KVSC RADIO 88.1 FM

AN ENTERPRISE FUND OF ST. CLOUD UNIVERSITY

St. Cloud, Minnesota

Financial Statements
Including Independent Auditors' Report

For the years ended June 30, 2014 and 2013

Prepared by:

Business Services
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KVSC RADIO 88.1 FM

AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERITY

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Minnesota State Colleges and Universities
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of KVSC Radio 88.1 FM (KVSC), an enterprise fund of St. Cloud State University, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the KVSC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to KVSC'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 KVSC'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 opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of KVSC as of June 30, 2014, and the respective changes in financial position and cash flows, were applicable, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of KVSC as of June 30, 2013, were audited by other auditors whose report dated January 17, 2014, expressed an unmodified opinion on those statements.

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 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 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, on our consideration of KVSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KVSC's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of KVSC RADIO 88.1 FM (KVSC), an enterprise fund of St. Cloud State University (the University) at June 30, 2014, 2013 and 2012, and for the years then ended. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying footnotes, which follow this section.

KVSC is an educational public radio station licensed to St. Cloud State University. The mission of KVSC is three-fold: To provide students and volunteers with practical professional experience in operating an FM radio station, to keep listeners informed with quality, community-based programming with an emphasis on local issues and events coverage, and to provide listeners with musical programming which is a diverse alternative to other music formats in the broadcast market. To that end, KVSC provides an outlet for musical styles not found elsewhere in the community, a forum for discussion of current political trends and social issues, award-winning news, sports and information segments, multi-cultural programming to meet the needs of a more ethnically diverse community and free radio broadcast training.

The station broadcasts with 16,500 watts of power providing a listening radius of approximately 70 miles. The station is operated by students and community volunteers and is on the air 365 days per year, 24 hours per day. The on air hosts and deejays are entirely staffed by volunteers, roughly 7,300 hours total with another 1,000+ hours volunteered at sports or remote/community event broadcasts. Other than the station's professional employees consisting of a station manager, operations director and three grant funded part-time employees, the station is staffed by student workers in all areas of station operations including programming, production, news, sports, music, marketing, online content management, engineering, etc. All of these students and community volunteers gain invaluable experience in the many different aspects of radio broadcasting.

KVSC is *Your Sound Alternative* offering a blend of progressive rock, jazz, folk, world, blues, local music, Native American music and much more. In addition KVSC offers special and expanded features on its website, KVSC.org, including additional online news and cultural affairs content, live audio streaming and downloadable podcasts of popular content. KVSC has expanded its community outreach and engagement events to include Granite City Radio Theatre in collaboration with the Pioneer Place Theatre in St. Cloud. The quarterly live radio program features local musicians, writers and actors performing a 2-hour live audience and live radio broadcast. The series completed its second season and is funded through 2015. Additionally, KVSC underwrites, promotes and programs an annual concert each spring in St. Cloud at local venues and has expanded its remote event participation to include several local parades and appearances at the Summertime by George concert series, a popular community event each summer.

KVSC is a member station of the Association of Minnesota Public Educational Radio Stations (AMPERS), an association of Diverse Radio for Minnesota's Communities. AMPERS, comprised of 17 stations in Minnesota, provides stations with fundraising and statewide network underwriting opportunities, production and program sharing, new media/technology updates and advocacy at the state and national levels.

Trivia weekend is KVSC's biggest campus and community event of the year. It was created to alleviate Minnesota's infamous cabin fever and debuted in 1980 with 25 teams participating, consisting mostly of teams of students. The sophistication of the event has grown and in 2014, Trivia weekend attracted 56 teams, several of which now play via the Internet from various parts of the country. KVSC is expanding its efforts to reach high school and college-based teams. Longstanding teams continue to join forces to become "super teams" of 25-60 players per team. Trivia weekend is annually scheduled for the second weekend of February and begins on Friday at 5 p.m. Participating teams endure 50 hours of non-stop trivia questions representing a broad range of categories including: movies, pop culture, sports, science and history. Each year, a different theme is chosen to pay homage to a popular movie, novel or pop-culture phenomena. In 2014, there were 36 trivia answer hotlines staffed by volunteers and UTVS-Television provided live video telecast coverage of the entire event. There were more than 200 alumni, students, and community members who volunteered their time and effort to make this event a success. Approximately 60 St. Cloud and Greater Minnesota businesses show their support for the event with funding and/or food donations to provide sustenance for the volunteers.

FINANCIAL HIGHLIGHTS

KVSC's financial position is evolving but remains stable, with assets of $284,152 and liabilities of $143,917 at June 30, 2014, compared to assets of $284,638 and liabilities of $199,214 on June 30, 2013. Net position, which represents the residual interest in KVSC's assets after liabilities are deducted, increased $54,811 in fiscal year 2014 to $140,235.

USING THE FINANCIAL STATEMENTS

KVSC's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. These financial statements are prepared in accordance with applicable generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) through authoritative pronouncements.

STATEMENTS OF NET POSITION

The statement of net position presents the financial position of KVSC at the end of the fiscal year and includes all assets and liabilities as measured using the accrual basis of accounting. The difference between total assets and total liabilities – net position – is one indicator of the current financial condition of KVSC, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Capital assets are stated at historical cost less an allowance for depreciation, with current year depreciation reflected as a period expense on the Statement of Revenues, Expenses and Changes in Net Position.

A summary of KVSC's assets, liabilities and net position as of June 30, 2014, 2013 and 2012 are as follows:

	As of June 30		
	2014	2013	2012
Current assets	$ 169,291	$ 240,402	$ 202,964
Noncurrent assets			
Capital assets, net	114,861	44,236	57,861
Total assets	284,152	284,638	260,825
Current liabilities	102,506	156,966	142,559
Noncurrent liabilities	41,411	42,248	32,564
Total liabilities	143,917	199,214	175,123
Net position	$ 140,235	$ 85,424	$ 85,702

Total current assets decreased by $71,111 primarily due to the decrease in cash of $51,319 and the decrease in grants receivable of $26,257 from fiscal year 2013 to fiscal year 2014. Accounts receivable increased $15,986 in fiscal year 2014. Prepaid expense, funds held by third party and net pledges receivable decreased by a combined $9,521 during fiscal year 2014.

Liabilities consist primarily of accrued compensation and deferred federal and state grant revenue, which represents amounts received in advance of providing services. Deferred grant revenue decreased $62,156 in fiscal year 2014. Payables increased $7,413 to $26,130 due to normal differences in the timing of payments made, this represents an increase in accounts payable of $2,638 and in salaries payable of $4,775 in fiscal year 2014. Other compensation benefits, consisting of compensated absences, other post-employment benefits and workers compensation, decreased by $554 as the re-assigned time for the faculty general manager was eliminated by the University for fiscal year 2014.

Net position represents the residual interest in the Station's assets after liabilities are deducted. The Station's net position as of June 30, 2014, 2013 and 2012, respectively, are summarized as follows:

	Net Position at June 30		
	2014	2013	2012
Net investment in capital assets	$ 114,861	$ 44,236	$ 57,861
Unrestricted	25,374	41,188	27,841
Total net position	$ 140,235	$ 85,424	$ 85,702

Net investment in capital assets represents KVSC's investments in broadcasting equipment with original cost exceeding the capitalization thresholds as outlined in Note 1, net of accumulated depreciation.

Restricted net position is subject to externally imposed stipulations governing their use. Although unrestricted net position is not subject to externally imposed stipulations, KVSC's unrestricted net position has been designated by management for various programs and initiatives.

CAPITAL ACTIVITIES

With office and studio facilities provided by the University, capital outlays by KVSC are comprised primarily of investments in broadcasting equipment. Capital assets, net of accumulated depreciation, as of June 30, 2014, totaled $114,861, an increase of $70,625 from fiscal year 2013. The increase consisting of a current year addition of $83,784 less depreciation recognized during fiscal year 2014. In the spring of 2014 KVSC upgraded its transmitter and to a new Nautel HD transmitter and supporting air chain components to convert from analog to digital signal transmission.

Since the University's capitalization threshold increased to $10,000 on July 1, 2008, management acknowledges that most additions and upgrades will not exceed this threshold and as such will be recognized as operational expenses.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position represent KVSC's results of operations for the year. When reviewing the full statement, users should note that GASB requires classification of federal and state grants, listener donations and contributions, and appropriations from the University as non-operating revenue.

A summary table of the information contained in the statement of revenues, expenses and changes in net position follows:

	For the years ended June 30		
	2014	2013	2012
Operating revenue:			
Student fees	$ 37,335	$ 40,410	$ 37,843
Underwriting	84,719	79,902	82,249
Other income	8,562	7,825	8,863
Total operating revenue	130,616	128,137	128,955
Nonoperating revenue:			
University provided support	476,038	375,327	299,033
Contributions – listener support	33,857	35,366	32,161
Grants from the Corp. for Public Broadcasting	148,533	113,898	109,544
Grants from the State of Minnesota	143,626	187,432	93,330
Total nonoperating revenue	802,054	712,023	534,068
Total revenue	932,670	840,160	663,023
Operating expense:			
Salaries and benefits	331,527	357,255	279,199
Supplies and services	275,987	226,949	193,353
Depreciation	13,780	13,625	13,625
In-kind expenses	218,596	212,875	183,480
Other expenses	37,969	29,734	14,516
Total operating expense	877,859	840,438	684,173
Change in net position	54,811	(278)	(21,150)
Net position, beginning of year	85,424	85,702	106,852
Net position, end of year	$ 140,235	$ 85,424	$ 85,702

The University is the primary source of revenue for KVSC, providing 51% of total revenues in fiscal year 2014. The University provides state appropriations to fund a full time station manager, an operations manager, and two graduate assistantships. In fiscal year 2014 the University provided funding for a significant equipment upgrade to digital transmission while proceeding with the anticipated elimination of salary support for the part-time general manager. The University also provides in-kind contributions consisting of facilities and administration and the utilities for the leased tower and transmitter facility.

Underwriting revenues are received as either cash exchange transactions or as non-cash/in-kind transactions. In-kind underwriting revenues include various types of contributions including concert tickets and certificates to be awarded to random call-in contest winning listeners or those individuals pledging membership sponsorship, or trivia weekend sponsorships that provide food, prizes and beverage to the many volunteers working that weekend. KVSC has also received other miscellaneous goods and services such as newspaper and bus advertising in exchange for underwriting.

A sign of the economic recovery of local businesses is their increased willingness to spend on marketing as KVSC cash exchange underwriting revenues increased by $5,858 to $29,843 in fiscal year 2014. However, non-cash/in-kind underwriting revenues decreased $1,042 to $54,876 in fiscal year 2014. Overall underwriting revenues increased by $4,816 during fiscal year 2014.

The Corporation for Public Broadcasting (CPB) Community Service Grant awarded to KVSC decreased from $138,810 in fiscal year 2013 to $87,274 in fiscal year 2014. The significant grant reduction is primarily a result of an increase in the population density in surrounding areas from 40 to 47 persons per square kilometer, as KVSC lost its rural designation and no longer receives the rural support bonus. The rural support grant bonus had been in excess of $20,000 each of the three previous years. CPB restricts approximately 26% of the funds, requiring that they be expended towards national program acquisition and distribution. KVSC has used these funds to invest in access to the Public Radio Satellite System, Content Depot, Public Radio International and Native Voice One for programming, increase marketing and audience outreach efforts, digital studio upgrades and increased online and social media presence. An additional 25% of funding from the fiscal year 2013 grant was required to be set aside to improve the listening index and/or the community financial support index. KVSC purchased Arbitron's radio market research from Radio Research Consortium, gathered data on student listenership with a contract the St. Cloud State University Political Science department's student survey, worked with a professional consultant to improve staff training, program streamlining and membership development, purchased new national programming and worked with a local marketing firm to develop a specific plan to grow its radio audience via social media and billboard branding.

In fiscal years 2013 and 2014 the Minnesota State Legislature, via the Department of Administration managed process, granted KVSC a two-year Arts and Cultural Heritage Legacy grant. This was a direct allocation and a departure from the competitive grant process of the previous two years. KVSC secured a cumulative grant of $217,800 for fiscal years 2014 and 2015. While this is an annual decrease from the $133,023 received in fiscal year 2013, it also represents sought after stability in the granting process. Additionally, with the AMPERS organization now qualifying as a grant recipient, the amount allocated to each qualified radio station was slightly diminished. These funds have been used to fund three part time positions, continue support of the webstreamed St. Cloud Somali Radio, the continuation of a live radio and theatre production called Granite City Radio Theatre, development of a radio docu-drama called "Trial By Mob: The Lynchings in Duluth" and to support an annual spring concert. Also, regional feature programs called "Untold Stories of Central Minnesota" continue to be produced for on air broadcast and online podcast.

Biennially, the Minnesota State Legislature appropriates funding for community service and equipment awards to public broadcasting entities, these funds are used by KVSC to pay for equipment, tower rental, student stipends, telephone line fees, supplies and other expenses. Strong lobbying efforts by the AMPERS Association have contributed to an increased appropriation by the Minnesota State Legislature for operational and equipment grants during the biennium including fiscal year 2014 and fiscal year 2015. The combined state of Minnesota community service and equipment grant funding awarded to KVSC increased approximately 25% to $36,357 for fiscal year 2014 and $33,933 for fiscal year 2015.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

To meet the challenges of the future, KVSC continues to take into account many influences outside its control. The health of the national, state and local economy, for example, can have a significant impact on funding available for public radio from a broad range of sources including the Corporation for Public Broadcasting, state grants, private giving and University support. As student enrollment at the University has decreased in the last four years, the University faces an ongoing challenge in maintaining adequate state appropriation funding in fiscal years 2015, 2016, and beyond.

KVSC received its first federal Radio Community Service Grant from the Corporation for Public Broadcasting (CPB) in fiscal year 2009. As has been the case the past several years, there is a possibility of further rescission to CPB appropriations in upcoming measures funding federal government operations during the upcoming fiscal year. The CPB has awarded KVSC a Community Service Grant of $98,621 for fiscal year 2015, though this may be adjusted up or down depending on final appropriations levels.

In recent years the Minnesota State Legislature's appropriation for community service and equipment grants has remained about the same while the number of eligible stations receiving equal distributions from the state has increased, causing decreased allocations to previously eligible stations. There are expected to be 16 stations eligible within the AMPERS association, with four having been added in the last two years. Due to one additional station the KVSC allocation has decreased by $2,424 to $33,933 for fiscal year 2015. It is the goal of the AMPERS association and its member stations to request increased funding from the Legislature for these new stations, noting that when new stations qualify for funds mid way through a two year funding cycle that expected distributions to existing qualified stations are decreased.

KVSC has enjoyed success with listener membership fundraising campaigns; however, we remain mindful of the fact that revenue that is dependent on the giving ability of its membership will fluctuate with economic conditions. The strength of KVSC's programming, the success of past membership fundraising campaigns and the existence of a solid audience listenership and membership base are important foundations to build on as KVSC looks to maintain and grow the revenue needed to support its operating and capital programs.

Additionally, the outcome of grant support from the Minnesota Arts and Cultural Heritage Fund has resulted in continued growth in community awareness and support at events programmed by KVSC. Management has been building on these successful new events including concerts, radio theatre, arts and culture speaker series which have advanced KVSC's profile with the campus and off-campus communities. KVSC was granted two new Low Power FM (LPFM) licenses from the Federal Communications Commission. We currently supply studio space, technical and programming support to the St. Cloud Area Somali Salvation Organization (SASSO), who web stream broadcast St. Cloud Somali Radio. Discussions are ongoing with SASSO in regards to making St. Cloud Somali Radio a low power FM station. With the other LPFM license KVSC will create a wholly student-run station with specific training and operational techniques that will similar to operating commercial radio station. Both projects are expected to provide the benefit of increased audience reach.

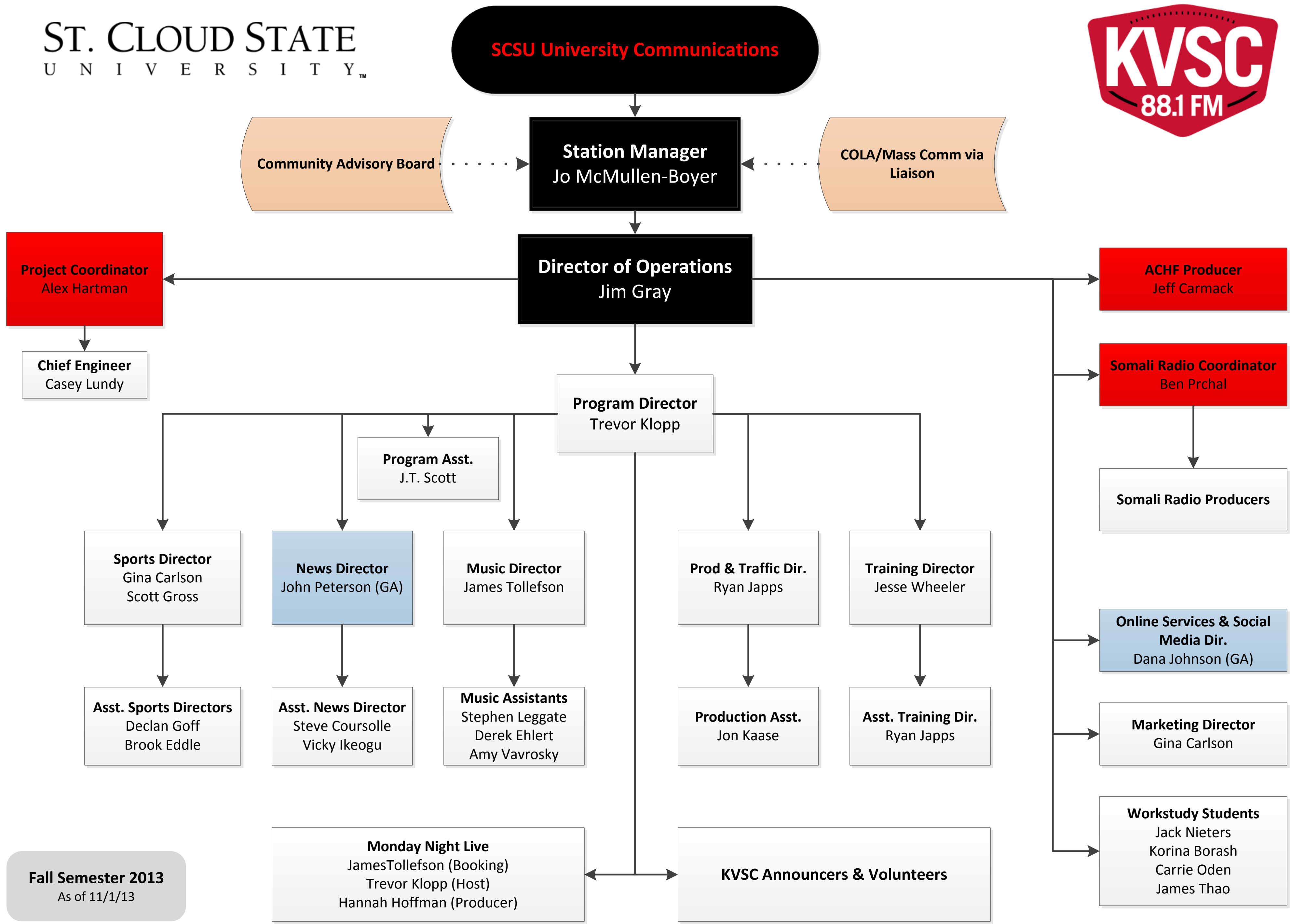
While it is not possible to predict the ultimate results, management believes that KVSC's financial condition will remain strong.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of KVSC's finances for all those with an interest in the stations finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Station Manager
KVSC Radio
720 Fourth Avenue South, SH27
St. Cloud, MN 56301-4498

KVSC 88.1 FM Organizational Flow Chart



KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2014 AND 2013

Assets	2014	2013
Current Assets		
Cash and cash equivalents	$ 43,866	$ 95,185
Funds held by third party - St. Cloud State University Foundation	54,554	56,505
Accounts and grants receivable	66,492	76,763
Pledges receivable, net	1,340	2,082
Prepaid asset	3,039	9,867
Total current assets	169,291	240,402
Noncurrent Assets		
Capital assets, net	114,861	44,236
Total Assets	284,152	284,638
Liabilities		
Current Liabilities		
Accounts payable	12,482	9,844
Salaries payable	13,648	8,873
Other compensation benefits	5,314	5,031
Deferred grant revenue	71,062	133,218
Total current liabilities	102,506	156,966
Non-Current Liabilities		
Other compensation benefits	41,411	42,248
Total Liabilities	143,917	199,214
Net Assets		
Invested in capital assets	114,861	44,236
Unrestricted	25,374	41,188
Total Net Position	$ 140,235	$ 85,424

The notes are an integral part of the financial statements.

KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Operating Revenues		
Student service fees	$ 37,335	$ 40,410
Underwriting	84,719	79,902
Other income	8,562	7,825
Total operating revenues	130,616	128,137
Operating Expenses		
Program Services		
Programming and production	312,571	239,649
Broadcasting and engineering	167,304	191,166
Program information and promotion	57,113	64,383
Total program services	536,988	495,198
Support Services		
Fundraising and membership development	50,445	46,878
Underwriting and grant solicitation	32,666	27,263
Management and general	257,760	271,099
Total support services	340,871	345,240
Total operating expenses	877,859	840,438
Operating loss	(747,243)	(712,301)
Nonoperating Revenues (Expenses)		
Appropriation from St. Cloud State University	311,201	218,370
Donated facilities and administrative from St. Cloud State University	156,299	150,488
Other St. Cloud State University support	8,538	6,469
Contributions - listener support	33,857	35,366
Grants from the Corporation for Public Broadcasting	148,533	113,898
Grants from the State of Minnesota	143,626	187,432
Total nonoperating revenue (expenses)	802,054	712,023
Change in net assets	54,811	(278)
Net Assets, Beginning of Year	85,424	85,702
Net Assets, End of Year	$ 140,235	$ 85,424

The notes are an integral part of the financial statements.

KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Student service fees received	$ 29,662	$ 39,202
Cash received for underwriting	25,641	25,242
Other revenue received	8,562	7,825
Cash payments for employees	(327,307)	(357,768)
Cash paid to suppliers for goods or services	(300,736)	(243,191)
Net cash flows used in operating activities	(564,178)	(528,690)
Cash Flows from Noncapital and Related Financing Activities		
General appropriation from St. Cloud State University	307,321	222,236
Contributions received - listener support	32,796	17,838
Grants from the Corporation for Public Broadcasting	87,146	138,810
Grants from the State of Minnesota	169,380	145,049
Net cash flows from noncapital and related financing activities	596,643	523,933
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(83,784)	-
Net cash flows used in capital and related financing activities	(83,784)	-
Net Change in Cash and Cash Equivalents	(51,319)	(4,757)
Cash and Cash Equivalents, Beginning of Year	95,185	99,942
Cash and Cash Equivalents, End of Year	$ 43,866	$ 95,185
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	$ (747,243)	$ (712,301)
Adjustments to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	13,780	13,625
Donated facilities and administrative	156,299	150,488
Other donated University support	7,421	6,469
Write off uncollectible pledges	3,754	4,065
Change in assets and liabilities		
Accounts and grants receivable	(11,875)	49
Prepaid asset	6,828	1,857
Accounts payable	2,638	7,570
Salaries payable	4,774	(11,642)
Other compensation benefits	(554)	11,130
Net reconciling items to be added to operating income	183,065	183,611
Net cash flow used in operating activities	$ (564,178)	$ (528,690)
Supplemental disclosure of noncash noncapital and related financing activities		
Change in funds held by St. Cloud State University Foundation	$ (1,951)	$ 15,387

The notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Financial Reporting Entity — KVSC RADIO 88.1 FM (KVSC) is an enterprise fund of the St. Cloud State University (the University) and is located in Stewart Hall on the University campus in St. Cloud, Minnesota. KVSC operates under control of the University through the Office of University Marketing and Communications and utilizes assets, the title to which is vested in the University. The assets, liabilities, revenues, expenses, and changes in net position of KVSC are included in the consolidated financial statements of the University and have been identified and segregated from the books of the University for these financial statements. KVSC reports annually to the Corporation for Public Broadcasting.

Minnesota State Colleges and Universities (MnSCU) is an agency of the state of Minnesota and receives appropriations from the state legislature. The University receives a portion of MnSCU's state appropriation. Economic support for KVSC from the University is committed on a year-to-year basis for salaries and operating expenses not provided through other sources. General appropriation support has been approved through June 30, 2015.

KVSC also has an ongoing relationship with the St. Cloud State University Foundation (the Foundation). Membership pledges and other contribution revenues are managed through the Foundation. The Foundation provides banking services by receiving and investing contributions and making disbursements at the direction of KVSC management.

Basis of Presentation — The reporting policies of KVSC conform to generally accepted accounting principles (GAAP) in the United States, as prescribed by the Governmental Accounting Standards Board (GASB). The statement of net assets, statement of revenues, expenses and changes in net position, and statement of cash flows include financial activities of KVSC and do not extend to the University as a whole or any other University organization or department.

Basis of Accounting — The basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. The accompanying financial statements have been prepared as a special purpose government entity engaged in business type activities. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Eliminations have been made to minimize the double-counting of internal activities.

Tax Status — As part of the University, KVSC is exempt from income taxes under Section 115 of the Internal Revenue code although certain activities may be subject to federal unrelated business income tax.

New Accounting Pronouncements — In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB No. 27.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. The statement requires that an employer recognize its obligation for pension net of the amount of the pension plan's fiduciary net position that is available to satisfy that obligation as well as additional note disclosures regarding the obligation. The new standard is effective retrospectively starting with the fiscal year beginning July 1, 2014. The effect GASB Statements No. 68 will have on the fiscal year 2015 financial statements has not yet been determined.

Cash and Cash Equivalents — The cash balance represents cash in the state treasury and demand deposits in local bank accounts as well as cash equivalents. Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash and cash equivalents may include amounts in demand deposits, savings accounts, cash management pools, repurchase agreements, and money market funds.

Receivables — Receivables are shown net of an allowance for uncollectible amounts.

Capital Assets — Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. Such assets are depreciated or amortized on a straight-line basis over the useful life of the assets. The estimated useful life of KVSC equipment ranges from five years to ten years.

Equipment includes all items with an original cost of $10,000 and over for items purchased since July 1, 2008; $5,000 and over for items purchased before July 1, 2008.

Long-Term Liabilities — Long-term liabilities include compensated absences, net other postemployment benefits, and workers' compensation claims.

Compensated Absences — Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences.*

Revenue Classifications — KVSC has classified revenues as operating and non-operating based upon the following criteria:

> *Operating Revenues* — Operating revenues as reported in the statements of revenues, expenses and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. KVSC considers student service fees, underwriting and other revenue to be exchange transactions.
>
> *Non-Operating Revenues* — Non-operating revenues represent non-exchange activities. The primary sources of non-operating revenues are appropriations from St. Cloud State University, contributions, Corporation for Public Broadcasting (CPB) grants and other non-exchange grants and contracts. Although KVSC relies upon these revenue sources to fund the cost of operations, the grantor or donor is not the direct recipient of the goods or services delivered under the grant or gift terms.

Unearned Revenue — Unearned revenue consists primarily of amounts received from grants and underwriting sponsors that have not yet been earned.

Pledges and Contributions — KVSC receives pledges and bequests of financial support from corporations, foundations and primarily individuals. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollectible pledges are not enforceable against contributors. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of collection.

Underwriting Revenues — Underwriting revenue is received from corporate sponsors, non-profit organizations, and University departments and units for on-air credit announcements. KVSC recognizes underwriting revenue as those credits are aired, deferring any revenue related to unaired credits.

In-Kind Contributions — Donated goods and in-kind trade activity are recorded as revenues and expenses at fair market value at the date of donation or activity. Donated goods and in-kind trade activity of $218,596 and $212,875 are included in operating revenues and operating expenses in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2014 and 2013, respectively.

For fiscal year ended June 30		
Non-cash/In-Kind Revenues	2014	2013
University facilities and administration	$ 156,299	$ 150,488
Tower and transmitter utilities	7,421	6,469
Underwriting	54,876	55,918
Total non-cash/in-kind revenues/expenses	$ 218,596	$ 212,875

Donated facilities from the University consist of office and studio space, together with related occupancy costs and are recorded as revenues and expenses at estimated fair rental values. Administrative support from the University consists of allocated finance, human resources, technology, student development, and certain other expenses incurred by the University on behalf of KVSC. The University also provides in-kind support in the form of utilities used to operate the tower and transmitter facility leased by KVSC.

KVSC receives numerous donations of miscellaneous goods and services from area businesses in exchange for underwriting.

Use of Estimates — To prepare the basic financial statements in conformity with generally accepted accounting principles management must make estimates and assumptions. These estimates and assumptions may 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.

Functional Allocation of Expenses — Expenses by function have been allocated among program and supporting service classifications on the basis of estimates made by management.

Net Position — The difference between assets and liabilities is net position. Net position is further classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, if any, construction or improvement of those assets.
- *Restricted expendable*: Net position subject to externally imposed stipulations.
- *Unrestricted*: Net position that is not subject to externally imposed stipulations. Although unrestricted net position is not subject to externally imposed stipulations, KVSC's unrestricted net position has been designated by management for various programs and initiatives, as well as capital projects.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents — All balances related to the state appropriation and all state or federal grants funds received by KVSC are held by the University in the state treasury. Balances related to student service fees and underwriting or other miscellaneous sales are held by the University in a local bank.

Minnesota Statute, Section 118A.03, requires that University held deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. This statute further requires that such insurance and collateral shall be at least 10 percent greater than the amount on deposit.

Cash and Cash Equivalents at June 30

Carrying Amount	2014	2013
University held in state treasury	$ 33,398	$ 76,257
University held in local account	10,468	18,928
Foundation held in local account	54,554	56,505
Total cash and cash equivalents	$ 98,420	$ 151,690

Investments — Through comingled investment pools, excess cash balances are invested in short-term, liquid, high quality debt securities. These assets are all reported as cash equivalents.

The University's balance in the state treasury is invested by the Minnesota State Board of Investment (SBI) as part of the state investment pool. All investments managed by SBI are governed by Minnesota Statutes, Chapters 11A and 356A. Interest income earned on pooled investments is retained by the MnSCU Office of the Chancellor and allocated to the colleges and universities as part of the appropriation allocation process.

The University's excess cash in the local bank is swept nightly to purchase interest bearing cash equivalents. Interest income on these pooled investments is retained by the University and allocated at University discretion.

Custodial Credit Risk — Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, KVSC will not be able to recover the value of the investments that are in the possession of an outside party. Board procedure 7.5.1 requires University compliance with Minnesota Statutes, Section 118A.03 and further excludes the use of FDIC insurance when meeting collateral requirements.

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with Minnesota Statutes, Section 118A.04 which limits investments to the top quality rating categories of a nationally recognized rating agency. At June 30, 2014 and 2013, the University's debt securities were rated equivalent to Standard and Poor's AA or higher.

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with Board procedure 7.5.1 which recommends investments be diversified by type and issuer.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University complies with Board procedure 7.5.1 that recommends considering fluctuation interest rates and cash flow needs when purchasing short-term and long-term investments.

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of appropriations and student fees due from the University and grants receivable. As such, an allowance for uncollectible receivables is considered to be negligible.

Summary of Accounts Receivable at June 30

	2014	2013
University	$ 17,887	$ 5,838
Underwriting income	6,387	2,450
Grants Receivable	42,218	68,475
Accounts receivable	$ 66,492	$ 76,763

4. PLEDGES RECEIVABLE

The pledges receivable balances are made up primarily of pledges received directly by KVSC from individuals during the annual Fall and Spring membership drives. Membership drive pledges are generally collected within a month or two following the drive. Membership pledges remaining receivable in excess of one year are deemed uncollectible by management.

The Foundation also collects pledges directly from donors, primarily from individuals, on behalf of KVSC. Pledges received by the Foundation are minimal and the percentage deemed uncollectible is negligible.

Summary of Pledges Receivable at June 30

	2014	2013
Spring 2014 membership drive	$ 1,901	$ —
Fall 2013 membership drive	2,000	—
Spring 2013 membership drive	—	$ 2,701
Fall 2012 membership drive	—	1,441
Foundation held pledges	90	515
Total pledges receivable	3,991	4,657
Allowance for uncollectible pledges	(2,651)	(2,575)
Net pledges receivable	$ 1,340	$ 2,082

The allowance for uncollectible pledges has been computed based on the following schedule:

Fiscal Year 2014

Membership Drive	Allowance Amount	Allowance Percentage
Spring 2014	$ 951	50%
Fall 2013	1,700	85%
Total	$ 2,651	

Fiscal Year 2013

Membership Drive	Allowance Amount	Allowance Percentage
Spring 2013	$ 1,350	50%
Fall 2012	1,225	85%
Total	$ 2,575	

5. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2014 and 2013 follow:

Year Ended June 30, 2014	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets				
Equipment	$ 167,687	$ 103,643	$ —	$ 271,330
Less accumulated depreciation	123,451	33,018	—	156,469
Total capital assets, net	$ 44,236	$ 70,625	$ —	$ 114,861

Year Ended June 30, 2013	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets				
Equipment	$ 173,796	$ —	$ 6,109	$ 167,687
Less accumulated depreciation	115,935	13,625	6,109	123,451
Total capital assets, net	$ 57,861	$ (13,625)	$ —	$ 44,236

6. ACCOUNTS PAYABLE

Accounts payable represent amounts due for goods and services received prior to the end of the fiscal year.

Summary of Accounts Payables at June 30	2014	2013
Purchased services	$ 8,597	$ 2,895
Supplies	223	5,741
Other Expense	3,662	1,208
Total	$ 12,482	$ 9,844

7. LEASE AGREEMENTS

Operating Lease — KVSC has leased antenna tower and transmitter facility space from TJ Communications, Inc. since 1992. KVSC renewed an operating lease agreement for a term of five years, commencing July 1, 2012. Future minimum lease payments for this agreement are:

Year Ended June 30	
Fiscal Year	Amount
2015	8,518
2016	8,859
2017	9,213

Total rent expense under the operating lease for the years ended June 30, 2014 and 2013 were $8,190 and $7,875, respectively.

8. OTHER COMPENSATION BENEFITS

Summaries of amounts due within one year are reported in the current liability section of the statement of net assets. Summaries of other compensation benefits for fiscal years 2014 and 2013 follow:

Summary of Other Compensation Benefits at June 30, 2014

	Beginning Balance	Increases	Decreases	Ending Balance	Current
Liabilities for:					
Compensated absences	$ 38,640	$ 4,898	$ 4,364	$ 39,174	$ 4,666
Net other postemployment benefits	7,250	466	1,515	6,201	—
Workers' compensation	1,389	628	667	1,350	648
Total	$ 47,279	$ 5,992	$ 6,546	$ 46,725	$ 5,314

Summary of Other Compensation Benefits at June 30, 2013

	Beginning Balance	Increases	Decreases	Ending Balance	Current
Liabilities for:					
Compensated absences	$ 30,668	$ 11,259	$ 3,287	$ 38,640	$ 4,364
Net other postemployment benefits	4,818	2,432	—	7,250	—
Workers' compensation	663	1,024	298	1,389	667
Total	$ 36,149	$ 14,715	$ 3,585	$ 47,279	$ 5,031

Compensated Absences — University employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. The liability for compensated absences is payable as severance pay under specific conditions. This leave is liquidated only at the time of termination from state employment.

Net Other Postemployment Benefit — Other postemployment benefits are health insurance benefits for certain retired employees under a single employer fully insured plan. Under the health benefits program retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. KVSC liability has been estimated by calculating a percentage of KVSC employees vs. University employees as a pro-rata share of the total University other postemployment benefits liability.

Workers' Compensation — The state of Minnesota Department of Employee Relations manages the self-insured workers' compensation claims activities. The reported liability for workers' compensation is based on claims filed for injuries to state employees occurring prior to the fiscal year end, and is an undiscounted estimate of future payments. KVSC liability has been estimated by calculating a percentage of KVSC employees vs. University employees as a pro-rata share of the total University workers compensation liability.

9. EMPLOYEE PENSION PLANS

KVSC participates in the State Employees Retirement Fund and the Minnesota State Colleges and Universities Defined Contribution Retirement Plan.

State Employees Retirement Fund (SERF)

Pension fund information is provided by the Minnesota State Retirement System, which prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from the Minnesota State Retirement System at 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000.

The SERF is a cost sharing, multiple employer defined benefit plan. All classified employees are covered by this plan. A classified employee is one who serves in a civil service position. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of the members' average salary which is defined as the highest salary paid in five successive years of service. The University, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for SERF is Minnesota Statutes, Chapter 352. For fiscal years 2012, 2013, and 2014 the funding requirement was 5 percent for both employer and employee and will increase to 5.5 percent in 2015. Actual contributions were 100 percent of required contributions.

Required contributions for KVSC were:

Fiscal Year	Amount
2014	$ 2,205
2013	2,514
2012	1,297

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

General Information — The Minnesota State Colleges and Universities Defined Contribution Retirement Fund include two plans: an Individual Retirement Account Plan and a Supplemental Retirement Plan. Both plans are mandatory, tax deferred, single employer, defined contribution plans authorized by Minnesota Statutes, Chapters 354B and 354C. The plans are designed to provide retirement benefits to Minnesota State Colleges and Universities unclassified employees. An unclassified employee is one who belongs to Minnesota State Colleges and Universities specific bargaining units. The plans cover unclassified teachers, librarians, administrators, and certain other staff. The plans are mandatory for qualified employees and vesting occurs immediately.

The administrative agent of the two plans is Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Separately issued financial statements can be obtained from TIAA CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Individual Retirement Account Plan (IRAP)

Participation — Every employee who is in unclassified service is required to participate in TRF or IRAP upon achieving eligibility. An unclassified employee is one who serves in a position deemed unclassified according to Minnesota Statutes. This includes presidents, vice presidents, deans, administrative or service faculty, teachers and other managers, and professionals in academic and academic support programs. Eligibility begins with the employment contract for the first year of unclassified service in which the employee is hired for more than 25 percent of a full academic year, excluding summer session. An employee remains a participant of the plan even if employed for less than 25 percent of a full academic year in subsequent years.

Contributions — There are two member groups participating in the IRAP, a faculty group and an administrators group. For both faculty and administrators, the employer and employee statutory contribution rates are 6 percent and 4.5 percent, respectively. The contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Required contributions for KVSC were:

Fiscal Year	Employee	Employer
2014	$ 4,640	$ 6,187
2013	5,512	7,349
2012	4,400	5,867

Supplemental Retirement Plan (SRP)

Participation — Every unclassified employee who has completed two full time years of unclassified service with Minnesota State Colleges and Universities must participate upon achieving eligibility. The eligible employee is enrolled on the first day of the fiscal year following completion of two full time years. Vesting occurs immediately and normal retirement age is 55.

Contributions — Participants contribute 5 percent of the eligible compensation up to a defined maximum annual contribution as specified in the following table.

Member Group	Eligible Compensation	Annual Maximum
Minnesota State University Assn of Admin. & Service Faculty	$ 6,000 to $ 50,000	$ 2,200

KVSC matches amounts equal to the contributions made by participants. The contributions are made under the authority of Minnesota Statutes, Chapter 354C.

Required contributions for KVSC were as follows:

Fiscal Year	Amount
2014	$ 3,624
2013	4,056
2012	3,410

10. RISK MANAGEMENT

The University, and KVSC, is exposed to various risks of loss related to tort; theft of, damage to, or destruction of assets; error or omissions; and employer obligations. Property and casualty coverage is required by MnSCU policy, the University manages these risks through state of Minnesota insurance plans including the state of Minnesota Risk Management Fund and through purchased insurance coverage. Automobile liability coverage is required by the state and is also provided by the Minnesota Risk Management Fund. The University participates in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

MnSCU self-insures for workers' compensation, assessing premiums to institutions based on salary dollars and claims history to provide a pool from which all workers' compensation claims are paid to the state Workers' Compensation Fund. In addition, catastrophic claims are covered through state participation in the Workers' Compensation Reinsurance Association.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCAIL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Minnesota State Colleges and Universities
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KVSC Radio 88.1 FM (KVSC), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise KVSC's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KVSC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KVSC's internal control. Accordingly, we do not express an opinion on the effectiveness of KVSC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Minnesota State Colleges and Universities

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KVSC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KVSC's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KVSC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 14, 2015