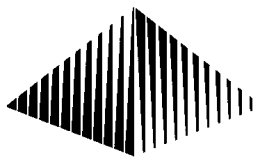


***KRVM - RADIO OF LANE COUNTY  
SCHOOL DISTRICT NO. 4J  
FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
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### *INDEPENDENT AUDITOR'S REPORT*

School Board  
KRVM –Radio of  
Lane County School District No. 4J  
Eugene, Oregon

We have audited the accompanying financial statements of KRVM - Radio of Lane County School District 4J (the Station) which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the station's basic financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Station'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 Station'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 KRVM - Radio of Lane County School District 4J as of June 30, 2014 and 2013, and the changes in its net 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a 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 MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
CERTIFIED PUBLIC ACCOUNTANTS

November 14, 2014

**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

As management of KRVM - Radio of Lane County School District No. 4J (the Station), we offer readers of the Station's financial statements this narrative overview and analysis of the financial activities of the Station for the fiscal year ended June 30, 2014.

**FINANCIAL HIGHLIGHTS**

- The assets of the Station exceeded its liabilities by \$194,008 at June 30, 2014. This amount is unrestricted and available to meet the Station's ongoing obligations to citizens and creditors.
- The Station ended the fiscal year with a decrease of \$17,094 in its net position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Station's financial statements. The Station's financial statements consist of five components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Functional Expenses, 4) Statements of Cash Flows, and 5) Notes to the Financial Statements.

*The Statements of Net Position.* The statements of net position present information on all of the assets and liabilities of the Station as of the dates on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Station is improving or deteriorating.

*The Statements of Revenues, Expenses and Changes in Net Position.* The statements of revenues, expenses and changes in net position present information showing how the net position of the Station changed over the most recent fiscal years by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

*The Statements of Functional Expenses.* The statements of functional expenses present information on the expenses of the Station as of the dates on the statement. Program Services include Programming Production, Broadcasting, and Program Information. Support Services include Management and General, Membership Development, and Underwriting and Grants. Expenses are detailed for each of these categories.

*The Statements of Cash Flows.* The statements of cash flows present information on the inflows and outflows of the Station's cash. The change in net position is reconciled to the net cash provided by operations.

*The Notes to the Financial Statements.* The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the Station's financial statements.

## FINANCIAL ANALYSIS

**Statements of Net Position** The statement of net position below is provided on a comparative basis.

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Station, assets exceeded liabilities by \$194,008 and \$211,102 as of June 30, 2014 and 2013, respectively.

	<i>June 30,</i>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 19,450	\$ 32,668
Accounts and other receivables	30,522	33,222
Receivable from Lane County School District 4J	3,593	3,296
<i>Total Current Assets</i>	<u>53,565</u>	<u>69,186</u>
<b>Noncurrent Assets</b>		
Property and equipment, net of accumulated depreciation	212,622	284,342
<i>Total Assets</i>	<u>266,187</u>	<u>353,528</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Due to Lane County School District 4J	62,087	142,426
Accrued compensated absences	10,092	-
<i>Total Current Liabilities</i>	<u>72,179</u>	<u>142,426</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 194,008</u>	<u>\$ 211,102</u>

**Statements of Revenues, Expenses and Changes in Net Position** During the current fiscal year, the Station's net position decreased by \$17,094 compared to a decrease of \$78,648 in the prior fiscal year. The key elements of the change in the Station's net position for the year ended June 30, 2014 are as follows:

- Total revenues increased of \$49,301 (7.9 percent) over the prior year.
- Program Services expenses decreased by \$29,745 (7.1 percent) from the previous year.
- Support Services expenses increased by \$17,492 (6.2 percent) from the previous year.

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>		
Contributions and membership	\$ 194,798	\$ 156,909
Underwriting	199,432	200,743
Lane County School District No. 4J		
Donated facilities and administrative support	42,379	39,232
Payment for services	4,252	3,781
Corporation for Public Broadcasting	128,855	122,278
In-kind contributions	56,035	51,906
Tower rental	45,607	47,208
	<hr/>	<hr/>
<i>Total Revenues</i>	671,358	622,057
<b>EXPENSES</b>		
Program services	388,525	418,270
Support services	299,927	282,435
	<hr/>	<hr/>
<i>Total Expenses</i>	688,452	700,705
	<hr/>	<hr/>
<b>CHANGES IN NET POSITION</b>	(17,094)	(78,648)
<b>NET POSITION, Beginning of year</b>	211,102	289,750
	<hr/>	<hr/>
<b>NET POSITION, End of year</b>	\$ 194,008	\$ 211,102
	<hr/> <hr/>	<hr/> <hr/>

#### **REQUESTS FOR INFORMATION**

This financial report is designed to present the user (listeners, taxpayers, investors, and other interested parties) with a general overview of the Station's finances and to demonstrate the Station's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Financial Services, P.M.B. #237, 1574 Coburg Road, Eugene, Oregon 97401.

**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 19,450	\$ 32,668
Accounts receivable	30,522	33,222
Receivable from Lane County School District 4J	3,593	3,296
	<u>53,565</u>	<u>69,186</u>
<b>Property and Equipment</b>		
Studio and other broadcast equipment	562,407	562,407
License	139,622	139,622
Accumulated depreciation	(489,407)	(417,687)
	<u>212,622</u>	<u>284,342</u>
<b>Total Current Assets</b>	<b>53,565</b>	<b>69,186</b>
<b>Total Property and Equipment</b>	<b>212,622</b>	<b>284,342</b>
<b>Total Assets</b>	<b>266,187</b>	<b>353,528</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Due to Lane County School District 4J	62,087	142,426
Accrued compensated absences	10,092	-
	<u>72,179</u>	<u>142,426</u>
<b>Total Current Liabilities</b>	<b>72,179</b>	<b>142,426</b>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 194,008</u>	<u>\$ 211,102</u>

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

**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
Contributions and membership	\$ 194,798	\$ 156,909
Underwriting	199,432	200,743
Lane County School District No. 4J		
Donated facilities and administrative support (in-kind)	42,379	39,232
Payment for services	4,252	3,781
Corporation for Public Broadcasting	128,855	122,278
In-kind contributions	56,035	51,906
Tower rental	45,607	47,208
	<u>671,358</u>	<u>622,057</u>
<b>EXPENSES</b>		
Program services		
Programming and production	80,808	78,207
Broadcasting	280,621	307,515
Program information	27,096	32,548
	<u>388,525</u>	<u>418,270</u>
Support services		
Management and general	160,818	142,253
Fundraising and membership development	44,392	52,022
Underwriting and grant solicitation	94,717	88,160
	<u>299,927</u>	<u>282,435</u>
	<u>688,452</u>	<u>700,705</u>
<b>CHANGES IN NET POSITION</b>	(17,094)	(78,648)
<b>NET POSITION, Beginning of year</b>	<u>211,102</u>	<u>289,750</u>
<b>NET POSITION, End of year</b>	<u>\$ 194,008</u>	<u>\$ 211,102</u>

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



**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**2014**

	<i>Program Services</i>			
	<i>Programming Production</i>	<i>Broadcasting</i>	<i>Program Information</i>	<i>Total</i>
Salaries, wages and benefits	\$ 80,808	\$ 82,475	\$ -	\$ 163,283
Property services	-	88,091	-	88,091
Professional services	-	23,113	-	23,113
Travel	-	-	-	-
Communication	-	9,429	26,071	35,500
Supplies and materials	-	2,780	17	2,797
Non-consumable items	-	795	-	795
Computer software and hardware	-	2,093	-	2,093
Dues and fees	-	125	1,008	1,133
Depreciation	-	71,720	-	71,720
<i>Total Expenses</i>	<u>\$ 80,808</u>	<u>\$ 280,621</u>	<u>\$ 27,096</u>	<u>\$ 388,525</u>

**2013**

	<i>Program Services</i>			
	<i>Programming Production</i>	<i>Broadcasting</i>	<i>Program Information</i>	<i>Total</i>
Salaries, wages and benefits	\$ 78,207	\$ 82,579	\$ -	\$ 160,786
Property services	-	95,751	3,624	99,375
Professional services	-	897	-	897
Travel	-	2,894	-	2,894
Communication	-	9,408	28,924	38,332
Supplies and materials	-	26,229	-	26,229
Dues and fees	-	-	-	-
Depreciation	-	73,619	-	73,619
Loss on disposal of assets	-	16,138	-	16,138
<i>Total Expenses</i>	<u>\$ 78,207</u>	<u>\$ 307,515</u>	<u>\$ 32,548</u>	<u>\$ 418,270</u>

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<i>Support Services</i>			
<i>Management and General</i>	<i>Membership Development</i>	<i>Underwriting and Grants</i>	<i>Total</i>
\$ 114,607	\$ 31,318	\$ 94,717	\$ 240,642
11,832	-	-	11,832
16,831	-	-	16,831
4,694	-	-	4,694
201	8,594	-	8,795
12,344	4,480	-	16,824
-	-	-	-
-	-	-	-
309	-	-	309
-	-	-	-
<u>\$ 160,818</u>	<u>\$ 44,392</u>	<u>\$ 94,717</u>	<u>\$ 299,927</u>

<i>Support Services</i>			
<i>Management and General</i>	<i>Membership Development</i>	<i>Underwriting and Grants</i>	<i>Total</i>
\$ 81,893	\$ 29,243	\$ 88,160	\$ 199,296
39,232	-	-	39,232
15,535	-	-	15,535
3,359	552	-	3,911
695	5,230	-	5,925
229	16,997	-	17,226
1,310	-	-	1,310
-	-	-	-
-	-	-	-
<u>\$ 142,253</u>	<u>\$ 52,022</u>	<u>\$ 88,160</u>	<u>\$ 282,435</u>

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

**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net position	\$ (17,094)	\$ (78,648)
<i>Adjustments to reconcile change in net position to net cash provided by operating activities:</i>		
Loss on disposal of equipment	-	16,138
Depreciation	71,720	73,619
Change in assets and liabilities		
Accounts receivable	2,700	10,362
Receivable from Lane County School District 4J	(297)	(511)
Due to Lane County School District 4J	(80,339)	(4,175)
Accrued compensated absences	10,092	-
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(13,218)	16,785
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<hr/> 32,668	<hr/> 15,883
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<hr/> <hr/> \$ 19,450	<hr/> <hr/> \$ 32,668
 <b>OTHER NONCASH ACTIVITY</b>		
Donated revenues/expenses	<hr/> <hr/> \$ 98,414	<hr/> <hr/> \$ 91,138

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

**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**SUMMARY OF SIGNIFICANT PRINCIPLES AND POLICIES**

*Organization*

KRVM - Radio (the Station) is operated by Lane County School District No. 4J, Eugene, Oregon (the institutional licensee). Lane County School District No. 4J records the activities of the Station in the District's financial statements. Because these financial statements present only a selected portion of the activities of Lane County School District No. 4J, they are not intended to and do not present the financial positions, results of operations and cash flows of the District as a whole.

These financial statements are prepared in compliance with the Corporation for Public Broadcasting (CPB), *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*, as required by the CPB. These financial statements are presented in a format established for use by governmentally licensed broadcast stations on the accrual basis of accounting.

*Revenue Recognition and Deferred Revenue*

Unrestricted contributions and pledges are recorded as revenue in the statement of revenues, expenses and changes in net position on the accrual basis. Grant funds are recorded as revenues when earned. Revenues not considered earned are reported as deferred revenue.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of the Station's checking account.

*Accounts Receivable*

The Station periodically reviews the collectability of accounts receivable and adjusts the allowance for doubtful accounts accordingly. Management believes that an allowance for doubtful accounts is not necessary at this time.

*Property and Equipment*

Property and equipment with a cost greater than \$5,000 and a life longer than a year are recorded at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows:

Equipment	5-7 years
Buildings and improvements	20 years

*Donated Facilities and Administrative Support*

Donated facilities and administrative support are recorded as revenue and expense in the accompanying statements of revenues, expenses and changes in net position. Donated facilities from Lane County School District No. 4J consist of the Station's share (based upon the percentage of space occupied by the Station) of annual building and improvement costs, including an estimated allowance for facility deterioration based on the historical cost records of the District. Administrative support from Lane County School District No. 4J consists of allocated District support service costs and plant operation costs incurred by the District on behalf of the Station.

**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
*YEARS ENDED JUNE 30, 2014 AND 2013*

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**SUMMARY OF SIGNIFICANT PRINCIPLES AND POLICIES (Continued)**

*Expenditures of Restricted and Unrestricted Sources*

Expenditures are first applied to restricted revenue sources followed by unrestricted revenue sources.

*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 reporting amounts of certain assets, liabilities, revenues and expenses as of and for the years ended June 30, 2014 and 2013. Actual results may differ from such estimates.

**IN-KIND CONTRIBUTIONS**

In-kind contributions of property and professional services recorded as revenue and expense in the accompanying statements of revenues, expenses and changes in fund balances consist of the estimated fair value of the following:

	<u>2014</u>	<u>2013</u>
Legal and other professional services	\$ 5,750	\$ 5,660
Rental value of space	6,610	6,610
Station operating expenses	39,652	32,548
Fundraising membership	4,023	7,088
	<u>\$ 56,035</u>	<u>\$ 51,906</u>

**CONCENTRATIONS OF REVENUE**

The Corporation for Public Broadcasting, the Station's primary grantor agency, is a major source of grant revenue used for both operations and special projects. Should funding from CPB cease, the Station finances would be substantially impacted. There are currently no known indications that this funding will cease.

**CLAIMS AND LITIGATION**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Corporation for Public Broadcasting. The amounts, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Station expects such amounts, if any, to be immaterial.

Management has represented that there are no contingent liabilities that require disclosure or recognition in accordance with FASB Accounting Standards Codification (ASC) 450, *Contingencies*. Such contingent liabilities would include, but not be confined to: notes or accounts receivable which have been discounted; pending suits; proceedings, hearings, or negotiations possibly involving retroactive adjustments; unsatisfied judgments or claims; taxes in dispute; endorsements or guarantees; and options.

**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
*YEARS ENDED JUNE 30, 2014 AND 2013*

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***NEW PRONOUNCEMENTS***

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement was implemented in the current year.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The statement provides guidance on accounting for and reporting nonexchange financial guarantees. The statement was implemented in the current year.

The Station will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 “Government Combinations and Disposals of Operations.” The statement provides guidance on accounting for and reporting government mergers, acquisitions, transfers of operations and disposal. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014.

***AMOUNTS DUE TO A RELATED PARTY***

The amounts due to Lane County School District 4J of \$62,087 and \$142,426 as of June 30, 2014 and 2013, respectively, represents amounts owed to the District for expenses paid on behalf of the station. There is no formal agreement between the two entities that defines the terms of repayment.

***OPERATING LEASE PAYABLE***

In March 2010, the Station entered into an operating lease with Combined Communications, Inc. (CCI) for the rental of building and broadcast tower usage. The agreement is for the term July 1, 2009 through June 30, 2019, with the option to renew the agreement in 2019 for an additional ten year period. The monthly rent payable to CCI is adjusted annually each July 1 based on the change (increase or decrease) in CPI with a maximum annual increase of 4%. For the year ended June 30, 2014, the gross rent amount was \$3,672 per month less \$551 in-kind donation to the Station, for a net cash payment of \$3,121 each month. This was unchanged from the prior year.

As of June 30, 2014, required minimum rent due to CCI related to this lease agreement, net of the in-kind donation, is as follows:

**KRVM - RADIO OF LANE COUNTY SCHOOL DISTRICT NO. 4J**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
*YEARS ENDED JUNE 30, 2014 AND 2013*

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**OPERATING LEASE PAYABLE** *(Continued)*

Amounts due during years ended June 30,

2015	\$ 37,456
2016	37,456
2017	37,456
2018	37,456
2019	37,456
Total minimum required payments	<u><u>\$ 187,280</u></u>

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 14, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.