

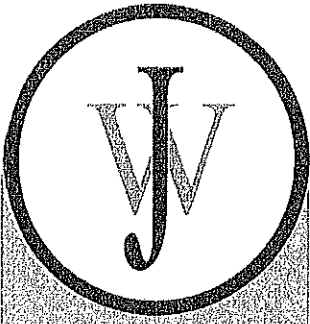
**KTSU-FM RADIO**  
**(A Component of Texas Southern University)**

**FINANCIAL STATEMENTS**

**For the Years Ended**  
**August 31, 2016 and 2015**

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# J. WALKER & COMPANY<sup>APC</sup>

— ACCOUNTANTS AND ADVISORS —

## INDEPENDENT AUDITORS' REPORT

To the Executive Administration  
Texas Southern University  
Houston, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of **KTSU-FM Radio** (a component unit), as of August 31, 2016, and the related notes to the financial statements, which collectively comprise **KTSU-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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 auditors' 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 auditors consider 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **KTSU-FM Radio** as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Prior Period Financial Statements

The financial statements of **KTSU-FM Radio** as of August 31, 2015, were audited by other auditors whose report dated March 01, 2016, expressed an unmodified opinion on those statements.

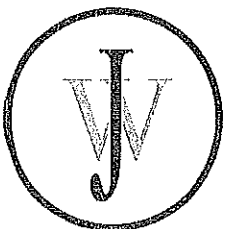
## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2017, on our consideration of **KTSU-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 **KTSU-FM Radio's** internal control over financial reporting and compliance.

*J. Walker & Company, APC*

Houston, Texas

February 22, 2017



KTSU-FM Radio  
(A Component of Texas Southern University)  
Management's Discussion and Analysis – Unaudited  
For the Years Ended August 31, 2016 and 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED

This section of KTSU-FM Radio (the "Organization) annual financial report presents our discussion and analysis of the financial performance of the radio stations for the year ended August 31, 2016 in comparison with prior year's financial results. This discussion and analysis has been prepared by the management along with the financial statements and related note disclosures and should be read in conjunction with, and is qualified in its entirety by the financial statements and footnotes . This discussion and analysis is designed to focus on current activities, resulting changes and current known facts. The financial statements, footnotes and this discussion are the responsibility of management.

We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY  
TEXAS STATE UNIVERSITY

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

The organization is committed to:

Maintaining the highest possible professional standards of program content and present technical quality within the broadcast industry in affirmation of its leadership role in the public radio community, measured by traditional standards of audience and budget size;

Improving the quality of life for the university and the community by increasing their awareness of the beauty, richness and depth of our cultural heritage through the presentation of jazz and other music feature;

Providing its listeners with thoughtful, thorough, and well-balanced coverage of news and current events. As well as educational, social, and cultural issues that impact their lives through university and community-based programs.

Improving partnerships with community organizations to advance and enrich the cultural life of metropolitan Houston through the broadcast of community-based activities;

Promoting the resources and services of the university to the community at large through educationally produced programming; and

Providing training for Texas Southern University's telecommunications students.

KTSU began operations in June of 1972 providing non-commercial schedules of jazz music and other special programming 24 hours a day.

KTSU-FM Radio  
(A Component of Texas Southern University)  
Management's Discussion and Analysis – Unaudited  
For the Years Ended August 31, 2016 and 2015

The Organization is funded by community support through membership campaigns and donations, by special events, Texas Southern University and through a grant from the Center for Public Broadcasting (CPB).

REPORTING ENTITY

Texas Southern University operates the not-for-profit Organization through the Department of Public Broadcasting under licenses granted to the board or regions of the University. The assets, liabilities and net position of the Organization are included in the financial statements of Texas Southern University. The financial statements have been prepared in accordance with generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consist of two sections; introductory and financial. The Financial section includes notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Organization's financial report includes three financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position and the statement of cash flows- indirect method. The financial statements presented focus on the financial condition, the results of operation and cash flows of the Organization taken as a whole. These financial statements are presented in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements- and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended b GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred inflows of Resources and Net Position*.

**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.

**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 grant, membership, underwriting and university support.

KTSU-FM Radio  
(A Component of Texas Southern University)  
Management's Discussion and Analysis – Unaudited  
For the Years Ended August 31, 2016 and 2015

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 the 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 increased from \$384,958 to \$482,184 for the year ended August 31, 2016. The analysis focuses on the net position (Condensed Statement of Net Positions) and changes in net position (Combined Statement of Revenue, Expenses, and Changes in Net Position). Unrestricted net position decreased by \$57,564 from \$384,958 to \$327,394 for the year ended August 31, 2016. Unrestricted net position represents assets that can be used to finance day-to-day operations without constraints.

**Condensed Statement of Net Positions**

	Year End 2016	Year End 2015	Year End 2014
Current Assets	\$ 487,275	\$ 525,252	\$ 495,968
Noncurrent Assets	<u>8,562</u>	<u>-</u>	<u>12,337</u>
Total Assets	<u>495,837</u>	<u>525,252</u>	<u>508,305</u>
Current Liabilities	<u>13,653</u>	<u>140,294</u>	<u>149,685</u>
Total Liabilities	<u>13,653</u>	<u>140,294</u>	<u>149,685</u>
Net Investment in Capital Assets	8,562	-	-
Restricted	120,462	-	-
Unrestricted	<u>353,160</u>	<u>384,958</u>	<u>358,620</u>
Total Net Position	<u>482,184</u>	<u>384,958</u>	<u>358,620</u>
Total Liabilities and Net Position	<u>\$ 495,837</u>	<u>\$ 525,252</u>	<u>\$ 508,305</u>

KTSU-FM Radio  
(A Component of Texas Southern University)  
Management's Discussion and Analysis – Unaudited  
For the Years Ended August 31, 2016 and 2015

**Combined Statement of Revenue, Expenses, and Changes in Net Position**

	Year Ended 2016	Year Ended 2015	Year Ended 2014
Operating Revenues	\$ 433,010	\$ 576,109	\$ 608,262
Non-operating revenues	<u>450,770</u>	<u>453,731</u>	<u>539,853</u>
Total Revenues	883,780	1,029,840	1,148,115
Program Services	619,765	807,753	953,155
Support Services	<u>166,789</u>	<u>195,749</u>	<u>197,066</u>
Total Expenses	<u>786,554</u>	<u>1,003,502</u>	<u>1,150,221</u>
Changes in Net Position	97,226	26,338	(2,106)
Beginning Net Position	<u>384,958</u>	<u>358,620</u>	<u>360,726</u>
Ending Net Position	<u>\$ 482,184</u>	<u>\$ 384,958</u>	<u>\$ 358,620</u>

Operating revenues decreased \$146,060 (14%) 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 \$216,948 (22%) from \$1,003,502 to \$786,554 due to decreased broadcasting costs, program information costs, and general and administrative costs.

	Year Ended 2016	Year Ended 2015	Year Ended 2014
Towers and transmission equipment	\$ 200,140	\$ 200,140	\$ 200,140
Broadcast and production equipment	41,012	69,820	69,820
Accumulated Depreciation	<u>(232,590)</u>	<u>(269,960)</u>	<u>(257,623)</u>
Total	<u>\$ 8,562</u>	<u>\$ -</u>	<u>\$ 12,337</u>

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 funds it receives. If you have questions regarding this report or need additional financial information or data contact management at the following address: KTSU-FM Radio, 3100 Cleburne Street, Houston, TX 77004



# **Basic Financial Statements**

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
**Statement of Net Position**  
**As of August 31,**

**ASSETS**

	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 21,433	\$ 37,317
Pledges receivable, net	465,842	487,935
Total current assets	487,275	525,252
 <b>NON-CURRENT ASSETS</b>		
Capital assets, net	8,562	-
Total assets	\$ 495,837	\$ 525,252

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Deferred revenue	\$ -	\$ 120,462
Accrued expenses	13,653	19,832
Total liabilities	13,653	140,294
 <b>NET POSITION</b>		
Net investment in capital assets	8,562	-
Restricted net position	120,462	-
Unrestricted net position	353,160	384,958
Total net position	482,184	384,958
Total liabilities and net position	\$ 495,837	\$ 525,252

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

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended August 31,**

	2016	2015
<b>OPERATING REVENUES</b>		
Community service grant from Corporation for Public Broadcasting	\$ 146,228	\$ 240,293
Membership donations	168,492	60,480
Rental Income	36,501	43,221
Underwriting and foundation grants	-	105,796
Special events and sponsorships	81,789	126,319
Total operating revenues	433,010	576,109
<b>OPERATING EXPENSES</b>		
Programming and production	541,268	698,895
Broadcasting	68,744	85,617
Program information	9,753	23,241
General and administrative	58,389	54,372
In kind general and administrative	108,400	141,377
Total operating expenses	786,554	1,003,502
Operating income (loss)	(353,544)	(427,393)
<b>NON-OPERATING ACTIVITIES</b>		
University support	638,181	602,402
In kind support	-	73,012
Pledges write-off	(187,411)	(209,346)
Depreciation	-	(12,337)
Total non-operating revenues	450,770	453,731
Change in net position	97,226	26,338
<b>Total net position, beginning of year</b>	384,958	358,620
<b>Total net position, end of year</b>	\$ 482,184	\$ 384,958

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

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
**Statement of Cash Flows**  
**As of August 31,**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities:</b>		
Increase (decrease) in net assets	\$ 97,226	\$ 26,338
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	-	12,337
Decrease in pledges receivable, net	22,093	(74,958)
Decrease in accounts payable	(6,179)	(10,725)
Decrease in accrued compensable absences	-	(4,533)
Decrease in deferred revenues	(120,462)	5,867
Total adjustments	(104,548)	(72,012)
Net cash generated by operating activities	(7,322)	(45,674)
 <b>Cash Flows From Investing Activities:</b>		
Increase in capital assets	(8,562)	-
Net cash used in investing activities	(8,562)	-
 Net increase in cash	(15,884)	(45,674)
 Cash at beginning year	37,317	82,991
Cash at end of year	\$ 21,433	\$ 37,317

**Supplementary disclosure of cash flow information:**

1. There was no interest paid during the year.
2. There was no non-cash investing or financing transactions.

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

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies**

KTSU-FM Radio (the “Organization”) is a major component of outreach for Texas Southern University, an agency of the State of Texas, in Houston, Texas providing the community-at-large with non-commercial schedules of jazz music programming and other special programming 24 hours a day. It was founded on June 23, 1972. The financial statements of KTSU-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 stations accounting policies are described below.

Reporting Entity

KTSU-FM Radio is licensed and operated by Texas Southern University in Houston, Texas. The station has the responsibility to establish and operate a statewide public radio network and is the license of on public ration station. All amounts contained in this report are included in the financial statements of the University. As KTSU-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.

KTSU-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 Equivalents

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

Revenue Recognition

Revenue is recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended. Operating revenue of the Organization consists of general appropriations from the University, contributions, underwriting, auxiliary enterprise revenue, community service and outreach grants.

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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.

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 for equipment. Depreciation expense for the years ended August 31, 2016 and 2015 was \$11,415 and \$12,337.

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.

Uses 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 reported period. Accordingly, actual results could differ from those estimates.

Net Position

KTSU-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.

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Contributions

Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. Voluntary non-exchange transactions (pledges) are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded net of allowance for uncollectible pledge. 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.

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 revenue, 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 of measure the value of such services.

Rental Income

The Organization receives rental income by renting space on the radio tower.

Donated Materials and Services

Donated materials are recorded at fair market value at the date of the donation. Donated services that create or enhance nonfinancial assets or required specialized skills are recognized as revenues and corresponding expenses. Donated services that do not meet the above conditions are not recognized.

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.

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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*

KTSU-FM Radio has evaluated subsequent events through February 12, 2017, the date on which the financial statements were available for issue.

*Operating Activities*

The stations 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.

**Note 2 – Cash and Cash Equivalents**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. KTSU-FM Radio's deposits 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 stations share of pooled cash maintained by the University was \$21,433 and \$37,317, respectively. None of these deposits were exposed to custodial credit risk at August 31, 2016 and 2015.

**Note 3 – Pledges Receivable**

Pledges receivable represents unconditional promises to give to the Station and as of August 31, 2016, pledges receivable totals \$465,842.



**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

**Note 4 – Capital Assets**

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

	August 31, 2015	Additions	Deductions	August 31, 2016
Property, plant and equipment	\$ 269,960	\$ 19,977	\$ (48,785)	\$ 241,152
Total	269,960	19,977	(48,785)	241,152
Accumulated depreciation	(269,960)	(11,415)	48,785	(232,590)
Net book value	\$ -	\$ 8,562	\$ -	\$ 8,562

**Note 5 – Deferred Revenue**

As of August 31, 2016, the Station has no deferred revenues.

**Note 6 – Accrued Expenses**

As of August 31, 2016, the Station has accrued expenses of \$13,653.

**Note 7 – 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 an related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

**Note 8 - Community Service Grant (CSG)**

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	Extended			Uncommitted Balance at Year End
		2014	2015	2016	
2014	\$ 108,545	\$ 108,545	\$ -	\$ -	\$ -
2015	240,293	-	240,293	-	-
2016	146,228	-	-	146,228	-

**Note 9- State Appropriations**

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

	<u>2016</u>	<u>2015</u>
Texas Southern University	<u>\$ 638,181</u>	<u>\$ 602,402</u>

**Note 10 - Contributed 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.

University Support

Texas Southern University provided funding and support to the Organization during 2016 and 2015. KTSU-FM Radio occupies a separate building provided by the University. Management estimates the value of the use of the building to be \$9,033 per month (\$108,400 annual). This amount is reported as rent expense for each year. In addition, the University pays the electricity for the building occupied by KTSU-FM. A total of \$50,993 and \$38,461 are reported in the 2016 and 2015 financials as utility expense, respectively. The University provides State funded support and local fund support in the amount of \$638,181 and \$602,402 to KTSU-FM Radio for 2016 and 2015, respectively. These amounts are reported in the various expense categories including personnel and benefit costs.

**KTSU-FM Radio**  
**(A Component of Texas Southern University)**  
Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

**Note 10 - Contributed Support (Continued)**

University support is expensed as follows:

Expense	2016
Personnel costs	\$ 478,788
Utilities	50,993
Rent	108,400
Total	\$ 638,181

*In-kind Support*

In exchange for radio advertising, KTSU-FM Radio obtained in-kind services in the amount of \$0 and \$73,012 from program underwriters during the fiscal year 2016 and 2015. The value of the revenue recorded is determined by the fair market value of the services provided as determined by management.

*Other Support*

Contributed support from Time Warner consisted of certain administrative and other expenses incurred on behalf of the station. The costs were \$0 and \$0, respectively, for 2016 and 2015.

**Note 11 – 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.

**Note 12 - Risk Management and Litigation**

The station is subject to ligation 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.

**Note 13 – Income Taxes**

The Organization as a component of Texas Southern University is exempt from federal income tax. No provisions for such has been included in the accompanying financial statements.

**Note 14 – Subsequent Events**

Management of KTSU-FM Radio evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 22, 2017, the date which the financial statements were available to be used.