</u>	<u>207,524</u>
Operating Expenses			
Program services	760,197	680,793	734,402
Supporting services	343,647	304,019	325,894
Total operating expenses	<u>1,103,844</u>	<u>984,812</u>	<u>1,060,296</u>
Operating Loss	<u>(918,728)</u>	<u>(795,374)</u>	<u>(852,772)</u>
Nonoperating Revenues	<u>767,371</u>	<u>676,418</u>	<u>759,844</u>
Decrease in Net Position	(151,357)	(118,956)	(92,928)
Net Position, Beginning of Year	<u>313,867</u>	<u>432,823</u>	<u>525,751</u>
Net Position, End of Year	<u>\$ 162,510</u>	<u>\$ 313,867</u>	<u>\$ 432,823</u>

Total operating revenues decreased approximately 2.3%, 9.0%, 0.3% for the years ended June 30, 2016, 2015 and 2014, respectively. Underwriting sales decreased during both 2014 and 2015 and increased in 2016. Total operating expenses decreased from approximately \$1,060,000 to \$985,000 for the year ended June 30, 2015 before increasing to approximately \$1,104,000 for the year ended June 30, 2016. Total non-operating revenues increased by approximately 13.4% for the year ended June 30, 2016 and decreased approximately 11.0% and 0.3% for the years ended June 30, 2015 and 2014, respectively. Overall, this produced a decrease in net position from \$313,867 to \$162,510 in 2016.

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Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

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, 2016, 2015 and 2014 are as follows:

Statements of Cash Flows

	Years Ended June 30		
	2016	2015	2014
Operating Activities			
Grants and contracts received	\$ 176,969	\$ 169,993	\$ 196,978
Payments to suppliers	(206,623)	(175,609)	(242,579)
Payments to employees	(652,035)	(573,054)	(571,592)
Net cash used in operating activities	<u>(681,689)</u>	<u>(578,670)</u>	<u>(617,193)</u>
Noncapital Financing Activities			
Contributions	210,436	206,270	208,857
University appropriations	359,472	262,908	278,777
Transfers from assets held by others	104,594	-	-
Net cash provided by noncapital financing activities	<u>674,502</u>	<u>469,178</u>	<u>487,634</u>
Decrease in Equity in Pooled Cash	(7,187)	(109,492)	(129,559)
Equity in Pooled Cash, Beginning of Year	<u>7,187</u>	<u>116,679</u>	<u>246,238</u>
Equity in Pooled Cash, End of Year	<u>\$ -</u>	<u>\$ 7,187</u>	<u>\$ 116,679</u>

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, 2016 and 2015

Assets

	2016	2015
Current Assets		
Equity in pooled cash	\$ -	\$ 7,187
Accounts and contributions receivable	4,380	1,959
Prepaid expenses	2,238	2,171
Assets held by others	244,692	374,997
Total current assets	251,310	386,314
Noncurrent Assets		
Capital assets, net	-	1,603
Total noncurrent assets	-	1,603
Total assets	251,310	387,917

Liabilities and Net Position

Current Liabilities		
Accounts payable and accrued expenses	\$ 63,490	\$ 65,162
Due to University	22,148	-
Unearned revenue	3,162	8,888
Total current liabilities	88,800	74,050
Net Position		
Net investment in capital assets	-	1,603
Unrestricted	162,510	312,264
Total net position	\$ 162,510	\$ 313,867

KVNO-FM
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Program underwriting	\$ 74,491	\$ 59,632
Community Service Grants (CSG)	<u>110,625</u>	<u>129,806</u>
Total operating revenues	<u>185,116</u>	<u>189,438</u>
Operating Expenses		
Program services		
Programming and production	559,082	492,374
Broadcasting	143,185	137,326
Program information	57,930	51,093
Supporting services		
Management, general and administrative	273,033	241,889
Fundraising	53,475	47,033
Underwriting	<u>17,139</u>	<u>15,097</u>
Total operating expenses	<u>1,103,844</u>	<u>984,812</u>
Operating Loss	<u>(918,728)</u>	<u>(795,374)</u>
Nonoperating Revenues		
University appropriations	337,324	262,908
Indirect University support	176,370	156,313
In-kind contributions	68,952	69,804
Foundations and non-profits contributions	11,578	44,030
Memberships and other individuals contributions	198,858	159,195
Investment loss	<u>(25,711)</u>	<u>(15,832)</u>
Nonoperating revenues	<u>767,371</u>	<u>676,418</u>
Decrease in Net Position	(151,357)	(118,956)
Net Position, Beginning of Year	<u>313,867</u>	<u>432,823</u>
Net Position, End of Year	<u>\$ 162,510</u>	<u>\$ 313,867</u>

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Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Grants and contracts received	\$ 176,969	\$ 169,993
Payments to suppliers	(206,623)	(175,609)
Payments to employees	<u>(652,035)</u>	<u>(573,054)</u>
Net cash used in operating activities	<u>(681,689)</u>	<u>(578,670)</u>
Noncapital Financing Activities		
Contributions	210,436	206,270
University appropriations	359,472	262,908
Transfers from funds held by others	<u>104,594</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>674,502</u>	<u>469,178</u>
Decrease in Equity in Pooled Cash	(7,187)	(109,492)
Equity in Pooled Cash, Beginning of Year	<u>7,187</u>	<u>116,679</u>
Equity in Pooled Cash, End of Year	<u>\$ -</u>	<u>\$ 7,187</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (918,728)	\$ (795,374)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	1,603	3,650
Indirect University support	176,370	156,313
In-kind contributions	68,952	69,804
Change in assets and liabilities		
Accounts receivable	(2,421)	319
Prepaid expenses	(67)	(76)
Accounts payable and accrued expenses	(1,672)	6,458
Unearned revenue	<u>(5,726)</u>	<u>(19,764)</u>
Net Cash Used in Operating Activities	<u>\$ (681,689)</u>	<u>\$ (578,670)</u>

KVNO-FM
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Notes to Financial Statements
June 30, 2016 and 2015

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.

Equity in Pooled Cash

The Station participates in a cash management pool with the University. The University’s cash and cash equivalents are deposited in a pooled State fund managed by the Nebraska State Treasurer for the benefit of the University. The Station’s interest in the pool is shown as equity in pooled cash on the statements of net position.

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Notes to Financial Statements
June 30, 2016 and 2015

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

Assets Held by Others

The Station is the beneficiary of funds held by other organizations related to the University. These funds are recorded as assets held by others on the statements of net position.

	2016	2015
Pooled funds are held by the following entities		
University of Nebraska Alumni Association	\$ -	\$ 45,297
University of Nebraska Foundation	244,692	329,700
	\$ 244,692	\$ 374,997

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, 2016 and 2015.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair 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

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Notes to Financial Statements
June 30, 2016 and 2015

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

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.

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.

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

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.

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, 2016 and 2015, \$68,952 and \$69,804, respectively, was received in in-kind contributions.

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Note 2: Capital Assets

Capital assets activity for the years ended June 30, 2016 and 2015, was:

2016	Beginning Balance	Additions	Reductions	Ending Balance
Towers and transmission equipment	\$ 311,669	\$ -	\$ -	\$ 311,669
Production equipment	92,476	-	35,524	56,952
Total	404,145	-	35,524	368,621
Less accumulated depreciation				
Towers and transmission equipment	310,066	1,603	-	311,669
Production equipment	92,476	-	35,524	56,952
Total	402,542	1,603	35,524	368,621
Property and equipment, net	<u>\$ 1,603</u>	<u>\$ (1,603)</u>	<u>\$ -</u>	<u>\$ -</u>
2015				
Towers and transmission equipment	\$ 311,669	\$ -	\$ -	\$ 311,669
Production equipment	92,476	-	-	92,476
Total	404,145	-	-	404,145
Less accumulated depreciation				
Towers and transmission equipment	306,416	3,650	-	310,066
Production equipment	92,476	-	-	92,476
Total	398,892	3,650	-	402,542
Property and equipment, net	<u>\$ 5,253</u>	<u>\$ (3,650)</u>	<u>\$ -</u>	<u>\$ 1,603</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 28% and 33% of all contributions were received from one grant source in 2016 and 2015, 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 at Omaha Alumni Association and 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.

Note 5: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.