KPBS FM/TV

(A Department of San Diego State University)

Financial Report
June 30, 2014 and 2013

McGladrey

Assurance ▪ Tax ▪ Consulting

KPBS FM/TV

(A Department of San Diego State University)

Table of Contents

McGladrey

Independent Auditor's Report

Tom Karlo, General Manager
KPBS FM/TV
San Diego, CA

Report on the Financial Statements

We have audited the accompanying financial statements of KPBS FM/TV, a department of San Diego State University (the University), 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, and cash flows for the years then ended, and the related notes to the 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 audits 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 KPBS FM/TV 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

As discussed in Note 1 to the financial statements, the financial statements of KPBS FM/TV are intended to present the financial position, the changes in net position, and cash flows of only that portion of the University that is attributable to the transactions of KPBS FM/TV. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2014 and 2013, and the changes in its net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming an opinion on the financial statements. The supplementary schedule of direct and indirect support for the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The supplementary schedule of direct and indirect support has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

San Diego, CA
November 25, 2014

Management's Discussion and Analysis

This section of the KPBS FM/TV (the Stations) annual financial report includes Management's Discussion and Analysis of the financial performance of the Stations for the fiscal years ended June 30, 2014 and 2013. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

The Stations' financial statements include the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These statements are supported by notes to the financial statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Stations.

Statements of Net Position: The Statements of Net Position include all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. Long-term investments are reported at fair value as of the statement date. Major categories of restrictions on the net position of the Stations are also identified.

Statements of Revenues, Expenses and Changes in Net Position: The Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and expenses incurred during the year on an accrual basis.

Statements of Cash Flows: The Statements of Cash Flows present the inflows and outflows of cash for the year and are summarized by operating, noncapital and capital and related financing, and investing activities. The statements are prepared using the direct method of cash flows and therefore present gross rather than net amounts for the year's activities.

Analytical Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Stations' financial activities as of and for the years ended June 30, 2014 and 2013. Included are a comparative analysis of current year and prior year activities and balances; a discussion of restrictions of the Stations' net position; and a discussion of capital assets and long-term debt.

The Stations' condensed summary of net position as of fiscal years June 30, 2014, 2013 and 2012 are as follows:

Condensed Summary of Net Position

	June 30,		
	2014	**2013**	**2012**
Assets:			
Current assets	$ 5,374,627	$ 5,081,951	$ 6,260,477
Capital assets, net	11,693,120	12,669,331	12,603,910
Other noncurrent assets	8,453,711	7,300,500	5,522,632
Total assets	25,521,458	25,051,782	24,387,019
Liabilities:			
Current liabilities	3,739,151	4,015,565	3,830,756
Noncurrent liabilities	4,890,507	4,902,452	5,500,078
Total liabilities	8,629,658	8,918,017	9,330,834
Net position:			
Net investment in capital assets	6,906,697	7,257,423	6,516,483
Restricted - nonexpendable	1,274,000	1,044,414	736,787
Restricted - expendable	1,455,944	1,342,696	1,294,840
Unrestricted	7,255,159	6,489,232	6,508,075
Total net position	$ 16,891,800	$ 16,133,765	$ 15,056,185

Assets

Total assets increased $665,000 and $470,000 from 2012 to 2013 and from 2013 to 2014, respectively. The increase in total assets for 2013 resulted mainly from an increase in noncurrent underwriting receivables combined with increased investment values given more favorable market conditions during the period. The increase in total assets for 2014 was primarily due to an increase in the value of investments resulting from both favorable market conditions and endowment contributions offset by depreciation of capital assets exceeding capital additions.

Capital assets increased approximately $65,000 from 2012 to 2013 due primarily to project investments of approximately $1,751,000 including completion of the Mount Soledad radio transmitter and tower and investment in solid state television transmitters at Mount San Miguel, offset by net disposals of $20,000 and depreciation of $1,666,000. Capital assets decreased $976,000 from 2013 to 2014 due primarily to depreciation of $1,566,000, offset by project investments of approximately $590,000, including completion of the broadcast backup generator system.

Other noncurrent assets increased by $1,778,000 from 2012 to 2013 due to an increase in the fair market value of the investment portfolio and an increase in noncurrent underwriting receivables. Other noncurrent assets increased by $1,153,000 from 2013 to 2014 primarily due to an increase in the fair market value of the managed investment portfolio inclusive of an additional charitable remainder trust gift, offset by a decrease in noncurrent underwriting receivables.

Liabilities

Total liabilities decreased from 2012 to 2013 by $413,000 primarily due to continued scheduled payments against outstanding notes payable and capital lease obligations. Total liabilities decreased from 2013 to 2014 by $288,000 primarily due to scheduled payments made against outstanding notes payable and capital lease obligations, offset by an increase in amounts held for others resulting from an additional charitable remainder trust gift as mentioned above.

Net Position

Total net position increased $1,078,000 from 2012 to 2013 primarily due to the $561,000 operating income (inclusive of San Diego State University transfers), the net increase of $490,000 in the fair market value of investments and net interest and other income of $26,000. Total net position increased $758,000 from 2013 to 2014 primarily due to a $33,000 operating loss (net of San Diego State University transfers), the net increase of $798,000 in the fair market value of investments and net interest expense of $7,000.

Restrictions on Net Position

Net position of the Stations include funds that are restricted by donor or law. The following table summarizes which funds are restricted, the type of restriction and the amount:

	June 30, 2014	June 30, 2013	June 30, 2012
Nonexpendable	$ 1,274,000	$ 1,044,414	$ 736,787
Expendable:			
Capital campaign	$ 558,716	$ 589,063	$ 619,226
Annuity trust agreements	85,253	69,693	77,164
Program production and airing	539,962	477,838	416,285
Scholarship activities	272,013	206,102	182,165
Total restricted expendable net position	$ 1,455,944	$ 1,342,696	$ 1,294,840

The Capital campaign fund resulted from donations for expenditures of the Gateway Center building. The Program production and airing fund resulted from a contribution for the KPBS Radio Reading Service. The Nonexpendable net position increase from 2012 to 2013 is primarily due to receipt of a $302,000 endowment. The increase from 2013 to 2014 in the Nonexpendable net position is primarily a result of an additional charitable remainder trust gift.

The Stations' condensed summary of revenues, expenses and changes in net position for the fiscal years ended June 30, 2014, 2013 and 2012 are as follows:

Condensed Summary of Revenues, Expenses and Changes in Net Position

	Year Ended June 30,		
	2014	**2013**	**2012**
Operating revenues:			
Contributions	$ 17,867,553	$ 18,234,056	$ 19,542,732
Corporation for Public Broadcasting grants	3,011,838	2,523,290	2,590,006
Stations-generated support	643,312	1,021,803	688,999
Total operating revenues	21,522,703	21,779,149	22,821,737
Operating expenses:			
Program services	15,958,463	15,064,022	14,818,161
Support services	12,688,712	13,054,278	12,240,172
Total operating expenses	28,647,175	28,118,300	27,058,333
Operating loss	(7,124,472)	(6,339,151)	(4,236,596)
Nonoperating revenues (expenses):			
Interest expense	(147,581)	(160,487)	(177,302)
Interest income, net	140,364	207,019	322,087
Net increase (decrease) in fair value of investments	798,097	489,982	(296,150)
Other nonoperating expense	-	(20,136)	(2,159)
Total nonoperating revenue (expense), net	790,880	516,378	(153,524)
Loss before transfers	(6,333,592)	(5,822,773)	(4,390,120)
San Diego State University transfers	7,091,627	6,900,353	6,454,040
Change in net position	758,035	1,077,580	2,063,920
Net position, beginning of year	16,133,765	15,056,185	12,992,265
Net position, end of year	$ 16,891,800	$ 16,133,765	$ 15,056,185

Operating Revenues and Expenses

Operating revenues and expenses come from sources that are connected directly to the Stations' primary business functions.

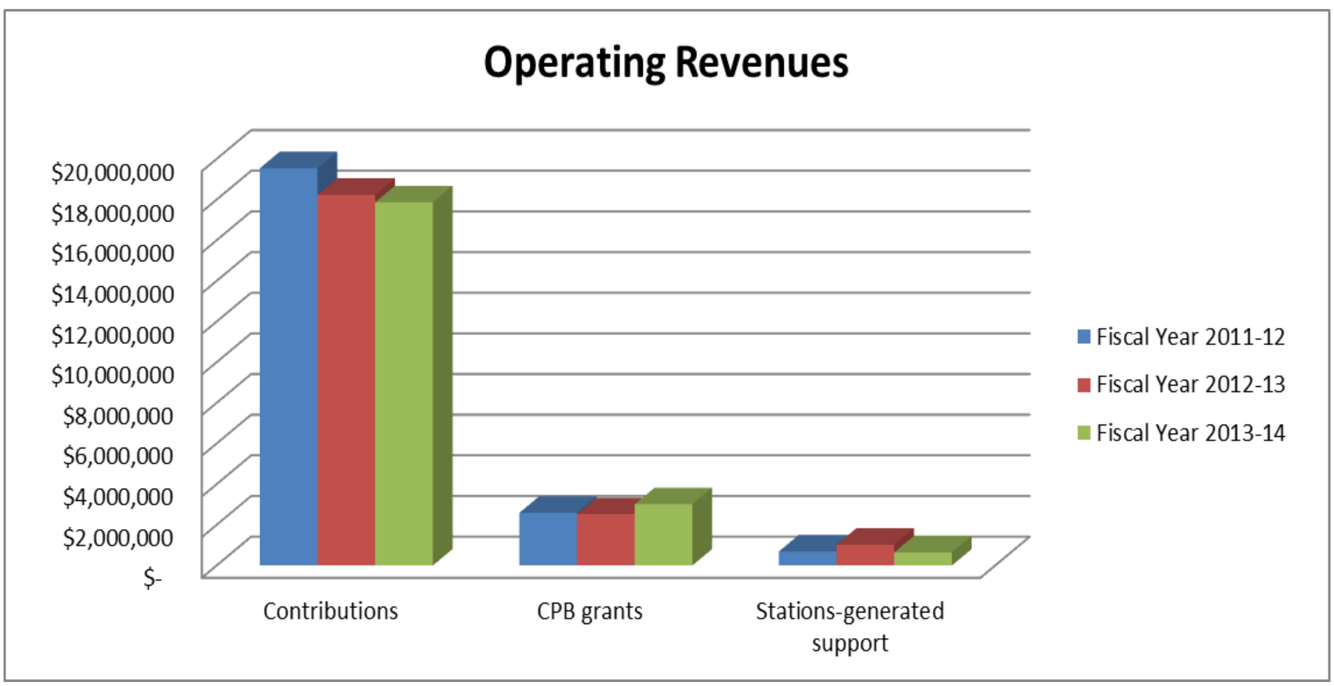
Operating Revenues

Contributions decreased $1,309,000 from 2012 to 2013 resulting primarily from nonrecurring revenue of $1,991,000 over the prior year relating to capital projects including the radio tower and transmitter as well as the remodel of the Gateway Center newsroom and administrative offices, a decrease in donated equipment and services of $403,000, offset by net increases in several areas including planned gifts $530,000, underwriting $508,000 and other $47,000. Contributions decreased $367,000 from 2013 to 2014 resulting primarily from nonrecurring revenue of $176,000 and $807,000, respectively, relating to grant program completion and prior year capital projects, including the radio tower and transmitter and broadcast backup generator system, offset by increases in several areas including membership and producers club of $817,000 and other net decreases of $201,000.

Funding received from the Corporation for Public Broadcasting (CPB) decreased $67,000 during 2012 to 2013, and increased $489,000 during 2013 to 2014 due to relative changes in qualifying nonfederal financial support during 2011 and 2012. CPB grants are calculated based on nonfederal financial support measured during the fiscal year period which is two fiscal years prior to the grant.

Stations-generated support increased $333,000 from 2012 to 2013 primarily due to an additional national pledge production program of $170,000 and net increases in web sponsorships $163,000. Stations-generated support decreased $378,000 from 2013 to 2014 primarily due to a reduction in national pledge production programs of $170,000 and net decreases in web sponsorships and other programs of $162,000 and $46,000, respectively.

The following chart presents the proportional share that each category of operating revenues contributed to the totals for fiscal years 2014, 2013 and 2012:



KPBS FM/TV

(A Department of San Diego State University)

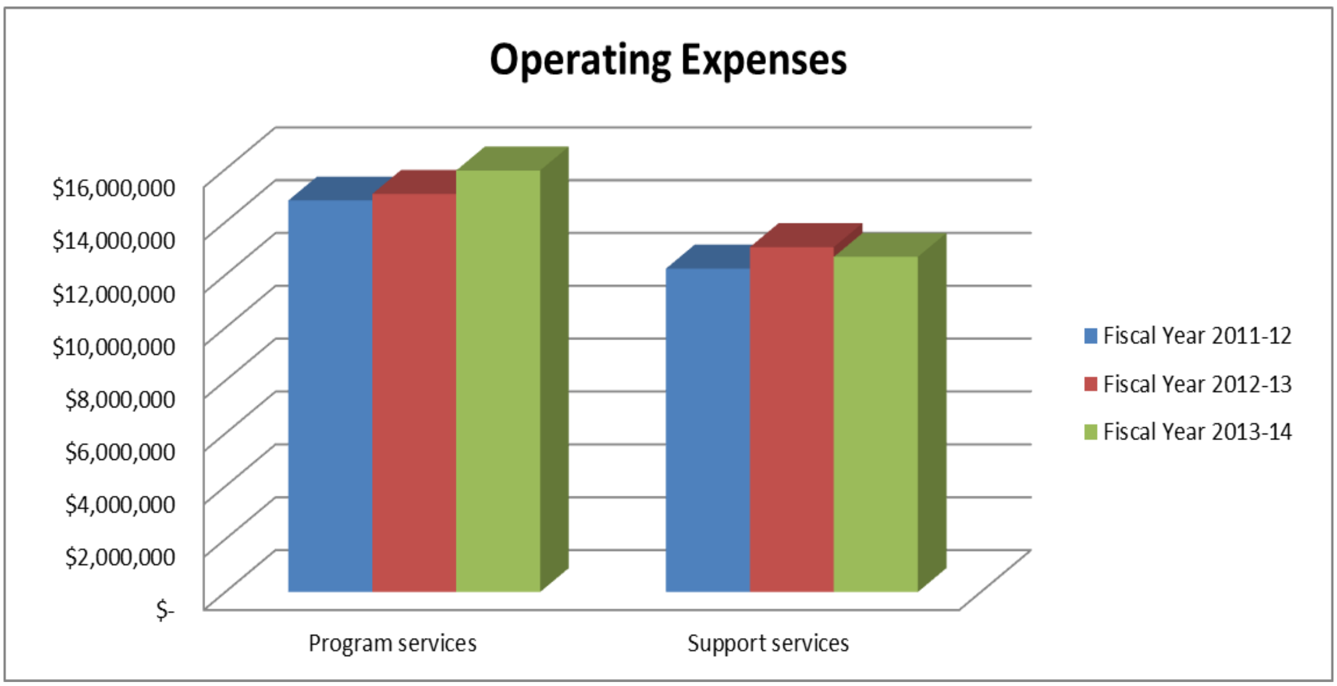
Management's Discussion and Analysis

June 30, 2014 and 2013

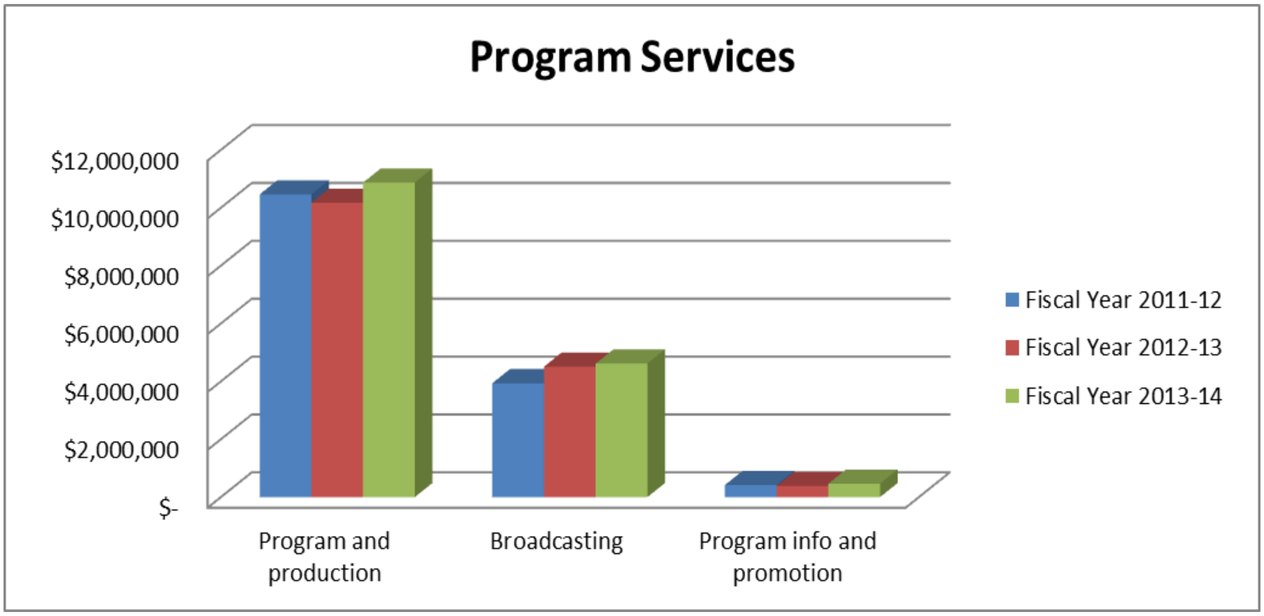
Operating Expenses

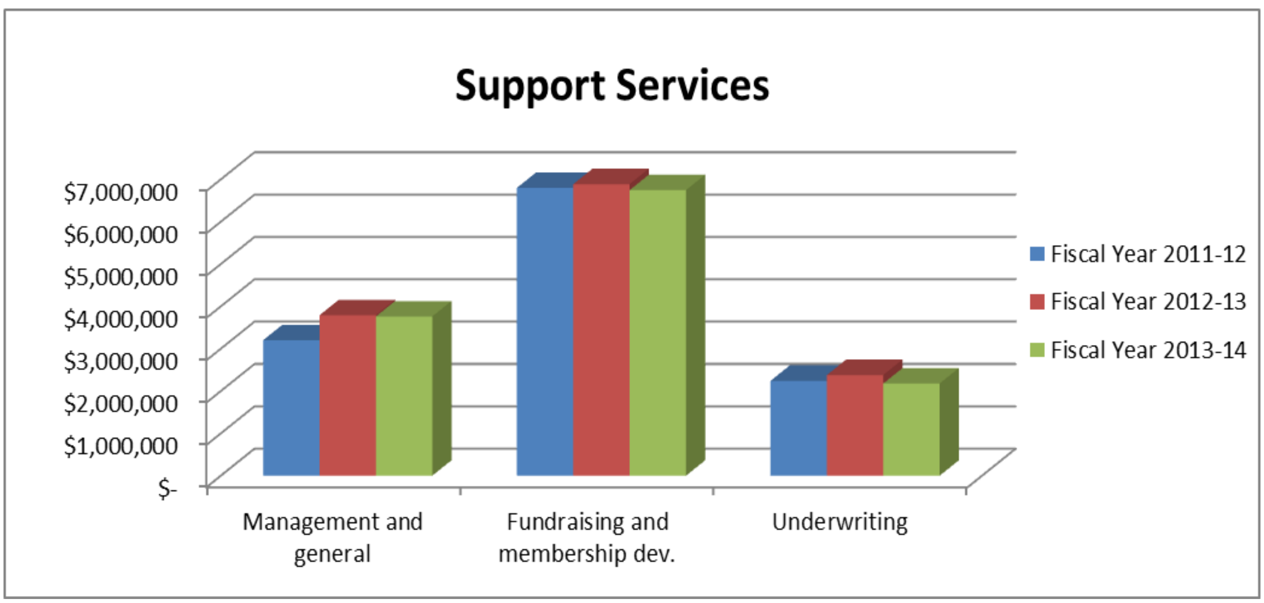
Program services expenses increased by $246,000 from 2012 to 2013 due to additional expenditure allocations related to San Diego State University indirect financial support and an increase in depreciation relating to broadcasting, offset by reductions due to the conclusion of certain programs. Program services expenses increased by $894,000 from 2013 to 2014 due to new programs and initiatives and expenditure allocations related to San Diego State University indirect financial support.

Support services expenses increased by $814,000 from 2012 to 2013 primarily due to expenditure increases in underwriting resulting from the addition of an account executive, increases in direct mail programs and San Diego State University indirect financial support expenditure allocations. Support services expenses decreased $366,000 from 2013 to 2014 due primarily to expenditure decreases in donated services, events and San Diego State University indirect financial support expenditure allocations. The following chart presents the distribution of resources in support of the Stations for fiscal years 2014, 2013 and 2012:



A further breakdown of the program services and support services is provided as follows:





Nonoperating Revenues and Expenses

Nonoperating revenues and expenses come from sources that are not part of the Stations' primary business functions. Included in this classification are changes in the fair value of investments and interest expense. Nonoperating revenues exceeded expenses in 2013 and the net results in this category increased by $670,000 from 2012 to 2013 due primarily to improved results in the fair value of investments. Nonoperating revenues exceeded expenses in 2014 and the net results in this category increased by $275,000 from 2013 to 2014 due primarily to the impact of favorable market results on the fair value of investments.

San Diego State University Transfers

Support from the University increased by $446,000 and $191,000 from 2012 to 2013 and 2013 to 2014, respectively. These services were provided without cost and have been allocated to the Stations as shown in the Supplementary Schedule of Direct and Indirect Support. The cost of the services is reported as transfers and operating expense in the accompanying financial statements. The direct financial support received from the University increased $274,000 from 2012 to 2013 and decreased $122,000 from 2013 to 2014. Direct support consisted primarily of salaries, space rental and utilities. The increase in direct support from 2012 to 2013 resulted from an increase in space rental expenditures due to the addition of the Mount Soledad radio transmitter site as well as additional compensated absence expenses relating to KPBS personnel. The decrease in direct support from 2013 to 2014 resulted primarily from a reduction in utility costs. Indirect support received from the University increased $172,000 and $313,000 from 2012 to 2013 and 2013 to 2014, respectively. Indirect support relates to a portion of the University's general overhead costs and benefits the programs of the Stations. Such items, allocated based upon square footage percentage and proportionate costs, include administration, maintenance and repairs.

Capital Assets

Capital assets, net of accumulated depreciation, are shown below:

	June 30, 2014	June 30, 2013	June 30, 2012
Building under capital lease	$ 6,429,464	$ 6,470,296	$ 7,051,643
Studio/broadcast equipment	2,616,349	2,719,674	2,999,345
Furniture and fixtures	136,873	146,573	192,856
Transmission/antenna/tower	1,840,434	2,056,179	698,569
Construction in progress	-	606,609	991,497
KQVO radio station license	670,000	670,000	670,000
Total capital assets, net of accumulated depreciation	$ 11,693,120	$ 12,669,331	$ 12,603,910

Capital assets increased approximately $65,000 from 2012 to 2013 due to completion of the Mount Soledad radio transmitter and tower as well as investments in digital television transmitters at Mount San Miguel, offset by depreciation of $1,666,000. Capital assets decreased $976,000 from 2013 to 2014 due primarily to depreciation of $1,566,000, offset by project investments of approximately $590,000, including completion of the broadcast backup generator system.

Long-Term Debt Obligations

Debt outstanding at June 30, 2014, 2013 and 2012 is summarized below by type of debt instrument:

	June 30,		
	2014	**2013**	**2012**
Capital lease obligations	$ 3,449,701	$ 3,830,534	$ 4,192,483
Notes payable	1,336,722	1,581,374	1,894,944
Total	4,786,423	5,411,908	6,087,427
Less current portion	(676,094)	(623,007)	(687,220)
Total long-term debt	$ 4,110,329	$ 4,788,901	$ 5,400,207

Total debt decreased approximately $676,000 and $625,000 during 2012 to 2013 and 2013 to 2014, respectively, due to the payment of scheduled obligations net of the purchase of capitalized licensed software.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Net Position

June 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash held by San Diego State University	$ -	$ 118,995
Due from San Diego State University Research Foundation	2,308,258	1,640,170
Accounts receivable (note 4)	3,027,711	2,785,014
Grants receivable	34,034	532,772
Prepaid expenses	4,624	5,000
Total current assets	5,374,627	5,081,951
Noncurrent assets:		
Accounts receivable (note 4)	610,751	1,119,775
Long-term investments (note 3)	5,006,811	3,638,543
Restricted investments (note 3)	2,729,944	2,387,109
Capital assets, net (notes 5 and 8)	11,693,120	12,669,331
Other assets (note 6)	106,205	155,073
Total noncurrent assets	20,146,831	19,969,831
Total assets	25,521,458	25,051,782
Liabilities		
Current liabilities:		
Due to San Diego State University	260,972	-
Accounts payable	624,127	1,096,082
Accrued expenses	993,586	943,586
Unearned revenue	1,184,372	1,352,890
Notes payable, current portion (note 7)	253,214	244,651
Capital lease obligations, current portion (note 8)	422,880	378,356
Total current liabilities	3,739,151	4,015,565
Noncurrent liabilities:		
Notes payable, net of current portion (note 7)	1,083,508	1,336,723
Capital lease obligations, net of current portion (note 8)	3,026,821	3,452,178
Amounts held for others	659,617	-
Other liabilities	120,561	113,551
Total noncurrent liabilities	4,890,507	4,902,452
Total liabilities	8,629,658	8,918,017
Commitments and contingencies (notes 5, 8, 9, 10 and 11)		
Net position		
Net position:		
Net investment in capital assets	6,906,697	7,257,423
Restricted for:		
Nonexpendable - endowments	1,274,000	1,044,414
Expendable:		
Capital campaign	558,716	589,063
Annuity trust agreements	85,253	69,693
Program production and airing	539,962	477,838
Scholarship activities	272,013	206,102
Unrestricted	7,255,159	6,489,232
Total net position	$ 16,891,800	$ 16,133,765

See accompanying notes to financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Contributions	$ 17,867,553	$ 18,234,056
Corporation for Public Broadcasting grants (note 2)	3,011,838	2,523,290
Stations-generated support	643,312	1,021,803
Total operating revenues	21,522,703	21,779,149
Operating expenses (notes 5, 6, 8, 9 and 11):		
Program services:		
Programming and production	10,873,930	10,172,782
Broadcasting	4,618,422	4,508,104
Program information and promotion	466,111	383,136
Total program services	15,958,463	15,064,022
Support services:		
Management and general	3,762,417	3,790,329
Fundraising and membership development	6,747,718	6,886,315
Underwriting	2,178,577	2,377,634
Total support services	12,688,712	13,054,278
Total operating expenses	28,647,175	28,118,300
Operating loss	(7,124,472)	(6,339,151)
Nonoperating revenues (expenses):		
Interest expense (notes 7 and 8)	(147,581)	(160,487)
Interest income, net	140,364	207,019
Net increase in fair value of investments	798,097	489,982
Other nonoperating expense	-	(20,136)
Total nonoperating revenues, net	790,880	516,378
Loss before transfers	(6,333,592)	(5,822,773)
San Diego State University transfers (note 2):		
Direct financial support	2,060,662	2,182,689
Indirect financial support	5,030,965	4,717,664
Total San Diego State University transfers	7,091,627	6,900,353
Change in net position	758,035	1,077,580
Net position, beginning of year	16,133,765	15,056,185
Net position, end of year	$ 16,891,800	$ 16,133,765

See accompanying notes to financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Contributions	$ 18,240,425	$ 16,839,968
Stations-generated support	643,312	1,021,803
Payments to suppliers	(11,072,189)	(10,517,129)
Payments to employees	(10,383,189)	(10,136,900)
Administrative fees paid to San Diego State University Research Foundation	(695,126)	(719,785)
Corporation for Public Broadcasting grants	3,011,838	2,523,290
Net cash used in operating activities	(254,929)	(988,753)
Cash flows from noncapital and related financing activities:		
Transfers from San Diego State University	2,060,662	2,182,689
Decrease in amounts due from San Diego State University Research Foundation	(668,088)	1,289,235
Net cash provided by noncapital and related financing activities	1,392,574	3,471,924
Cash flows from capital and related financing activities:		
Payments on long-term debt and capital leases	(636,959)	(687,220)
Interest paid	(199,564)	(212,855)
Purchase of capital assets	(530,767)	(1,691,905)
Net cash used in capital and related financing activities	(1,367,290)	(2,591,980)
Cash flows from investing activities:		
Interest income, net	140,364	207,019
Sale of investments	10,286	40,785
Purchase of investments	(40,000)	(20,000)
Net cash provided by investing activities	110,650	227,804
Net increase (decrease) in cash and cash equivalents	(118,995)	118,995
Cash and cash equivalents held by San Diego State University, beginning of year	118,995	-
Cash and cash equivalents held by San Diego State University, end of year	$ -	$ 118,995

See accompanying notes to financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Cash Flows, Continued

Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (7,124,472)	$ (6,339,151)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Allocated San Diego State University expenses	5,030,965	4,717,664
Depreciation and amortization	1,596,735	1,696,332
Contributions restricted for long-term investments	(883,292)	(302,413)
(Increase) decrease in assets:		
Accounts receivable	266,327	(653,317)
Grants receivable	498,738	(385,541)
Prepaid expenses	376	10,569
Other assets	18,191	(360)
Increase (decrease) in liabilities:		
Due to San Diego State University	260,972	(151,397)
Accounts payable	(471,955)	294,046
Accrued expenses	54,377	163,952
Unearned revenue	491,099	(52,817)
Other liabilities	7,010	13,680
Net cash used in operating activities	$ (254,929)	$ (988,753)
Supplemental disclosure of noncash financing and related capital activity:		
Noncash refinancing of capital lease	$ 59,080	$ 59,307
Supplemental disclosure of noncash investing and capital activity:		
Increase in fair value of investments	$ 798,097	$ 489,982

See accompanying notes to financial statements.

(1) Organization

KPBS FM/TV (KPBS or the Stations) is engaged in the production, broadcast and distribution of content via public television, radio and the internet. KPBS TV and FM are licensed to the Board of Trustees of The California State University (the CSU) for San Diego State University (SDSU or the University). KQVO FM is licensed to the State of California on behalf of the University. San Diego State University Research Foundation (SDSU Research Foundation), a not-for-profit California corporation, which is an auxiliary organization of the CSU, under a service agreement provides financial accounting and administrative support to the Stations and includes all of the Stations' accounts, except for certain capital assets, University cash, notes payable and related interest and expenses related to certain State employees in its financial statements. KPBS is a department of the University. Administrative fees paid to SDSU Research Foundation were approximately $695,000 and $720,000 for fiscal years ended June 30, 2014 and 2013, respectively. The accompanying financial statements include only the activities and balances associated with KPBS FM/TV and are not intended to present the financial position, changes in financial position or cash flows of SDSU Research Foundation or the University.

Affiliated Organizations

The Stations are related to auxiliaries of the University, including SDSU Research Foundation, Associated Students of San Diego State University, Aztec Shops, Ltd. and The Campanile Foundation. The auxiliaries and the University periodically provide various services for one another and collaborate on projects.

(2) Summary of Significant Accounting Policies

A summary of the significant accounting policies utilized by the Stations follows:

(a) Basis of Accounting and Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Stations' financial statements are presented in accordance with the requirements of enterprise funds.

(b) Classification of Current and Noncurrent Assets and Liabilities

The Stations consider assets to be current if they can reasonably be expected, as a part of their normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that can reasonably be expected, as part of normal operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

(c) Cash and Cash Equivalents

Cash includes funds held by the University. The Stations consider all highly liquid investments with original maturity dates of three months or less to be cash equivalents. The Stations had $119,000 in cash or cash equivalents on hand at June 30, 2013. There was no cash on hand at June 30, 2014.

(d) Due from SDSU Research Foundation

The amount of cash SDSU Research Foundation administers on behalf of the Stations is reported as due from SDSU Research Foundation on the statements of net position.

(e) Accounts Receivable

Accounts receivable consist of underwriter and other receivables. It is the policy of management to review outstanding receivables at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

(f) Investments

Investments represent the Stations' share of the internal investment pool of SDSU Research Foundation. Change in fair value of investments is included in the statements of revenues, expenses and changes in net position as nonoperating revenues (expenses).

(g) Capital Assets and Intangible Assets

Capital assets in excess of $5,000 are recorded at cost, if purchased, or at fair market value at date of donation, if donated. Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets:

Buildings	30 years
Studio/broadcast equipment	3-7 years
Furniture and fixtures	5 years
Transmission/antenna/tower	3-15 years

The portion of the Gateway Center building that houses the main operating offices for radio, TV and studios for the Stations has been recorded as a capital lease (see note 8) and is being amortized over the life of the lease. Amortization expense for the Gateway Center is included with depreciation on owned assets.

Intangible assets are recorded at the lower of cost or fair value. Intangible assets consist of broadcast license associated with the acquisition of the KQVO radio station. The broadcast license is renewable every eight years at a nominal fee to the Stations. The intangible asset has an indefinite life and is not amortized. The Stations' policy is to review the asset annually for impairment and adjust the asset to fair value, if lower than the recorded amount. There was no impairment in value for the years ended June 30, 2014 and June 30, 2013.

(h) Compensated Absences

The Stations accrue vacation benefits for eligible employees at various rates depending upon length of service. Eligible full-time employees accrue sick leave at the rate of four hours per pay period. Employees are typically not paid for unused sick leave at the end of employment. However, for certain employees, a portion of accumulated sick leave is paid upon retirement. Liabilities for compensated absences of approximately $624,000 and $591,000 for the years ended June 30, 2014 and 2013, respectively, are included in accrued expenses. Liabilities for compensated absences at June 30, 2014 and 2013 include $111,000 relating to certain KPBS employees funded by the University through direct financial support.

(i) Contributions

Revenue from contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Contributions received prior to satisfaction of eligibility requirements are recognized as unearned revenue. The Stations received approximately 83% and 84% of their operating revenue from contributions in the years ended June 30, 2014 and 2013, respectively.

Underwriting revenue is recognized as contributions at the time of the pledge, when the underwriting agreement is signed. The underwriting agreement states that the funds are in the form of an unrestricted operating grant.

Management determines bad debts by regularly evaluating individual contributions receivable and considers a donor's financial condition and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received.

(j) University Support

Direct financial support received from the University for the years ended June 30, 2014 and 2013 consisted primarily of salaries for management, space rental and utilities.

Indirect support received from the University for the years ended June 30, 2014 and 2013 was approximately $5,031,000 and $4,718,000, respectively. A portion of the University's general overhead costs relates to and benefits the Stations. Such costs are allocated primarily based on the proportion of KPBS's expenses to certain costs of SDSU Research Foundation and the University, which are then applied to certain administration, maintenance and repair costs of the University. These University services, provided without cost, have been allocated to the Stations and are reported as transfers and operating expense in the accompanying financial statements.

(k) Corporation for Public Broadcasting 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. The CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby 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), (1983) Supplement; however, each grant must be expended within two years of the initial grant authorization. The Stations typically expend all funds received under CSGs in the year received.

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

The grants are reported in the financial statements as operating revenue. Certain guidelines set by the CPB must be satisfied in connection with the application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting and licensee status with the Federal Communications Commission. Revenue on these grants is recognized as the funds are received, and management's policy is to expend the money in the year received. The Stations received and recorded approximately $3,012,000 and $2,523,000 in grant revenue from the CPB in the years ended June 30, 2014 and 2013, respectively.

(l) Unearned Revenue

Revenue from private grants and other program sponsorships are recognized as support in the fiscal year in which all eligibility requirements have been satisfied. Revenue received prior to satisfaction of eligibility requirements and incurring the related expenses have been deferred and are reflected as unearned revenue in the accompanying statements of net position.

(m) Fundraising and Membership Development

Fundraising and membership development expenses are from fundraising activities.

(n) Net Position

The Stations' net position is classified into the following net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation; intangible assets, net of accumulated amortization; and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – nonexpendable: Assets subject to externally imposed conditions that require the Stations to retain them in perpetuity.

Restricted – expendable: Assets subject to externally imposed conditions that can be fulfilled by the actions of the Stations or by the passage of time.

Unrestricted: All other categories of net position. In addition, unrestricted assets may be designated for specific purposes by the management of the Stations.

Restricted resources are used in accordance with the Stations' policies. Unrestricted resources are used at the Stations' discretion. When both restricted and unrestricted resources are available for use, it is the Stations' policy to determine on a case-by-case basis when to use restricted or unrestricted resources.

(o) Classification of Revenues and Expenses

The Stations consider operating revenues and expenses in the statements of revenues, expenses and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Stations' primary functions. Certain other transactions are reported as nonoperating revenues and expenses, including interest expense, investment income, changes in the fair value of investments and gains (losses) from the disposal of capital assets.

(p) Income Taxes

The University, as a campus of The California State University system, which is an agency of the State of California and is treated as a governmental entity for tax purposes, is generally not subject to federal or state income taxes. SDSU Research Foundation is generally exempt from income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code. However, both the University and SDSU Research Foundation are subject to tax on trade or business income earned from an activity that is not in furtherance of their tax-exempt purposes. The Stations are engaged in activities that produce unrelated business income: namely, sales of certain products and services, and advertising. The Stations had no tax liability for the years ended June 30, 2014 and 2013.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Estimates also affect the reported amounts of revenues, gains, and other support and expenditures and deductions during the reporting period. Actual results could differ from those estimates.

(r) Liabilities for Amounts Held for Others

KPBS serves as trustee and administrator for a trust arrangement whereby the beneficial interest is shared with other parties. The arrangement generally requires payment of annual trust income to the income beneficiary over the term of the trust with the remainder portion of the assets reverting to KPBS. The liability for amounts held for others on the statements of net position represents the present value of the estimated future payments to be distributed to these beneficiaries.

(s) Pronouncements Issued

KPBS implemented the following GASB statements during the year ended June 30, 2014:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (effective for the year ended June 30, 2014)
- GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (effective for the year ended June 30, 2014).

Implementation of GASB statements 65 and 66 did not have a significant impact on the financial statements.

The GASB has issued the following statements:

- GASB Statement No. 68, *Accounting and Reporting for Pensions—an amendment of GASB Statement No. 27* (effective for the year ending June 30, 2015)
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (effective for the year ending June 30, 2015)
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (effective for the year ending June 30, 2015)
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (effective for the year ending June 30, 2015).

Management has not currently determined what, if any, impact implementation of these standards may have on the financial statements of KPBS.

(3) Investments

Investments are reported on the statements of net position as of June 30 as follows:

	2014	2013
Long-term investments	$ 5,006,811	$ 3,638,543
Restricted assets, investments	2,729,944	2,387,109
	$ 7,736,755	$ 6,025,652

KPBS's investments are part of a unitized investment pool managed by SDSU Research Foundation and are therefore not separately identifiable. The pool is approved and monitored by the SDSU Research Foundation Board of Directors, and maintains a 57% stock, 23% fixed income and 20% alternative investments, real estate and cash equivalent asset mix as of June 30, 2014.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed-income investment. SDSU Research Foundation manages a separate pool of fixed-income investments, unrelated to the unitized pool referred to above, which has an average maturity of approximately one year.

(b) Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to repay the debt security when due. According to SDSU Research Foundation's investment policy, fixed-income investments are limited to 'Investment Grade' issues. Credit ratings by nationally recognized institutions are used to assess the creditworthiness of specific investments. The investment pool managed by SDSU Research Foundation does not have a rating provided by a nationally recognized statistical rating organization.

(4) Accounts Receivable

Accounts receivable at June 30 consisted of the following:

	2014	
	Current	**Noncurrent**
Underwriter receivables	$ 2,740,436	$ 499,521
Other receivable	317,275	111,230
Allowance	(30,000)	-
	$ 3,027,711	$ 610,751

	2013	
	Current	**Noncurrent**
Underwriter receivables	$ 2,512,542	$ 1,008,545
Other receivable	302,472	111,230
Allowance	(30,000)	-
	$ 2,785,014	$ 1,119,775

(5) Capital Assets

Capital asset activity for the years ended June 30 consisted of the following:

	Balance June 30, 2013	Additions	Retirements/ Transfers	Balance June 30, 2014
Nondepreciable capital assets:				
Construction in progress	$ 606,609	$ -	$ (606,609)	$ -
KQVO radio station license	670,000	-	-	670,000
Total nondepreciable capital assets	1,276,609	-	(606,609)	670,000
Depreciable capital assets:				
Building under capital lease [a]	12,939,980	627,137	-	13,567,117
Studio/broadcast equipment	11,723,659	519,864	(447,690)	11,795,833
Furniture and fixtures	1,621,658	49,455	(16,758)	1,654,355
Transmission/antenna/tower	3,893,519	-	-	3,893,519
Total depreciable capital assets	30,178,816	1,196,456	(464,448)	30,910,824
Less accumulated depreciation:				
Building under capital lease	6,469,684	667,969	-	7,137,653
Studio/broadcast equipment	9,003,985	623,189	(447,690)	9,179,484
Furniture and fixtures	1,475,085	59,155	(16,758)	1,517,482
Transmission/antenna/tower	1,837,340	215,745	-	2,053,085
Total accumulated depreciation	18,786,094	1,566,058	(464,448)	19,887,704
Total depreciable assets	11,392,722	(369,602)	-	11,023,120
Net capital assets	$ 12,669,331	$ (369,602)	$ (606,609)	$ 11,693,120

	Balance June 30, 2012	Additions	Retirements/ Transfers	Balance June 30, 2013
Nondepreciable capital assets:				
Construction in progress [b]	$ 991,497	$ 587,912	$ (972,800)	$ 606,609
KQVO radio station license	670,000	-	-	670,000
Total nondepreciable capital assets	1,661,497	587,912	(972,800)	1,276,609
Depreciable capital assets:				
Building under capital lease [a]	12,904,596	35,384	-	12,939,980
Studio/broadcast equipment	12,795,551	329,679	(1,401,571)	11,723,659
Furniture and fixtures	1,605,186	29,306	(12,834)	1,621,658
Transmission/antenna/tower	2,883,538	1,741,731	(731,750)	3,893,519
Total depreciable capital assets	30,188,871	2,136,100	(2,146,155)	30,178,816
Less accumulated depreciation:				
Building under capital lease	5,852,953	616,731	-	6,469,684
Studio/broadcast equipment	9,796,206	607,517	(1,399,738)	9,003,985
Furniture and fixtures	1,412,330	75,589	(12,834)	1,475,085
Transmission/antenna/tower	2,184,969	365,818	(713,447)	1,837,340
Total accumulated depreciation	19,246,458	1,665,655	(2,126,019)	18,786,094
Total depreciable assets	10,942,413	470,445	(20,136)	11,392,722
Net capital assets	$ 12,603,910	$ 1,058,357	$ (992,936)	$ 12,669,331

(a) The building under capital lease represents the Stations-occupied portion of the Gateway Center and is pledged as collateral for debt issued by SDSU Research Foundation, whose outstanding balance at June 30, 2014 and 2013 was approximately $3,980,000 and $4,330,000, respectively.

(b) Construction in progress at June 30, 2013 primarily relates to the broadcast back-up generator system.

Depreciation expense totaled $1,566,058 and $1,665,655 for the years ended June 30, 2014 and 2013, respectively, and was allocated among expenses in the accompanying statements of revenues, expenses and changes in net assets, as follows:

	2014	2013
Program services	$ 898,092	$ 973,335
Support services	667,966	692,320
Total depreciation	$ 1,566,058	$ 1,665,655

(6) Other Assets

Included in other assets is a building owned by the Stations from which rental income is derived. The use of the building is subject to two land leases, one of which terminates in fiscal 2017. The Stations are amortizing the contributed value of the building over that time. Amortization expense totaled $30,677 for each of the years ended June 30, 2014 and 2013. The unamortized value included in other assets totaled approximately $92,000 and $123,000 at June 30, 2014 and 2013, respectively.

(7) Long-Term Debt Obligations

Long-term debt obligation activity for the years ended June 30 is as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Notes payable	$ 1,581,374	$ -	$ (244,652)	$ 1,336,722	$ 253,214

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Notes payable	$ 1,894,944	$ -	$ (313,570)	$ 1,581,374	$ 244,651

In 2002 the University obtained a loan for the purchase of equipment, of which the Stations received certain of the equipment in return for payment to the University on a portion of the loan. The University paid the loan in full in 2008 and simultaneously entered into an agreement with the Stations that allowed them to pay their outstanding note balance to the University in annual principal and interest installments of $155,825 due in March of each year. In July 2010, the University amended the note payment schedule, deferred the March 2011 payment, and extended the term of the loan through 2013. The unsecured note payable, with interest at a fixed rate of 3.5%, was paid in March 2013. Interest incurred on the note payable amounted to $2,081 for the year ended June 30, 2013.

In July 2010, KPBS entered into a financing agreement with the University that provided internal financing to KPBS to enable the purchase of digital production and editing equipment in the amount of $2,000,000. Annual principal and interest payments are required each March through 2016. At any time beginning after July 1, 2011, the University may call the loan due and payable in full for all outstanding principal and accrued interest with six months' advance notice to KPBS. In June 2011, the University amended the note payment schedule and extended the term of the loan through 2019. Payments, due each March, are secured by KPBS operating fund allocations provided by the University. The note payable bears interest at a fixed rate of 3.5%. Aggregate annual payments under this financing agreement are as follows:

Years Ending June 30:	Principal	Interest	Total
2015	$ 253,215	$ 46,785	$ 300,000
2016	262,077	37,923	300,000
2017	271,250	28,750	300,000
2018	280,743	19,257	300,000
2019	269,437	9,429	278,866
	$ 1,336,722	$ 142,144	$ 1,478,866

Interest incurred on the note payable amounted to $52,304 and $60,404 for the years ended June 30, 2014 and 2013, respectively.

(8) Commitments

(a) Capital Leases

Gateway Center

During the year ended June 30, 1995, SDSU Research Foundation completed construction on the Gateway Center, a 160,000 square-foot building built on land leased from the University. The land lease expires in June 2023, at which time title of the building passes to the University.

The main operating office, radio studios and television studio for the Stations are housed in a portion of the Gateway Center. Under the terms of the lease agreement with SDSU Research Foundation, the Stations were allocated approximately $8,345,000 of the construction costs of the building, of which $2,860,000 was paid during construction and $5,485,000 was to be paid through the term of the capital lease.

The capital lease payments were set up based on an allocation of the KPBS portion of the debt service of the SDSU Research Foundation's 1999 Revenue Refunding Bonds. On April 5, 2010, The California State University system issued system-wide revenue bonds (SRB 2010A) to replace the 1999 Revenue Refunding Bonds. The SRB 2010A bonds sold at amounts greater than par, resulting in a bond premium. As a result of the refunding and new issuance, the debt service schedule that was the basis for the capital lease changed, resulting in a gain on refunding of $666,480 which is being amortized over the remaining life of the capital lease. Amortization expense totaled $47,606 for each of the years ended June 30, 2014 and 2013.

Capital Equipment Lease

During the year ended June 30, 2007 KPBS obtained financing through the University to acquire equipment. Under the original capital lease, payments are due annually from September 2007 until March 2014. In July 2010, the University amended the payment schedule with the March 2011 payment deferred and loan term extended through 2016. In June 2011, the University amended the payment schedule and extended the loan term through 2019.

In November 2013, KPBS obtained financing to acquire certain broadcast equipment. Under the terms of the agreement, payments are due monthly through 2017.

Capitalized Licensed Software

During the year ended June 30, 2012, the University purchased a software package for KPBS broadcasting and radio needs. Payments are due annually through 2017 for the use of the software. During the year ended June 30, 2011, the University purchased software with payments due through 2013, which was extended during the year ended June 30, 2013 with payments due through 2015.

Capital lease obligation activity for the years ended June 30 is as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Capital lease obligation	$ 3,354,478	$ 59,080	$ (392,307)	$ 3,021,251	$ 422,880
Unamortized refinancing gain	476,056	-	(47,606)	428,450	-
	$ 3,830,534	$ 59,080	$ (439,913)	$ 3,449,701	$ 422,880

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Capital lease obligation	$ 3,668,821	$ 59,307	$ (373,650)	$ 3,354,478	$ 378,356
Unamortized refinancing gain	523,662	-	(47,606)	476,056	-
	$ 4,192,483	$ 59,307	$ (421,256)	$ 3,830,534	$ 378,356

The following is a schedule of the future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2014:

Years Ending June 30:	Principal	Interest	Total
2015	$ 422,880	$ 130,889	$ 553,769
2016	392,850	112,579	505,429
2017	391,364	96,689	488,053
2018	359,811	79,729	439,540
2019	359,457	63,942	423,399
Thereafter	1,094,889	112,350	1,207,239
	3,021,251	$ 596,178	$ 3,617,429
Unamortized refinancing gain	428,450		
	$ 3,449,701		

(b) Operating Leases

KPBS leases certain equipment, land, buildings and transmitter space under noncancelable operating leases, which expire on various dates through January 2099. The current monthly rental payments range from approximately $170 to $13,970, and several of the agreements allow for annual increases in the base rent. KPBS incurred rental expense for the years ended June 30, 2014 and 2013 of $405,800 and $388,700, respectively.

The total minimum rental commitment at June 30, 2014 under the leases mentioned above is due as follows:

Years Ending June 30:		
2015	$	419,139
2016		431,255
2017		437,342
2018		445,046
2019		459,885
Thereafter		1,859,103
	$	4,051,771

(9) Pension and Postretirement Benefits

For the Stations' staff employed through SDSU Research Foundation, SDSU Research Foundation provides health insurance benefits for the Stations' retirees who meet certain eligibility requirements as established by Board policy. There are three groups of eligible retirees, as follows:

(i) **Group 1 Retirees** – individuals who retired prior to July 1, 1991 and, as of July 1, 1991, were receiving benefits under SDSU Research Foundation's "Health Insurance at Retirement" policy, which was approved by the SDSU Research Foundation Board of Directors on May 14, 1984.

(ii) **Group 2 Retirees** – individuals who were employed as eligible employees on June 30, 1991 and, at the time of retirement, had 10 years of service as an eligible employee, and retired either (a) under the "SDSURF Defined Contribution Retirement Plan" offered through TIAA-CREF after attaining age 55 (or after attaining age 50 if the individual was employed by SDSU Research Foundation and covered by PERS on June 30, 1982), or (b) due to permanent and total disability, as approved by TIAA-CREF, under the "Group Total Disability Benefits Plan for Regular Salaried Employees of SDSURF."

(iii) **Group 3 Retirees** – individuals who were employed as eligible employees on or after July 1, 1991 and, at the time of retirement, had 15 years of service as an eligible employee, and retired either (a) under the "SDSURF Defined Contribution Retirement Plan" offered through TIAA-CREF after attaining age 60, or (b) due to permanent total disability, as approved by TIAA-CREF, under the "Group Total Disability Benefits Plan for Regular Salaried Employees of SDSURF."

SDSU Research Foundation contracts with TIAA-CREF to provide retirement and disability benefits to its employees. Benefit liabilities are funded through individually owned non-participating annuity contracts. The obligation for the payment of benefits has been transferred from SDSU Research Foundation to TIAA-CREF.

In order for the Stations' employees to be eligible for retiree pension and health benefits, the employee must be appointed to an approved class code, work a regular schedule of 20 hours or more per week, and not be a temporary or leased employee. Amounts charged to KPBS from SDSU Research Foundation for pension and other postretirement benefits totaled $96,627 and $91,625 for the years ended June 30, 2014 and 2013, respectively, and are recorded as either program services or support services, depending upon the employee's function, on the accompanying statements of revenues, expenses and changes in net assets.

SDSU Research Foundation issues a separate financial report that includes further information on the pension and postretirement benefits. Copies of the SDSU Research Foundation annual financial report may be obtained from the SDSU Research Foundation Executive Office, 5250 Campanile Drive, San Diego, California 92182.

For the Stations' staff employed through the University, the University, as an agency of the State of California, contributes to the California Public Employees' Retirement System (CalPERS) on behalf of certain employees of the Stations. The State's plan with CalPERS is an agent multiple-employer defined benefit plan that provides a defined benefit pension and postretirement benefit program for substantially all eligible University employees. CalPERS functions as an investment and administrative agent for its members. The plan also provides survivor, death and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Act (PEMHCA) for medical benefits.

The Stations' University-employed personnel are required to contribute 5% of their monthly earnings in excess of $513 to CalPERS. The University is required to contribute at an actuarially determined rate. The contribution requirements (i.e., annual required contribution) of the plan members are established and may be amended by CalPERS. Amounts charged to KPBS for its annual required contribution from the University totaled $305,594 and $298,559 for the years ended June 30, 2014 and 2013, respectively, and are recorded as direct support and program services or support services expense, depending upon the employee's function. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

(10) Contingencies

From time to time, the Stations are subject to claims and legal suits in the normal course of business. Management believes there will be no material adverse results on their net position as a result of these matters.

On September 19, 2013, a petition was filed with the United States government National Labor Relations Board to recognize certain non-management content development staff as a collective bargaining unit under Screen Actors Guild – American Federation of Television and Radio Artists (SAG-AFTRA). On November 18, 2013 the bargaining unit vote was held, affirming the collective bargaining unit and recognizing SAG-AFTRA as the representative. Collective bargaining sessions have been held, and management has not determined what, if any, impact the collective bargaining unit may have on the financial statements of KPBS.

(11) Risk Management

The Stations are exposed to risks related to general and commercial liability and workers' compensation. The Stations are covered by insurance through SDSU Research Foundation and the University to mitigate those risks. Insurance policies provide varying levels of coverage with varying deductibles. The University and SDSU Research Foundation participate in The California State University risk management pool for most of its insurance needs. However, SDSU Research Foundation is partially self-insured for its unemployment and workers' compensation plans. Using insurance policies with commercial carriers to cover these risks of loss, SDSU Research Foundation maintains excess unemployment insurance coverage in the aggregate of $1,500,000 and excess workers' compensation coverage for claims in excess of $250,000 per occurrence.

Insurance through the University is included in the University indirect support and allocated to program and support services on the statements of revenues, expenses and changes in net assets. Premiums to SDSU Research Foundation on these insurance policies totaled approximately $97,400 and $100,100 for the years ended June 30, 2014 and 2013, respectively.

KPBS FM/TV

(A Department of San Diego State University)

Supplementary Schedule of Direct and Indirect Support

Year Ended June 30, 2014

	KPBS Excluding Direct and Indirect Transfers	SDSU Transfers Direct	SDSU Transfers Indirect	KPBS Combined
Operating revenues:				
Contributions	$ 17,867,553	$ -	$ -	$ 17,867,553
Corporation for Public Broadcasting grants	3,011,838	-	-	3,011,838
Stations-generated support	643,312	-	-	643,312
Total operating revenues	21,522,703	-	-	21,522,703
Operating expenses:				
Program services:				
Programming and production	8,973,212	-	1,900,718	10,873,930
Broadcasting	2,992,894	804,462	821,066	4,618,422
Program information and promotion	383,754	-	82,357	466,111
Total program services	12,349,860	804,462	2,804,141	15,958,463
Support services:				
Management and general	1,994,738	1,103,638	664,041	3,762,417
Fundraising and membership development	5,410,261	152,562	1,184,895	6,747,718
Underwriting	1,800,689	-	377,888	2,178,577
Total support services	9,205,688	1,256,200	2,226,824	12,688,712
Total operating expenses	21,555,548	2,060,662	5,030,965	28,647,175
Operating loss	(32,845)	(2,060,662)	(5,030,965)	(7,124,472)
Nonoperating revenues (expenses):				
Interest expense	(147,581)	-	-	(147,581)
Interest income, net	140,364	-	-	140,364
Net increase in fair value of investments	798,097	-	-	798,097
Total nonoperating revenues, net	790,880	-	-	790,880
Income (loss) before transfers	758,035	(2,060,662)	(5,030,965)	(6,333,592)
San Diego State University transfers:				
Direct financial support	-	2,060,662	-	2,060,662
Indirect financial support	-	-	5,030,965	5,030,965
Total San Diego State University transfers	-	2,060,662	5,030,965	7,091,627
Change in net position	$ 758,035	$ -	$ -	758,035
Net position, beginning of year				16,133,765
Net position, end of year				$ 16,891,800