

KJLU-FM Radio **A Public Broadcasting Entity Operated** **by Lincoln University**

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

KJLU-FM Radio
A Public Broadcasting Entity Operated by
Lincoln University
June 30, 2018 and 2017

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Independent Auditor's Report

Board of Curators
Lincoln University
Jefferson City, Missouri

We have audited the accompanying financial statements of KJLU-FM Radio, a Public Broadcasting Entity operated by Lincoln University, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise of the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KJLU-FM Radio, a Public Broadcasting Entity operated by Lincoln University, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's basic financial statements. The functional expenses schedule listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The functional expenses schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the functional expenses schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

KJLU-FM Radio

A Public Broadcasting Entity Operated by Lincoln University

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

KJLU-FM Radio is a Public Broadcasting Entity operated by Lincoln University as an educational and community service vehicle. Founded in August 1973, KJLU-FM is committed to serving and promoting the University, educating Lincoln students and community volunteers and providing quality programming for Mid-Missouri. As a service of Lincoln University, KJLU-FM promotes the outstanding educational advantages of Lincoln University and supports the school's various community interests.

Quality and excellence is the foundation of our programming and of our public service offerings. As a reflection of Lincoln University, KJLU-FM emphasizes and celebrates the diversity of its listenership. Student interaction is maximized. The facilities of KJLU-FM are used to educate students seeking degrees in journalism and other fields and community volunteers in the appropriate areas of radio production.

Through its local and syndicated news broadcasts, KJLU-FM educates and informs the varied audiences within its listening area. Locally produced public affairs programming highlights issues of relevance of both national and local interest. Through its mission, KJLU-FM strives for diversity, innovation and creativity. KJLU-FM intends to make a positive difference in the lives of the people it reaches by the selection of music played, the news transmitted, the topics discussed and the issues presented.

Overview of Financial Highlights

This section of KJLU-FM Radio's financial statements presents management's discussion and analysis of KJLU-FM's financial performance during the fiscal years ended June 30, 2018 and 2017. The purpose of this section is to provide an objective and easily readable analysis of KJLU-FM's financial position based on currently known facts, decisions and opinions. It should be read in conjunction with the basic financial statements and their footnotes.

Basic Financial Statements

This report consists of three basic financial statements. The statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows. These statements provide both long-term and short-term financial information on KJLU-FM.

KJLU-FM's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). A summary of significant accounting policies followed by KJLU-FM is included in *Note 1* to the financial statements of this report.

The statements of net position and statements of revenues, expenses and changes in net position reports KJLU-FM's net position and how they have changed. Net position—the difference between assets and liabilities—is one way to measure KJLU-FM's financial health or position. Over time, increases or decreases in KJLU-FM's net position is an indicator of whether its financial health is improving.

These statements include all assets and liabilities using the accrual basis in accordance with GAAP. All the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes KJLU-FM's assets, liabilities and net position as of June 30, 2018, 2017 and 2016:

	Net Position, End of Year		
	(In Thousands)		
	2018	2017	2016
Assets			
Current assets	\$ 667.8	\$ 645.5	\$ 581.3
Noncurrent assets	35.9	40.8	36.8
Total assets	<u>703.7</u>	<u>686.3</u>	<u>618.1</u>
Liabilities			
Current liabilities	<u>257.7</u>	<u>251.9</u>	<u>217.8</u>
Total liabilities	<u>257.7</u>	<u>251.9</u>	<u>217.8</u>
Net Position			
Net investment in capital assets	12.1	16.1	12.3
Restricted –			
Expendable for			
Term endowment	22.6	22.6	22.5
Other	1.2	2.1	2.0
Unrestricted	<u>410.1</u>	<u>393.6</u>	<u>363.5</u>
Total net position	<u>\$ 446.0</u>	<u>\$ 434.4</u>	<u>\$ 400.3</u>

The following table summarizes KJLU-FM's revenues, expenses and changes in net position for the years ended June 30, 2018, 2017 and 2016:

	Revenues, Expenses and Changes in Net Position		
	(In Thousands)		
	2018	2017	2016
Operating revenues	\$ 17.4	\$ 17.4	\$ 17.4
Operating expenses	<u>716.3</u>	<u>805.3</u>	<u>795.0</u>
Operating loss	(698.9)	(787.9)	(777.6)
Nonoperating revenues	<u>710.5</u>	<u>822.0</u>	<u>806.7</u>
Increase in net position	11.6	34.1	29.1
Net position, beginning of year	<u>434.4</u>	<u>400.3</u>	<u>371.2</u>
Net position, end of year	<u>\$ 446.0</u>	<u>\$ 434.4</u>	<u>\$ 400.3</u>

Operating Revenues

For the years ended June 30, 2018, 2017 and 2016, operating revenues consists of tower rental revenue.

Operating Expenses

The following table summarizes KJLU-FM's operating expenses for the years ended June 30, 2018, 2017 and 2016:

	Operating Expenses (In Thousands)		
	2018	2017	2016
Programming and production	\$ 205.6	\$ 178.3	\$ 124.1
Broadcasting	113.6	163.2	113.5
Program information and promotion	39.9	39.2	70.8
Fundraising and membership development	8.6	33.9	33.0
Management and general	348.5	390.70	453.6
Total Operating Expenses	\$ 716.2	\$ 805.3	\$ 795.0

Nonoperating Revenues (Expenses)

The following table summarizes KJLU-FM's nonoperating revenues (expenses) for the years ended June 30, 2018, 2017 and 2016:

	Nonoperating Revenues (In Thousands)		
	2018	2017	2016
General appropriations from Lincoln University	\$ 319.2	\$ 326.6	\$ 309.3
Donated facilities and administrative support from Lincoln University Corporation for Public Broadcasting station development grant	176.4	248.5	268.1
Investment income	197.1	216.9	194.8
Loss on transfer of property	0.1	0.2	1.1
State grant	-	0.6	-
Contributions	-	9.6	10.0
Other, net	13.6	16.5	18.6
	4.1	3.1	4.8
Total Nonoperating Revenues	\$ 710.5	\$ 822.0	\$ 806.7

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due and needs for external financing.

The following table summarizes KJLU-FM's cash flows for the years ended June 30, 2018, 2017 and 2016:

	Cash Flows for the Year		
	(In Thousands)		
	2018	2017	2016
Cash Provided By (Used In)			
Operating activities	\$ (525.4)	\$ (525.9)	\$ (506.3)
Noncapital financing activities	546.7	597.0	543.4
Capital and related financing activities	-	(6.9)	(3.9)
Investing activities	1.0	-	-
Increase in Cash	22.3	64.2	33.2
Cash, Beginning of the Year	645.5	581.3	548.1
Cash, End of the Year	\$ 667.8	\$ 645.5	\$ 581.3

KJLU-FM's Financial Position and Changes in Financial Position

In 2018, KJLU-FM's financial position improved from 2017. Cash increased approximately \$22,400 with liabilities increasing approximately \$5,800. Total revenues decreased by approximately \$31,800 and total expenses decreased by approximately \$9,300.

In 2017, KJLU-FM's financial position improved from 2016. Cash increased approximately \$64,200 with liabilities increasing approximately \$34,100. Total revenues increased by approximately \$18,700 and total expenses increased by approximately \$13,700.

Capital Assets

KJLU-FM purchased approximately \$0, \$6,900 and \$3,900 in new equipment during 2018, 2017 and 2016, respectively. See *Note 4* for further capital asset activity information.

KJLU-FM Radio
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Statements of Net Position
June 30, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash	\$ 667,852	\$ 645,477
Noncurrent Assets		
Endowment investments	23,812	24,720
Capital assets, net of accumulated depreciation	12,068	16,098
	35,880	40,818
Total assets	703,732	686,295

Liabilities and Net Position

Current Liabilities		
Accrued salaries	2,413	2,446
Accrued compensated absences	42,342	49,260
Unearned support	212,971	200,179
Total liabilities	257,726	251,885
Net Position		
Net investment in capital assets	12,068	16,098
Restricted -		
Expendable for		
Term endowment	22,620	22,574
Other	1,192	2,148
Unrestricted	410,126	393,590
Total net position	\$ 446,006	\$ 434,410

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Tower rental	\$ 17,424	\$ 17,424
Operating Expenses		
Program services		
Programming and production	205,638	178,355
Broadcasting	113,591	163,175
Program information and promotion	39,937	39,193
	359,166	380,723
Support services		
Fundraising and membership development	8,647	33,964
Management and general	348,467	390,652
	357,114	424,616
Total operating expenses	716,280	805,339
Operating Loss	(698,856)	(787,915)
Nonoperating Revenues (Expenses)		
General appropriations from Lincoln University	319,161	326,550
Donated facilities and administrative support from Lincoln University	176,433	248,530
Corporation for Public Broadcasting station development grant	197,115	216,916
Investment income	92	213
Gain on disposal of capital assets	-	622
State grant	-	9,612
Contributions	13,611	16,500
Underwriting	4,040	3,120
	710,452	822,063
Increase in Net Position	11,596	34,148
Net Position, Beginning of Year	434,410	400,262
Net Position, End of Year	\$ 446,006	\$ 434,410

KJLU-FM Radio
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Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Tower rental	\$ 17,424	\$ 17,424
Payments to suppliers	(82,982)	(81,300)
Payments to employees	(459,786)	(462,036)
Net cash used in operating activities	(525,344)	(525,912)
Noncapital Financing Activities		
State grant	10,238	9,695
Nongovernmental grants	199,669	241,104
Contributions	13,611	16,500
Underwriting	4,040	3,120
General appropriation from Lincoln University	319,161	326,550
Net cash provided by noncapital financing activities	546,719	596,969
Capital and Related Financing Activities		
Purchase of capital assets	-	(6,869)
Net cash used in capital and related financing activities	-	(6,869)
Investing Activities		
Proceeds from sales and maturities of investments	1,000	-
Net cash provided by investing activities	1,000	-
Increase in Cash	22,375	64,188
Cash, Beginning of Year	645,477	581,289
Cash, End of Year	\$ 667,852	\$ 645,477

KJLU-FM Radio
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Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (698,856)	\$ (787,915)
Donated facilities and administration expense	176,433	248,530
Depreciation expense	4,030	3,676
Changes in operating assets and liabilities		
Accrued expenses	(6,951)	9,797
	<u>\$ (525,344)</u>	<u>\$ (525,912)</u>
Supplemental Cash Flows Information		
Donated facilities and administration	\$ 176,433	\$ 248,530
Investment income	\$ 92	\$ 213
Gain on transfer of property	\$ -	\$ 622

KJLU-FM Radio
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Notes to Financial Statements
June 30, 2018 and 2017

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

Nature of Operations

KJLU-FM Radio (Station) is operated by Lincoln University (University) located in Jefferson City, Missouri. All amounts contained in this report are included in the financial statements of the University, a component unit of the state of Missouri, or the Lincoln University Foundation, Inc. (Foundation) as of and for the years ended June 30, 2018 and 2017. As the Station is part of the University, it is exempt from federal and state income taxes.

Basis of Accounting and Presentation

The financial statements of the Station have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Station first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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. Actual results could differ from those estimates.

Cash

At June 30, 2018 and 2017, cash consists primarily of pooled cash accounts with the University and the Foundation.

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Notes to Financial Statements
June 30, 2018 and 2017

Investments and Investment Income

The Station accounts for investments at fair value, as determined by quoted market prices. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

Accounts Receivable

Accounts receivable, if any, includes amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Station's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Station uses an estimated useful life of either six or 10 years.

Compensated Absences

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

Unearned Support

Unearned support represents advances on Corporation for Public Broadcasting and state grants and contracts for which the Station has not met all of the applicable eligibility requirements.

KJLU-FM Radio
A Public Broadcasting Entity Operated by Lincoln University
Notes to Financial Statements
June 30, 2018 and 2017

Net Position

The Station's net position is classified as follows:

Net investment in capital assets – This represents the Station's investment in capital assets.

Restricted expendable – This represents the Station's term endowment and related unspent earnings as specified by grantors external to the Station.

Unrestricted net position – Remaining net position that does not meet the definition of net investment in capital assets or restricted.

Classification of Revenues

The Station has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as appropriations and gift income.

In-Kind Contributions

Donated facilities from the University consist of office and studio space. These items, together with related occupancy costs, are recorded in revenues and expenses at estimated fair rental values. Administrative support from the University consists of allocated institutional costs and certain other expenses incurred by the University on behalf of the Station.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

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Risk Management

The Station is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. The Station is covered under the University's commercial insurance policy that is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. The state of Missouri self-insures workers' compensation benefits for all state employees, including University and Station employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Note 2: Deposits, Investments and Investment Return

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. Deposits for the Station are held by the Foundation and the University. The Foundation is not required by state law to collateralize its deposits and amounts in excess of federally insured limits exposed to custodial credit risk. The University's deposit policy for custodial risk requires compliance with the provisions of state law which requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

State law requires collateralization of all deposits with federal depository insurance: bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri: bonds of any city having a population of not less than two thousand, county, school district or special road district of the state of Missouri: bonds of an state; a surety bond having an aggregate value at least equal to the amount of the deposits; tax anticipation notes issued by and first class county; irrevocable standby letters of credit issued by a Federal Home Loan Bank; or out-of-state municipal bonds rated in the highest category by a nationally recognized statistical rating agency.

At June 30, 2018 and 2017, the Station's bank balances held by the University were \$466,980 and \$443,716, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2018 or 2017.

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Notes to Financial Statements
June 30, 2018 and 2017

Investments

Investments for the Station are held by the Foundation and managed as a pooled investment fund. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The investment pool includes money market funds and fixed income securities, which are carried at fair value. The Station's investments are not classified by custodial credit risk category as they are not evidenced by securities that exist in physical or book entry form. Investment income for the years ended June 30, 2018 and 2017, includes an unrealized gain of \$92 and \$213, respectively.

Interest Rate Risk – Interest rate risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. The University's policy applied by the Station minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by managing the duration of the portfolio in a manner which satisfies the anticipated liquidity needs of the Station.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2018 and 2017, the Station's investments are not rated.

Concentration of Credit Risk – The Station places no limit on the amount that may be invested in any one issuer consistent with the University's policy.

Note 3: Endowment Funds

The Station's endowment funds are composed of term endowment funds received from the University through the U.S. Department of Education Title III program matching funds of \$10,000. The Station used \$10,000 of its unrestricted funds to invest in the endowment as required by the Title III program. The grant provisions require the Station to maintain the endowment corpus for 20 years. After the termination of the grant period, the Station may use the endowment fund corpus plus any endowment fund income for any educational purpose. Endowment fund income is defined as the total value of the endowment fund established minus the endowment fund corpus. Each year the Station is allowed to spend no more than 50 percent of the total aggregate endowment fund income related to the grant award. The total earnings on the endowment were \$92 and \$213 for the years ended June 30, 2018 and 2017, respectively.

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Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2018 and 2017, was:

	Beginning Balance	2018			Ending Balance
		Additions	Disposals	Transfers	
Equipment	\$ 102,384	\$ -	\$ -	\$ 4,862	\$ 97,522
Less accumulated depreciation equipment	86,286	4,030	-	4,862	85,454
Net capital assets	<u>\$ 16,098</u>	<u>\$ (4,030)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,068</u>

	Beginning Balance	2017			Ending Balance
		Additions	Disposals	Transfers	
Equipment	\$ 128,852	\$ 6,869	\$ 10,028	\$ 23,309	\$ 102,384
Less accumulated depreciation equipment	116,569	3,676	10,028	23,931	86,286
Net capital assets	<u>\$ 12,283</u>	<u>\$ 3,193</u>	<u>\$ -</u>	<u>\$ (622)</u>	<u>\$ 16,098</u>

Note 5: Rental Income

The Station receives rental income arising from leasing a portion of the University's land and tower space to Alamosa Missouri Properties. The initial lease term was five years with a renewal option for five additional five-year terms. The lessee Alamosa Missouri Properties has exercised the second five-year renewal option.

Future minimum rental payments to be received on noncancelable operating leases as of June 30, 2018:

2019	\$ 17,424
2020	8,712

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Note 6: Operating Lease

The Station leases tower space on a year-to-year basis. The lease requires the Station to pay all electricity and other utilities. Rental expense for the years ended June 30, 2018 and 2017, was \$24,086 for both years.

Note 7: Contingencies

Grants

The Station is currently participating in certain grants. The expenditures of grant proceeds must be for allowable and eligible purposes. Audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Note 8: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

Description	Total	2018		
		Level 1	Level 2	Level 3
Interest in pooled investment fund of the Foundation	\$ 23,812	\$ -	\$ 23,812	\$ -

Description	Total	2017		
		Level 1	Level 2	Level 3
Interest in pooled investment fund of the Foundation	\$ 24,720	\$ -	\$ 24,720	\$ -

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Supplementary Information

KJLU-FM Radio
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Functional Expenses
Year Ended June 30, 2018

	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Fundraising and Membership Development	Management and General	Total Support Services	Total
Salaries, payroll taxes and employee benefits	\$ 204,016	\$ 82,865	\$ 39,628	\$ 326,509	\$ 8,608	\$ 117,719	\$ 126,327	\$ 452,836
Fundraising and underwriting	-	-	-	-	-	6,768	6,768	6,768
Office supplies	-	-	-	-	-	1,132	1,132	1,132
Travel and conferences	-	-	-	-	-	2,751	2,751	2,751
Rent	-	24,086	-	24,086	-	-	-	24,086
Consultants and professional services	-	296	-	296	-	22,018	22,018	22,314
Donations	-	-	-	-	-	11,625	11,625	11,625
Utilities	-	5,465	-	5,465	-	2,709	2,709	8,174
Communications	-	-	-	-	-	-	-	-
Depreciation	1,622	879	309	2,810	39	1,181	1,220	4,030
Administrative support in-kind	-	-	-	-	-	170,924	170,924	170,924
Occupancy in-kind	-	-	-	-	-	5,509	5,509	5,509
Miscellaneous	-	-	-	-	-	6,131	6,131	6,131
	<u>\$ 205,638</u>	<u>\$ 113,591</u>	<u>\$ 39,937</u>	<u>\$ 359,166</u>	<u>\$ 8,647</u>	<u>\$ 348,467</u>	<u>\$ 357,114</u>	<u>\$ 716,280</u>

KJLU-FM Radio
A Public Broadcasting Entity Operated by Lincoln University
Functional Expenses
Year Ended June 30, 2017

	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Fundraising and Membership Development	Management and General	Total Support Services	Total
Salaries, payroll taxes and employee benefits	\$ 152,094	\$ 132,098	\$ 38,658	\$ 322,850	\$ 33,736	\$ 115,246	\$ 148,982	\$ 471,832
Fundraising and underwriting	-	-	-	-	-	2,371	2,371	2,371
Office supplies	-	-	-	-	-	3,305	3,305	3,305
Rent	-	24,086	-	24,086	-	-	-	24,086
Consultants and professional services	25,069	1,187	-	26,256	-	600	600	26,856
Donations	-	-	-	-	-	3,020	3,020	3,020
Utilities	-	4,714	273	4,987	-	2,679	2,679	7,666
Communications	-	-	-	-	-	572	572	572
Depreciation	1,192	1,090	262	2,544	228	904	1,132	3,676
Administrative support in-kind	-	-	-	-	-	239,018	239,018	239,018
Occupancy in-kind	-	-	-	-	-	9,512	9,512	9,512
Miscellaneous	-	-	-	-	-	13,425	13,425	13,425
	<u>\$ 178,355</u>	<u>\$ 163,175</u>	<u>\$ 39,193</u>	<u>\$ 380,723</u>	<u>\$ 33,964</u>	<u>\$ 390,652</u>	<u>\$ 424,616</u>	<u>\$ 805,339</u>