



KUER-FM RADIO
(A Public Telecommunications Department of the University of Utah)

Financial Statements

June 30, 2009

(With Independent Auditors' Report Thereon)

KUER-FM RADIO
(A Public Telecommunications Department of the University of Utah)

Table of Contents

	Page(s)
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 7
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10 – 11
Notes to Financial Statements	12 – 19



KPMG LLP
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Independent Auditors' Report

KUER-FM Radio
The University of Utah Board of Trustees
and
Michael K. Young, President:

We have audited the accompanying statement of net assets of KUER-FM Radio (a public telecommunications department of the University of Utah) as of June 30, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of KUER-FM Radio's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the KUER-FM Radio's 2008 financial statements and, in our report dated December 19, 2008, we expressed an unqualified opinion on the financial statements.

We conducted our audit 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KUER-FM Radio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1(a) to the financial statements, the financial statements present the financial position of KUER-FM Radio, a public telecommunications department of the University of Utah, and do not purport to, and do not present the financial position of the University of Utah as of June 30, 2009, and the changes in its financial position or cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUER-FM Radio as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of KUER-FM Radio's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis presented on pages 3 through 7 is not a required part of the basic financial statements of KUER-FM Radio, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

December 18, 2009

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of KUER-FM Radio (the Station) as of and for the year ended June 30, 2009, with selected comparative information as of and for the year ended June 30, 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto.

The Station is a public radio station licensed to the University of Utah. Founded in 1960, the Station was one of the original 100 National Public Radio (NPR) affiliates. The Station broadcasts national news and information programs provided by NPR, Public Radio International and American Public Media, local news and information programs, as well as jazz music. Through an extensive translator network, the Station reaches the vast majority of the State of Utah's population. Though the Station is one of five noncommercial radio signals available to Salt Lake City, Utah residents, the Station's audience is at an all-time high, reaching over 120,000 listeners each week.

FINANCIAL HIGHLIGHTS

The Station's financial position at June 30, 2009 included total assets of \$2,450,491 and total liabilities of \$280,214. Net assets, which represent the residual interest in the Station's assets after liabilities are deducted, increased by \$373,749 to \$2,170,277 at June 30, 2009.

Changes in net assets represent the total activity of the Station, which results from all revenues, expenses, gains, and losses and are summarized for the years ended June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Total revenues	\$3,138,490	\$3,299,390
Total expenses	<u>2,764,741</u>	<u>2,818,864</u>
Increase in net assets	<u>\$ 373,749</u>	<u>\$ 480,526</u>

Total revenues decreased by \$160,900 in fiscal year 2009 due primarily to decreases of \$229,583 in contributions, \$200,775 from the State of Utah, and \$31,718 in indirect in-kind support from governmental entities. These decreases were offset with increased revenue of \$279,318 from federal grants, and \$29,561 from other income. Expenses, as described using functional classifications, decreased by \$54,123 primarily due to a decrease of \$90,750 in broadcasting expenses. Fundraising and membership development expenses also decreased by \$10,973. These decreases were offset by an increase in programming and production expenses of \$13,901, in program information expenses of \$6,089 and in management and general expenses of \$27,610.

USING THE FINANCIAL STATEMENTS

The Station's financial report is prepared on the accrual basis of accounting and conforms to principles of *Accounting and Financial Reporting for Public Telecommunication Entities* published by the Corporation for Public Broadcasting (CPB), which conforms to U.S. generally accepted accounting principles and includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the Station at the end of the fiscal year and includes all assets and liabilities of the Station. The difference between total assets and total liabilities is net assets and is one indicator of the current financial condition of the Station, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the Station's assets, liabilities, and net assets at June 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Current assets	\$1,529,145	\$1,087,489
Noncurrent assets	921,346	895,800
Total assets	2,450,491	1,983,289
Current liabilities	280,214	186,761
Net assets	<u>\$2,170,277</u>	<u>\$1,796,528</u>

A review of the Station's Statement of Net Assets as of June 30, 2009 and 2008 shows that the Station still maintains its favorable financial foundation. This financial position results from the efficient management and wise use of its financial resources.

Current assets consist of cash, receivables, prepaid expenses, and investments. Total current assets increased by \$441,656. The increase was due primarily to increases in cash and accounts receivable. These increases were offset by a decrease in investments and prepaid expense.

Noncurrent assets consist of net capital assets net of accumulated depreciation. Capital assets increased by \$25,546 during the 2009 fiscal year. Capital purchases totaling \$136,691 contributed to the increase.

Current liabilities consist of accounts payable and accrued personnel services. Total current liabilities increased by \$93,453 during fiscal year 2009 due to an increase in accounts payable of \$81,265, and an increase in accrued personnel services of \$12,188.

NET ASSETS

Net assets represent the residual interest of the Station's assets after liabilities are deducted. *Invested in capital assets* represents the Station's capital assets net of accumulated depreciation. *Restricted expendable net assets* are subject to externally imposed restrictions governing their use. Although *unrestricted net assets* are not subject to externally imposed stipulations, most of the Station's unrestricted net assets have been designated for various programming and broadcasting needs, as well as capital projects.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the Station's results of operations. A comparison of the Station's revenues, expenses, and changes in net assets for the years ended June 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 9,105	\$ 8,864
Operating expenses	<u>2,764,741</u>	<u>2,818,864</u>
Operating loss	(2,755,636)	(2,810,000)
Nonoperating revenues	<u>3,129,385</u>	<u>3,290,526</u>
Increase in net assets	373,749	480,526
Net assets – beginning of year	<u>1,796,528</u>	<u>1,316,002</u>
Net assets – end of year	<u><u>\$ 2,170,277</u></u>	<u><u>\$ 1,796,528</u></u>

The Station's main revenue sources are the University of Utah, the Corporation for Public Broadcasting, individuals, foundations, corporations, and the State of Utah. The Station also receives funds from the National Telecommunications and Information Administration (NTIA) for specialized capital projects. The NTIA funds have to be applied for each year, and grants are not awarded every year. The Station, as in the past, will continue to aggressively seek funding from all possible sources consistent with its mission.

The Station's nonoperating revenues decreased by \$161,141 in fiscal year 2009. The decrease in revenues was primarily due to a decrease in matching grant revenue from the State of Utah of \$200,775. Indirect support from the University of Utah decreased by \$4,781. Indirect in-kind support from governmental entities decreased by \$31,718 primarily due to less revenue from the South Central Utah TV Association CIB grant. Contributions decreased by \$229,583 primarily due to less money being raised for the Station's digital conversion capital campaign. Underwriting revenue decreased by \$5,050 primarily due to a more challenging economic environment in which to raise money from foundations and corporations. Investment income decreased by \$7,584 primarily due to a reduction in the market value of investments. These decreases were offset with an increase in direct support from the University of Utah of \$9,471 and an increase of Federal grants of \$279,318 primarily due to an NTIA grant. Other income also increased by \$29,561 primarily due to more revenue being raised from special events.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

A comparative summary of the Station's operating expenses by functional classification for the years ended June 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Program services		
Programming and production	\$1,298,767	\$1,284,866
Broadcasting	462,260	553,010
Program information	227,714	221,625
Total program services	<u>1,988,741</u>	<u>2,059,501</u>
Support services		
Management and general	265,471	237,861
Fundraising and membership development	510,529	521,502
Total support services	<u>776,000</u>	<u>759,363</u>
Total expenses	<u><u>\$2,764,741</u></u>	<u><u>\$2,818,864</u></u>

The Station's operating expenses decreased by \$54,123 in fiscal year 2009. Broadcasting expenses decreased by \$90,750 primarily due to a decrease in expenses related to the South Central Utah TV Association. CIB grant and a decrease in personnel and consulting expenses. Fundraising and membership development expenses decreased by \$10,973 primarily due to personnel and fund drive gift expenses. Programming and production expenses increased by \$13,901 primarily due to an increase in expenses related to program purchases and production. Program information expenses increased by \$6,089 primarily due to more in-kind advertising expenses. Management and general expenses increased by \$27,610 primarily due to increases in personnel and office remodeling expenses.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the Station's financial activity by reporting the major sources and uses of cash.

The Station's cash increased by \$193,477 primarily due to a decrease in net cash used by operating activities. This was offset by a decrease in cash provided by noncapital financing activities. \$136,691 in cash was also used for capital expenditures. The Station's significant sources of cash provided by noncapital financing activities include funding from the University of Utah, State of Utah, CPB, and contributions.

CURRENT FACTORS HAVING PROBABLE FUTURE FINANCIAL SIGNIFICANCE

The Station faces various financial challenges in the future. Like much of the public radio system, the Station has made considerable investments in digital technologies to transition from analog to digital-based broadcasting in the Station's studio and at remote sites where translators are housed. The Station is now broadcasting three digital signals along with its analog signal. It is unknown to what degree these new digital signals will result in more listeners and, in turn, more business and listener revenues.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

The explosion of portable handheld devices such as iPods, smart phones, and blackberries poses potential challenges to traditional media forms. This is largely due to these devices' enormous capacity to store music, pictures, and video. The Station hopes to lure young listeners away from portable, handheld devices with its investment in digital, high definition radio technology.

The entire public radio system continues to be increasingly dependent on individual, foundation, and corporate donations as federal and state sources of revenue have declined. The Station still faces an uncertain future with state and federal funding. As a result, private funding sources will remain very important.

The most significant short-term challenges are those outside the Station's control. These challenges include the volatility of the state and national economies and the current economic recession. The wars in Iraq and Afghanistan, and unexpected natural disasters are beyond our control. If crises arise that draw upon local foundations, new revenues would have to be found to replace those lost from foundations.

The Station will continue to be prudent in its long-term planning. While it is not possible to predict future listener behaviors, management will be aggressive in meeting these economic uncertainties to maintain its favorable financial position in this rapidly evolving industry.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

STATEMENT OF NET ASSETS

As of June 30

	<u>2009</u>	<u>[For Comparison Only] 2008</u>
ASSETS		
Current assets		
Cash	\$ 566,087	\$ 353,457
Restricted cash	278,264	297,417
Receivables, net (Note 2)	259,138	295,911
Restricted receivables (Note 2)	361,013	72,625
Prepaid expense	13,837	14,941
Investments (Note 4)	50,806	53,138
Total current assets	<u>1,529,145</u>	<u>1,087,489</u>
Noncurrent assets		
Capital assets, net (Note 3)	921,346	895,800
Total noncurrent assets	<u>921,346</u>	<u>895,800</u>
Total assets	<u>2,450,491</u>	<u>1,983,289</u>
LIABILITIES		
Current liabilities		
Accounts payable	144,553	63,288
Accrued personnel services	135,661	123,473
Total current liabilities	<u>280,214</u>	<u>186,761</u>
NET ASSETS		
Invested in capital assets	921,346	895,800
Restricted – expendable	639,277	370,042
Unrestricted	609,654	530,686
Total net assets	<u>\$ 2,170,277</u>	<u>\$ 1,796,528</u>

See accompanying notes to financial statements

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years ended June 30

	<u>2009</u>	<u>[For Comparison Only] 2008</u>
OPERATING REVENUES		
Sales and services	\$ 9,105	\$ 8,864
Total operating revenues	<u>9,105</u>	<u>8,864</u>
OPERATING EXPENSES		
Broadcasting	462,260	553,010
Programming and production	1,298,767	1,284,866
Program information	227,714	221,625
Management and general	265,471	237,861
Fundraising and membership development	510,529	521,502
Total operating expenses	<u>2,764,741</u>	<u>2,818,864</u>
Operating loss	<u>(2,755,636)</u>	<u>(2,810,000)</u>
NONOPERATING REVENUES (EXPENSES)		
Direct support from University of Utah	472,335	462,864
Direct support from State of Utah	16,875	217,650
Indirect support from University of Utah	262,199	266,980
Indirect in-kind support from governmental entities	12,893	44,611
Federal grants	561,228	281,910
Contributions	1,038,379	1,267,962
Underwriting	709,722	714,772
Investment income (loss) (Note 4)	(5,069)	2,515
Other	60,823	31,262
Total nonoperating revenues	<u>3,129,385</u>	<u>3,290,526</u>
Increase in net assets	373,749	480,526
NET ASSETS		
Net assets – beginning of year	<u>1,796,528</u>	<u>1,316,002</u>
Net assets – end of year	<u>\$ 2,170,277</u>	<u>\$ 1,796,528</u>

See accompanying notes to financial statements

KUER-FM RADIO**(A Public Telecommunications Department of the University of Utah)****STATEMENT OF CASH FLOWS**

Years ended June 30

	2009	[For Comparison Only] 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	\$ 8,605	\$ 8,864
Cash payments for salaries, wages, and benefits	(1,224,180)	(1,100,426)
Cash payments for other operating activities	(981,255)	(1,245,269)
Net cash used by operating activities	<u>(2,196,830)</u>	<u>(2,336,831)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from the University of Utah	479,835	455,364
Cash received from State of Utah	16,875	217,650
Cash received from Corporation for Public Broadcasting	200,215	199,970
Cash received from other federal grants	72,626	9,315
Cash received from contributions	1,015,279	1,253,620
Cash received from underwriting	681,242	638,039
Cash received from other income	56,163	27,722
Net cash provided by noncapital financing activities	<u>2,522,235</u>	<u>2,801,680</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY		
Capital expenditures	(136,691)	
Net cash used by capital financing activity	<u>(136,691)</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest income	4,763	6,718
Net cash provided by investing activities	<u>4,763</u>	<u>6,718</u>
Net increase in cash	193,477	471,567
Cash, beginning of year	650,874	179,307
Cash, end of year	<u>\$ 844,351</u>	<u>\$ 650,874</u>

See accompanying notes to financial statements

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

STATEMENT OF CASH FLOWS

Years ended June 30

	<u>2009</u>	<u>[For Comparison Only] 2008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$(2,755,636)	\$(2,810,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	111,145	94,172
Indirect support from University of Utah	262,199	266,980
Indirect support from government entities	12,893	44,611
In-kind donations	78,512	71,171
Change in assets and liabilities:		
Prepaid expenses	1,104	(7,241)
Receivables related to operating revenue	(500)	
Accounts payable and accruals	93,453	3,476
Net cash used by operating activities	<u><u>\$(2,196,830)</u></u>	<u><u>\$(2,336,831)</u></u>

See accompanying notes to financial statements

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(1) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting and conform to principles of *Accounting and Financial Reporting for Public Telecommunications Entities*, published by the Corporation for Public Broadcasting (CPB), which conform to U.S. generally accepted accounting principles.

(a) Organization

KUER-FM Radio (the Station) is operated by the University of Utah (the University), Salt Lake City, Utah. There are common management and facilities between the Station and two affiliated television stations, KUED-TV and KUEN-TV. Certain Station personnel share their time among the Station, KUED-TV, and KUEN-TV.

All Governmental Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standards Board (FASB) pronouncements are applied by the Station in the accounting and reporting of its operations. However, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Station has elected not to apply FASB pronouncements issued after November 30, 1989. The University sets accounting policy for the University as a whole and for all separately issued financial statements. The Station, as a department of the University, follows those accounting policies.

Effective with the 2008-2009 fiscal year, the Station implemented the following new standards issued by the GASB:

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The effects of this standard were immaterial to the Station and therefore had no effect on the financial statements.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this standard had no effect on the Station's financial statements or accounting practices.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. Implementation of this standard had no effect on the Station's financial statements or accounting practices.

(b) Basis of Accounting

All statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Operating activities include all revenues and expenses, derived on an exchange basis, used to support the service efforts of the Station. Additionally, donations in-kind that are deemed to support the service efforts of the Station, as defined by its mission, goals, and objectives, are recorded as operating expenses. Such donations in-kind are also reflected as a part of nonoperating revenues as they are considered nonexchange transactions as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The accounting for revenues of the Station recorded in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets is as follows:

- **Sales and services** – Sales and services represent funds received from locally produced programming and facilities rentals. These amounts are recorded as services are rendered.
- **Direct support from the University of Utah** – Direct support from the University represents funds received to support various Station personnel and underwriting support. These amounts are recorded as revenue and associated expense at the estimated fair value or actual amounts where known at the time such costs are incurred.
- **Direct support from the State of Utah** – Direct support from the State of Utah represents funds received to match federal funding from the Department of Commerce. These funds are used to support the Station's broadcasting department. These revenues are recognized when legally effective, which is the first day of the State of Utah's fiscal year, July 1.
- **Indirect support from the University of Utah** – Indirect support from the University represents costs associated with certain administrative and other services provided by the University. These amounts are recorded as revenue and associated expense at the estimated fair value or actual amounts where known at the time such costs are incurred. The Station uses the University's negotiated facilities and administrative rate for other sponsored programs to determine indirect support. The rate is assessed against eligible Station expenses in deriving the amount recognized as indirect University support.
- **Indirect in-kind support from governmental entities** – Indirect in-kind support from governmental entities represents services provided by governmental entities and certain transmitter expenses. This support is recognized throughout the year as costs are incurred and expended by other governmental entities.
- **Federal grants** – Federal grants represent funds received from federal agencies to assist in the purchase of capital assets and to support programming and operating activities. These revenues are recognized at the time the Station has met the eligibility requirements as defined by the grant.
- **Corporation for Public Broadcasting** – Corporation for Public Broadcasting represents funds received from the CPB to support the operations of the Station, including personnel, programming and production, broadcasting, program information, educational services, training, and purchase of capital assets. These revenues are recognized as federal grants at the time the Station has met the eligibility requirements as defined by the grant.
- **Contributions** – Contributions represent funds received from individuals through on-air, direct mail, and special event fundraisers and are used to purchase national and locally produced programming. Pledges are recognized as revenue when a pledge is made by a donor and the amount is estimable and deemed probable of collection. Pledges for endowments are not recognized as receivable per GASB Statement No. 33.
- **Underwriting** – Underwriting represents funds received from local corporations and foundations to purchase national and locally produced programming. Underwriting revenues are recognized as revenues and expenses upon execution of an underwriting contract.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(c) **Investments**

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are stated at their fair value. GASB Statement No. 31 requires that certain investments be reported at fair value and that investment income includes changes in the fair value of these investments. Such changes in fair value are reflected in investment income (loss) in the Statement of Revenues, Expenses, and Changes in Net Assets.

(d) **Capital Assets**

Capital assets are recorded at cost or, in the case of donated equipment, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building	40 years
Transmitter	15 years
Broadcast equipment	5 to 10 years

Expenditures for repairs and maintenance are charged to expense as incurred.

(e) **Income Taxes**

The University, as a political subdivision of the State of Utah, has a dual status for federal income tax purposes. The University is both an Internal Revenue Code (IRC) Section 115 organization and an IRC Section 501(c)(3) charitable organization. This status exempts the University from paying federal income tax on revenue generated by activities that are directly related to the University's mission. This exemption does not apply to unrelated business activities. On these activities, the University is required to report and pay federal and state income tax. The Station, as a separate department of the University, shares in these same tax exemptions.

(f) **Use of Estimates**

Management of the Station has made estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(g) **Restricted Resources**

When the Station has both restricted and unrestricted resources available to finance a particular program, it is the Station's practice to use restricted resources before unrestricted resources.

(h) **Disclosures**

Financial information for fiscal year ended June 30, 2008 is included for comparison only and is not complete. Complete information is available in the separately issued financial statements for that year.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(2) Accounts Receivable

Accounts receivable at June 30 consist of the following:

	2009	[For Comparison Only] 2008
Federal grants – restricted	\$ 361,013	\$ 72,625
Underwriting	199,121	238,874
Contributions	132,677	98,823
Other	625	7,626
	<u>693,436</u>	<u>417,948</u>
Less allowance for doubtful accounts	<u>(73,285)</u>	<u>(49,412)</u>
	<u>\$620,151</u>	<u>\$368,536</u>

(3) Capital Assets

Capital assets at June 30, 2009 consist of the following:

	Beginning balance	Additions	Retirements	Ending balance
Transmitter	\$ 183,341			\$ 183,341
Broadcast equipment	377,444	\$ 136,691	\$43,011	471,124
Building	1,494,199			1,494,199
Total	<u>2,054,984</u>	<u>136,691</u>	<u>43,011</u>	<u>2,148,664</u>
Less accumulated depreciation				
Transmitter	139,381	6,280		145,661
Broadcast equipment	256,664	55,314	43,011	268,967
Building	763,139	49,551		812,690
Total accumulated depreciation	<u>1,159,184</u>	<u>111,145</u>	<u>43,011</u>	<u>1,227,318</u>
Capital assets, net	<u>\$ 895,800</u>	<u>\$ 25,546</u>	<u>\$ 0</u>	<u>\$ 921,346</u>

(4) Investments

The State of Utah Money Management Council (Council) has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (Act) that relate to the deposit and investment of public funds.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Except for endowment funds, the University follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council.

The Act defines the types of securities authorized as appropriate investments for the University's non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

These statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State, and participants share proportionally in any realized gains or losses on investments.

The Station participates in the University's endowment pool. The University holds the investments within the pool on behalf of the Station. The Station holds an interest in the University's investment pool, but not in specific investment instruments within that pool. The Station carries its interest at fair value and had a net unrealized, noncash loss of \$9,832 for the year ended June 30, 2009.

For endowment funds, the University follows the requirements of the UPMIFA, State Board of Regents' Rule 541, Management and Reporting of Institutional Investments (Rule 541), and the University's investment policy and endowment guidelines.

The UPMIFA, Rule 541, and the University's endowment guidelines allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds registered with the Securities and Exchange Commission or the Comptroller of the Currency (e.g., mutual funds); professionally managed pooled or commingled investment funds created under 501(f) of the Internal Revenue Code which satisfy the conditions for exemption from registration under Section 3(c) of the Investment Company Act of 1940; any investment made in accordance with the donor's directions in a written instrument; and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital, private equity, both domestic and international), natural resources, and private real estate assets or absolute return and long/short hedge funds.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The Station's participation in the University's endowment pool exposes it to a portion of the applicable risks.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For endowment funds Rule 541 requires that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Act, the UPMIFA, and Rule 541, as previously discussed.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of its investments that are in the possession of an outside party. The University's policy for reducing its exposure to custodial credit risk is to comply with applicable provisions of the Act. As required by the Act, all applicable securities purchased were delivered versus payment and held in safekeeping by a bank. Also, as required, the ownership of book-entry-only securities, such as U.S. Treasury or Agency securities, by the University's custodial bank was reflected in the book-entry records of the issuer and the University's ownership was represented by a receipt, confirmation, or statement issued by the custodial bank.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Council or the UPMIFA and Rule 541, as applicable. For endowments, the University, under Rule 541, is permitted to establish its own investment policy which adheres to the guidelines established by UPMIFA. Accordingly, the University's Pool Asset Allocation Guidelines allocates endowment funds in the following asset classes:

<u>Asset class</u>	<u>Target allocation</u>	<u>Allocation range</u>
Global marketable equities	45%	20% – 60%
Global marketable fixed income	30%	25% – 50%
Alternatives	25%	5% – 30%

The University diversifies assets among multiple investment managers of varying investment styles to the extent that such diversification can be expected to reduce risk without sacrificing expected investment return, or that such diversification may produce greater investment return without incurring any greater risk.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(5) Pension Plans and Retirement Benefits

As required by state law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the Station are covered by the Utah State and School Contributory or Noncontributory Retirement System (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Fidelity Investments (Fidelity), or Vanguard Group, Inc. (Vanguard).

The Station contributes to the Systems that are multi-employer, cost-sharing, defined benefit pension plans. The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated, 1953*, as amended. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems.

Plan members in the Utah State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salaries, all of which is paid by the Station, and the Station is required to contribute 9.73% of their annual salaries. In the Utah State and School Noncontributory Retirement System, the Station is required to contribute 14.22% (including 1.50% to a 401(k) salary deferral program) of plan members' annual salaries. The contribution requirements of the Systems are authorized by statute and specified by the Board, and the contribution rates are actuarially determined.

TIAA-CREF, Fidelity, and Vanguard provide individual retirement fund contracts with each participating employee. Employees may allocate contributions by the Station to any or all of the providers and the contributions to the employee's contract(s) become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2009, the Station's contribution to this defined contribution pension plan was 14.20% of the employees' annual salaries. The Station has no further liability once contributions are made.

For the years ended June 30, 2009, 2008, and 2007, the Station's contributions to the Systems, TIAA-CREF, Fidelity, and Vanguard were equal to the required amounts as follows: \$120,386, \$111,932, and \$106,771, respectively.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(6) Risk Management

The Station participates in the University's insurance coverage program for commercial general liability, automobile, errors and omissions, and property (building and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the Station and authorized volunteers are covered by workers' compensation and employees' liability through the Workers' Compensation Fund of Utah.

In addition, the Station participates in the University-maintained self-insurance funds for health care, dental, and auto/physical damage, as well as hospital and physicians' malpractice liability self-insurance funds, which are held in a trust with an independent financial institution in compliance with Medicare reimbursement regulations. The Station's participation in these programs is funded through indirect support provided by the University.

(7) Commitments

The Station's rent for the year ended June 30, 2009 totaled \$10,449 for land where the Station transmitter is located. The rental payments under the lease are approximately \$10,449 per year expiring in July 2012, with a renewal option for an additional 10 years.