

KVLU - FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
LAMAR UNIVERSITY
A Member of the Texas State University System

FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT

AUGUST 31, 2016 AND 2015

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FINANCIAL SECTION

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January 23, 2017

Independent Auditor's Report

To the Executive Administration
Lamar University
Beaumont, TX

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of KVLU – FM Radio as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the KVLU – FM Radio'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of KVLU – FM Radio as of August 31, 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 the inclusion of management's discussion and analysis which is reported on pages 3 through 5. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, on our consideration of KVLU – FM Radio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KVLU – FM Radio's internal control over financial reporting and compliance.

Wathen, DeShong & Juncker, L.L.P.

Wathen, DeShong & Juncker, L.L.P.

Certified Public Accountants

KVLU – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

The following discussion and analysis of KVLU – FM Radio is an overview of the financial activities for the year ended August 31, 2016, in comparison with the prior year financial results. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

The Station is a broadcast service of Lamar University: an agency of the State of Texas, governed by the Board of Regents, appointed by the Governor.

The Station’s primary functions are to promote and establish noncommercial educational programming for the Beaumont-Port Arthur metropolitan area and to provide educational opportunities for Lamar University students.

The Station’s signal reaches an estimated 400,000 people, and out of that number approximately 12,300 listeners each week. Contributing membership consists of approximately 610 households.

KVLU began operations in April of 1974 as a member of NPR. Programming was a mix of locally produced Classical and Jazz music along with syndicated concert broadcasts and offerings from NPR, most notable, *All Things Considered*.

In the early 1980’s KVLU’s audience and income was on a steady rise. Locally produced programming of features in local news and the local arts scene saw their beginning at this time. Remotes and on-stage live performances were broadcast increasing awareness and support by the public. Classical and jazz programming was expanded and improved.

By the 1990’s program costs escalated and staff and services were cut to maintain favorite programs. Growth slowed. Local news was scaled back and then eliminated. Commitment to the arts continued, however, making KVLU a major promoter of the local arts scene.

Today, KVLU is building again. Major donations are on the increase and new awareness campaigns are underway.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two: Introductory Section and Financial Section. The Financial Section includes notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

Statement of Net Position. One of the most important questions asked about the Station’s finances is “Is the Station better off or worse off as a result of the year’s activities?” The Statement of Net Position includes all of the Station’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Station and assessing the liquidity and financial flexibility of the Station.

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MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

Statement of Revenues, Expenses and Changes in Net Position. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Station's operations over the past year and can be used to determine whether the Station has successfully recovered all its costs through its grants, membership, underwriting and university support.

These two statements report the Station’s net position by component and changes in those components. Analyzing the Station’s net position—the difference between assets and liabilities—is one way to measure the Station’s financial health, or financial position. Over time, increases or decreases in the Station’s net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as the condition of the Authority’s distribution system, assess the overall health of the Station.

Statement of Cash Flows. The primary purpose of this statement is to provide information about the Station's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE STATION

The Station’s total net position decreased from \$29,023 to \$26,452 for the year ended August 31, 2016. The analysis focuses on the net position (Table 1) and changes in net position (Table 2). Unrestricted net position decreased by \$17,122 from \$23,917 to \$6,795 for the year ended August 31, 2016. Unrestricted net position represents assets that can be used to finance day-to-day operations without constraints.

Table 1	Condensed Statement of Net Position		
	Year End 2016	Year End 2015	Year End 2014
Current Assets	\$ 28,055	\$ 31,350	\$ 72,236
Noncurrent Assets	222	222	222
Total Assets	\$ 28,277	\$ 31,572	\$ 72,458
Current Liabilities	\$ 1,825	\$ 2,549	\$ 2,372
Total Liabilities	1,825	2,549	2,372
Net Investment in Capital Assets	222	222	222
Restricted	19,435	4,884	10,694
Unrestricted	6,795	23,917	59,170
Total Net Position	26,452	29,023	70,086
Total Liabilities and Net Position	\$ 28,277	\$ 31,572	\$ 72,458

KVLU – FM RADIO
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MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	Year End 2016	Year End 2015	Year End 2014
Operating Revenues	\$ 260,519	\$ 242,423	\$ 300,763
Non-operating revenues	300,135	304,805	297,893
Total Revenues	560,654	547,228	598,656
Program Services	363,923	395,281	388,718
Support Services	199,302	193,010	188,630
Total Expenses	563,225	588,291	577,348
Change in Net Position	(2,571)	(41,063)	21,308
Beginning Net Position	29,023	70,086	38,045
Prior Period Adjustment	-	-	10,733
Ending Net Position	\$ 26,452	\$ 29,023	\$ 70,086

- Operating revenues increased \$18,096 (7.5%) for the year ended August 31, 2016.
- Non-operating revenue includes University support and interest income.
- For the year ended August 31, 2016, expenses decreased \$25,066 (-4.3%) from \$588,291 to \$563,225 due to decreased programming and production costs, broadcasting costs, and program information costs.

CAPITAL ASSET

Capital Assets

Table 3 reflects changes in capital assets.

	Year End 2016	Year End 2015	Year End 2014
Land	\$ 222	\$ 222	\$ 222
Towers and transmission equipment	162,929	162,929	162,929
Broadcast and production equipment	104,843	104,843	115,857
Accumulated Depreciation	(267,772)	(267,772)	(278,786)
Total	\$ 222	\$ 222	\$ 222

CONTACTING THE STATION’S FINANCE MANAGEMENT

This financial report is designed to provide our donors, members, investment managers, foundation and taxpayers with a general overview of the Station’s finances and to show the Station’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact management at the following address: KVLU, P.O. Box 10064, Beaumont, TX 77710.

FINANCIAL STATEMENTS

KVLU – FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY

STATEMENTS OF NET POSITION
AUGUST 31, 2016 AND 2015

	ASSETS	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 28,055	\$ 31,350
Total current assets	28,055	31,350
NON-CURRENT ASSETS		
Capital assets, net	222	222
Total assets	\$ 28,277	\$ 31,572
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,825	\$ 2,549
Total liabilities	1,825	2,549
NET POSITION		
Net investment in capital assets	222	222
Temporarily restricted	19,435	4,884
Unrestricted	6,795	23,917
Total net position	26,452	29,023
Total liabilities and net position	\$ 28,277	\$ 31,572

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

KVLU – FM RADIO
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Community service grant from Corporation for Public Broadcasting	\$ 87,045	\$ 87,982
Membership donations	84,610	85,173
Underwriting and foundation grants	88,864	69,268
Total operating revenues	260,519	242,423
OPERATING EXPENSES		
Programming and production	283,747	305,305
Broadcasting	34,292	39,409
Program information	45,284	49,967
In kind broadcasting	600	600
General and administrative	92,817	82,239
In kind general and administrative	106,485	110,771
Total operating expenses	563,225	588,291
Operating loss	(302,706)	(345,868)
NON-OPERATING REVENUES		
Interest income	1,181	1,064
University support	191,869	192,370
University in kind support	106,485	110,771
In kind Timer Warner	600	600
Total non-operating revenues	300,135	304,805
Change in net position	(2,571)	(41,063)
Total net position, beginning of year	29,023	70,086
Total net position, end of year	\$ 26,452	\$ 29,023

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

KVLU – FM RADIO
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operating revenues	\$ 260,519	\$ 242,423
Payments to suppliers	(141,815)	(171,786)
Payments to employees	(236,756)	(232,094)
Payments for employee taxes and benefits	(78,293)	(72,863)
Net cash used in operating activities	(196,345)	(234,320)
NONCAPITAL FINANCING ACTIVITIES		
Interest income	1,181	1,064
University support	191,869	192,370
Net cash provided by noncapital financing activities	193,050	193,434
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,295)	(40,886)
CASH AND CASH EQUIVALENTS, at the beginning of the year	31,350	72,236
CASH AND CASH EQUIVALENTS, at the end of the year	\$ 28,055	\$ 31,350
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (302,706)	\$ (345,868)
In kind broadcasting	600	600
In kind general and administrative	106,485	110,771
Change in operating assets and liabilities		
Accounts payable	(724)	177
Net cash used in operating activities	\$ (196,345)	\$ (234,320)
SUPPLEMENTAL CASH FLOW INFORMATION		
In kind broadcasting	\$ 600	\$ 600
In kind general and administrative	106,485	110,771

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

KVLU – FM RADIO
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of KVLU - FM Radio, (the “station”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The station applies all GASB pronouncements. The more significant of the station’s accounting policies are described below.

Reporting Entity

KVLU – FM Radio is licensed and operated by Lamar University in Beaumont, Texas. The station has the responsibility to establish and operate a statewide public radio network and is the licensee of on public ration station. All amounts contained in this report are included in the financial statements of the University. As KVLU – FM Radio is part of the University, it is exempt from federal and state income taxes.

Basis of Accounting and Presentation

Government Accounting Standards Board Statement No. 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis (MD&A), Enterprise Fund financial statements, notes to financial statements, and required supplementary information other than MD&A, if applicable.

KVLU – FM Radio’s basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned and its expenses are recognized when they are incurred.

Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Cash and Cash Equivalent

Cash and cash equivalents include cash on hand and deposits in banks.

Accounts Receivable

The station uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the allowance method in all material respects. The station considers accounts receivable to be fully collectible; accordingly no allowance for doubtful accounts is recorded.

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Assets acquired by gift or bequest are recorded at their fair market values at the date of transfer. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Depreciation has been computed on a straight-line method using composite rates based on 7 years equipment. Depreciation expense for the years ended August 31, 2016 and 2015 was \$-0- and \$-0-.

Compensated Absences

Employees are entitled to paid vacation, paid sick days, and personal days off depending on length of service and other factors. Other than vacation, compensated absences do not vest and are recorded as expenses when paid.

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 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. Accordingly, actual results could differ from those estimates.

Net Position

KVLU – FM Radio’s net position is classified as follows:

Net investment in capital assets – This represents the station’s total investment in capital assets.

Restricted net position – The component of net position that reports the constraints placed on the use of net assets by either external parties and/or enabling legislation.

Unrestricted net position – Unrestricted net position represents resources derived from grants, membership donations, underwriting, and University support. These resources are used for transactions relating to the educational and general operations of the station and may be used to meet current expenses or for any other purpose.

It is the station’s policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

Contributions

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. Contributions are components of the unrestricted operating fund in as much as their usage is not limited to specific activities of the station. This usage is consistent with appeals for contributions.

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In Kind Contributions

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The station reports gifts of equipment, professional services, materials, and other nonmonetary contributions as unrestricted revenue in the accompanying statements of revenues, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Corporation for Public Broadcasting Community Service Grants

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

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

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

The CSGs are reported on the accompanying financial statements as increases in temporarily restricted net position until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net position and an increase in unrestricted net position.

Program and Production Underwriting

Revenue for program underwriting is recorded on a pro-rata basis for the period covered, and for production underwriting on an estimated percentage-of-completion basis.

Subsequent Events

KVLU – FM Radio has evaluated subsequent events through January 23, 2017, the date on which the financial statements were available for issue.

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Activities

The station's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

(2) DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. KVLU – FM Radio's deposit policy for custodial risk must comply with the provisions of state policy which requires all deposits placed in financial institutions to be at least 100% collateralized with securities that are acceptable to the Texas Comptroller. All securities, which serve as collateral against the deposits of a depository institution, must be safe kept at a nonaffiliated custodial facility.

At August 31, 2016 and 2015, the station's share of pooled cash maintained by the University was \$28,055 and 31,350, respectively. None of these deposits were exposed to custodial credit risk at August 31, 2016 and 2015.

(3) CAPITAL ASSETS

Capital asset activity for the year ending August 31, 2016 was as follows:

	Balance <u>09/01/2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>08/31/2016</u>
Capital assets, not being depreciated:				
Land	\$ 222	\$ -	\$ -	\$ 222
Capital assets, being depreciated:				
Towers and transmission equipment	162,929	-	-	162,929
Broadcast and production equipment	<u>104,843</u>	<u>-</u>	<u>-</u>	<u>104,843</u>
Total Capital assets, being depreciated	267,772	-	-	267,772
Less accumulated depreciation	<u>(267,772)</u>	<u>-</u>	<u>-</u>	<u>(267,772)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222</u>

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

(3) **CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ending August 31, 2015 was as follows:

	Balance <u>09/01/2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>08/31/2015</u>
Capital assets, not being depreciated:				
Land	\$ 222	\$ -	\$ -	\$ 222
Capital assets, being depreciated:				
Towers and transmission equipment	162,929	-	-	162,929
Broadcast and production equipment	<u>115,857</u>	<u>-</u>	<u>(11,014)</u>	<u>104,843</u>
Total Capital assets, being depreciated	278,786	-	(11,014)	267,772
Less accumulated depreciation	<u>(278,786)</u>	<u>-</u>	<u>11,014</u>	<u>(267,772)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222</u>

(4) **NONFEDERAL FINANCIAL SUPPORT (NFFS)**

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on 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 for each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operations 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 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, and educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payment 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.

KVLU – FM RADIO
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

(4) **NONFEDERAL FINANCIAL SUPPORT (NFFS) (CONTINUED)**

The assets, liabilities, and net position of the station are accounted for using the following funds for CPB purposes:

Radio Fund – This fund includes the resources that are available for support of the station’s Public Radio Network.

Reported NFFS for the station was \$366,524 and \$347,875 for the Radio Fund for the years ended August 31, 2016 and 2015, respectively.

(5) **COMMUNITY SERVICE GRANTS (CSGs)**

The station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The Community Service Grants received and expended during the most recent fiscal years are as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at Year End
		2014	2015	2016	
2014	\$ 90,476	\$ 79,782	\$ 10,694	\$ -	\$ -
2015	87,982	-	83,098	4,884	-
2016	87,045	-	-	67,610	19,435

(6) **STATE APPROPRIATIONS**

State appropriations include financial resources provided to the station through budgetary authorizations of Lamar University. State appropriations utilized were as follows:

	2016	2015
Lamar University	\$ 191,869	\$ 192,370

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

(7) **CONTRIBUTED IN KIND SUPPORT**

Contributed support represents expenses paid on behalf of the station by others outside the station, and includes contributed professional services, donated materials or facilities, and indirect administrative support. The amount of contributed services is reflected as revenues in the accompanying statement of revenues, expenses and changes in net position. As expenses of an equivalent amount are also recognized, there is no impact on net position.

A summary of the contributed support received is as follows:

Lamar University supported with facilities and administrative services. Lamar's allocated costs for this support totaled \$106,485 and \$110,771, respectively, for 2016 and 2015.

Contributed support from Time Warner consisted of certain administrative and other expenses incurred on behalf of the station. The costs were \$600 and \$600, respectively, for 2016 and 2015.

(8) **DEFINED BENEFIT PENSION PLAN**

No provision has been made in these financial statements for a defined benefit pension liability. Any liability is provided for on the University's financial statements.

(9) **RISK MANAGEMENT AND LITIGATION**

The station is subject to litigation in the normal course of business. Management does not believe that the station is party to any pending litigation, which would have a material adverse effect on its financial statements or future operations.

COMPLIANCE AND INTERNAL CONTROLS SECTION

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January 23, 2017

Independent Auditor's Report

Report On Internal Control Over Financial Reporting And On Compliance And
Other Matters Based On An Audit Of Financial Statements Performed In Accordance
With *Government Auditing Standards*

To the Executive Administration
Lamar University
Beaumont, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of KVLU – FM Radio, as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise KVLU – FM Radio's basic financial statements, and have issued our report thereon dated January 23, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KVLU – FM Radio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KVLU – FM Radio's internal control. Accordingly, we do not express an opinion on the effectiveness of KVLU – FM Radio's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Executive Administration
Lamar University
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether KVLU – FM Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wathen, DeShong & Juncker, L.L.P.

Wathen, DeShong & Juncker, L.L.P.
Certified Public Accountants