

Wyoming Public Media

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

Wyoming Public Media
June 30, 2018 and 2017

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Independent Auditor's Report

Board of Trustees
University of Wyoming
Wyoming Public Media
Laramie, Wyoming

We have audited the accompanying financial statements of Wyoming Public Media (the Network), a public media entity licensed to the Trustees of the University of Wyoming, reported as a part of the University of Wyoming, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Trustees
University of Wyoming
Wyoming Public Media

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Network, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Network are intended to present the financial position, the changes in financial position and cash flows of only that portion of the University of Wyoming that is attributable to the transactions of the Network. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2018 and the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 11, in 2018 the Network changed its method of applying an accounting principle related to defining operating revenues. Our opinion is not modified with respect to this matter.

Prior Year Audited by Other Auditors

The 2017 financial statements, before they were restated for the matter discussed in Note 11, were audited by other auditors, and their report thereon, dated November 10, 2017, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as 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.

BKD, LLP

Denver, Colorado
November 15, 2018

Wyoming Public Media

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2018 and 2017

Introduction and Reporting Entity

The following discussion and analysis is an overview of the financial position and activities of Wyoming Public Media (WPM or the Network) for the years ended June 30, 2018 and 2017. WPM Management and the University of Wyoming (UW) have prepared the following discussion, and it should be read with the financial statements and related footnotes, which follow this section.

WPM is licensed to the Trustees of the University of Wyoming appointed by the Governor of Wyoming. Institutional oversight rests with the President through the office of the Vice President of Research and Economic Development. Direction and operation of the network is delegated to the General Manager of WPM, who leads the operation with the mandate of providing a public broadcasting service to the public of Wyoming and ensuring FCC compliance. WPM is the third largest state network in the United States by geographic reach, and the only Wyoming-based public radio entity serving the citizens of Wyoming.

WPM provides high quality information and cultural content via four broadcast services and one digital platform: Wyoming Public Radio, Classical Wyoming, Jazz Wyoming, Wyoming Sounds, and wyomingpublicmedia.org. In addition, the network produces and distributes two podcast programs: HumaNature.org and TheModernWest.org.

WPM is a charter member of National Public Radio, an affiliate of Public Radio International and American Public Media. Its primary service, Wyoming Public Radio (WPR), predominately broadcasts a varied schedule of news and information, Americana/Classical/Jazz music formats, and entertainment programming. Information programming is generated by NPR, BBC, and local production. WPM employs 22 full-time professionals in engineering, technology, programming/production, fundraising, and administration. Of these, eight are professional journalists with several additional part-time/work study employees and stringers around the state and in Washington, D.C., as well as two cultural affairs producers. WPM professionals consistently win state and national radio news and cultural affairs awards, and are multi-year Edward R. Murrow awardees. Content is produced for both local and global distribution. Stories, features, and podcasts produced by news and cultural areas often air on NPR, reaching an audience of close to four million individuals per airing.

The Wyoming Public Radio service originates from the UW campus and is distributed via satellite to transmitters around the state. In addition, several communities are able to receive the 24-hour Classical Wyoming, Jazz Wyoming, and Wyoming Sounds signals on either analog or HD radio. All four services are available globally via internet streaming, and all three services generate a global audience. Currently the combined signals reach approximately 95% of the state's 570,000 citizens. According to the most recent audience statistics, over 66,000 people aged 12 and above listen to WPM each week, and over 8,000 households and businesses contribute financially.

Addressing the strategic initiative to bring public radio service to all Wyoming, WPM completed construction of new facilities in FY 15 for KUWZ and KZUW in Rock Springs/Green River and KUWR, KUWY, and KUWL in Cheyenne/Laramie. Funded by \$1 million of a projected \$5 million multi-year appropriation from the Wyoming State Legislature to UW, the project upgraded and digitized statewide technology and connected critical portions of the I-80 corridor from Nebraska to west of Evanston. An upgrade and site change in Torrington improved coverage to all listeners in SE Wyoming and parts of eastern Nebraska. Continuing with the \$5 million multi-year request, WPM secured \$500,000 from the

Wyoming Public Media

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2018 and 2017

Wyoming Legislature for FY 2017 and FY 2018 to upgrade and modify sites in the Evanston, Douglas, and Sheridan areas. The Douglas upgrade from 450 watts to 30,000 watts was approved by the FCC, the tower and building are near completion, and the antenna and transmitter have been received and are ready for installation; work is delayed due to UW financial systems changes. The FCC granted a power increase from 400 watts to 30,000 watts in Sheridan; the tower is being constructed to facilitate this upgrade. Due to budget cuts in 2017 and 2018, WPM temporarily suspended the original \$5 million 5-year request to the state to upgrade and digitize the statewide technology, pending further articulation of UW fiscal directions.

WPM continued to upgrade satellite network connectivity in new uplink facilities and downlink receivers. This new technology strengthens program distribution throughout the state and access to digital data for listeners with text capable receivers. The upgrade also replaced the “core switch” at the main studio, which is the hub for all digital audio and computer communications, providing high level connectivity and remote monitoring capability in all critical sites throughout the state. On-air network automation system upgrades were accomplished in 2017 and 2018.

Digital HD Radio technology upgrades have been made at a number of transmitters, including ones in Buffalo, Gillette, and Sundance. Sites in Cody/Powell, Saratoga and Mountain Views were scheduled for 2016 and 2017 and completed in 2018. WPM radio now serves over 55% of the listening audience with an HD radio signal. This also provides Classical and Wyoming Sounds to audiences that would not be able to ordinarily receive an analog signal in the same region of the state. Expansion of HD to Douglas and Evanston is planned as part of the upgrades.

A number of sites were added to the network as a result of frequency transfers and one purchase. Improved signal areas included: Jackson, Bondurant, Powell, Cody, Shoshoni, Hudson, Lander, Riverton, and Wheatland.

Addressing a strategic initiative to reach digital consumers, Wyomingpublicmedia.org was created to provide a content-rich experience for individuals, students, and teachers. Content delves into areas such as Wind River Reservation, UW Highlights, Wyoming Stories, Wyoming History, Wyoming Destinations, etc. Two podcasts, HumaNature and The Modern West, were created to target audiences beyond Wyoming's borders. The public affairs program, Open Spaces, is now a radio, online, and podcast program. Mobile use of technology was introduced for smartphone access to national and local content.

Total website views from July 1, 2017 to June 30, 2018 (wyomingpublicmedia.org, TheModernWest.org, HumaNaturePodcast.org, and WyomingSounds.org): 2,660,522. Total unique podcast downloads (HumaNature, Open Spaces, The Modern West, and Spoken Words): 173,733.

Addressing a strategic initiative to increase Wyoming-centric programming and content, WPM created a number of modules and programs which can be found on wyomingpublicmedia.org under a variety of tabs. As part of its strategic outreach initiative, WPM brings national public broadcasting programs and initiatives to Wyoming, including the Story Corps project, entertainers Ira Glass and David Sedaris, journalists Scott Simon, Lakshmi Singh, Lynn Neary, Susan Stamberg, and Don Gonyea, among others.

Wyoming Public Media

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2018 and 2017

Addressing a strategic initiative to provide media opportunities to students, WPM operates an Intern program through audition and applications process and under academic oversight.

Complying with CPB requirements, WPM provides a detailed annual report evidencing its public service commitment in areas of programming, education, addressing diverse audiences, health and welfare, promoting a strong electorate, and increasing community involvement in civic life. As required by federal law, mandatory reports are available on the WPM website and are part of the Congressional record. WPM maintains a public file as per FCC regulations.

Audience for WPM has increased significantly over approximately 50 years of broadcasting. Finances have steadily strengthened due to outstanding audience and business support. The 2017 and 2018 cash basis operating budget is over \$3 million, of which 65% is funded from sources outside the University. An endowment was added after the turn of the century as per Best Practices recommendations for public broadcasting. CPB had in previous years designated WPM as a “soaring” station in its Financial Health and Audience Service analysis of all CPB radio grantees, and this position still holds. The University of Wyoming surveyed state residents about their perceptions of the University, finding that WPM and UW Athletics were the most recognized entities of the University. The findings are evidence that WPM continues to serve the people of Wyoming with a strong and well received broadcast and media service that fulfills outreach missions of the University.

The 2015 and 2016 UW position freeze adversely affected WPM in budgetary and compliance areas. As of June 2016, UW's reversal on positions based on federal compliance requirements reinstated compliance status. Nonetheless, WPM continues to absorb funding of one compliance position with donor restricted moneys as state funding was cut. The setback costs WPM \$100,000 annually. This obligation has continued into the 2017/2018 operation.

WPM addressed one regulatory infraction in 2017 and 2018 as precipitated by UW Trustee directive and subsequently reversed by another UW Trustee directive. Management engaged appropriate FCC legal assistance, notified UW Administration and the Corporation for Public Broadcasting as per federal requirements. No fines or restrictions were imposed; WPM absorbed the legal costs.

WPM operates under a strategic plan created in 2011 that has thrived over several UW administrations and complements UW's current “Breaking Through: 2017-2022” strategic plan. Upon retirement of its 18-year nationally prominent General Manager in 2011, UW recruited a GM from Indiana University experienced in new public media developments, to build on the network's statewide branching and increase national prominence. WPM's trajectory as a leading Wyoming statewide media with national prominence continued as per UW's mandate to the General Manager. The network transitioned into digital media operations and platforms with global reach. Directional changes were made in the network's engineering of digital operations, news content and coverage scope, national content submissions, cultural reporting, community outreach, and a restructured fundraising model. WPM's General Manager assumes leadership roles in numerous national organizations as per position requirements, and serves on regional and national broadcasting boards dealing with public broadcasting directions, technologies, and delivery systems. WPM employees are assigned to serve on national boards in areas of programming, engineering, technology, and emerging distribution platforms. Leading staff members participate in national training initiatives, and industry professional consultants and leaders are engaged in areas requiring national visioning.

Wyoming Public Media

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2018 and 2017

Overview of the Financial Statements

WPM's financial statements consist of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows (direct method). These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Government Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Statement 34 requires the classification of net position into three categories – net investment in capital assets; restricted; and unrestricted. Statement 35 applies Statement 34 to colleges and universities.

The Statement of Net Position includes assets, liabilities, and net position of WPM as of June 30, 2018 and 2017. This statement is classified into current and noncurrent assets and liabilities, with net position classified in the categories noted above. The Statement of Revenues, Expenses, and Changes in Net Position depicts the operating revenues and expenses resulting in net operating income or loss, which is then combined with nonoperating revenues and expenses to provide the total change in net position. Significant recurring sources of WPM's revenues (including general revenue from the University of Wyoming, indirect administrative support from the University of Wyoming, and investment income (loss)) expended for operations are considered nonoperating revenues according to definitions prescribed by the Governmental Accounting Standards Board.

These diversified revenue streams are critically important sources of funds used to supplement operating revenue in the delivery of WPM programs and services. Under this required reporting format, operating expenses will always exceed operating revenues and the Statement of Revenues, Expenses, and Changes in Net Position will reflect a loss from operations every year. The Statement of Cash Flows shows the sources and uses of cash from operations, noncapital financing activities, capital and related financing activities, and investing activities. The financial statements also include notes that explain important information in the financial statements and provide more detailed data.

Financial Highlights

The financial position of WPM at June 30, 2018 remains strong. Net position totaled \$3,338,478 as of June 30, 2018 and \$3,731,756 as of June 30, 2017. WPM's net position decreased by 9.33% or \$348,278 in FY 2018. Operating expenses caused the increase, mainly associated with improvements to infrastructure and technology across the state.

Revenues and expenses are categorized as either operating or nonoperating and an operating income or loss is displayed. Significant recurring sources of the University's revenues, including WPM's share of state appropriations received as general revenues from UW, indirect administrative support, gifts, and investment income (loss) expended for operations are considered nonoperating revenues according to definitions prescribed by GASB.

WPM's operating revenue and support increased from \$2,132,580 in FY 2017 to \$2,174,701 in FY 2018. The current year increase in operating revenue is due primarily to an increase in membership contributions, despite a decrease in underwriting contributions. Operating expenses increased from \$3,986,926 in FY 2017 to \$4,053,352 in FY 2018, a 1.67% increase.

Wyoming Public Media
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

The net operating loss for FY 2018 was \$1,878,657 which included noncash depreciation expense of \$198,197 while the net operating loss for FY 2017 was \$1,854,346 which included noncash depreciation of \$117,847.

Net nonoperating revenues were \$1,530,373 in FY 2018, compared to \$2,011,439 in FY 2017. Included in nonoperating revenues are general revenue and indirect administrative support from the University of Wyoming, and investment income. General revenue from UW decreased in FY 2018 from FY 2017, as UW did not continue the multi-year Infrastructure request to the legislature.

WPM's land, equipment and buildings, net of accumulated depreciation, totaled \$913,054 and \$956,463 at June 30, 2018 and 2017, respectively.

Financial Analysis of the Statements

WPM's condensed financial statements are presented below for FY 2018, FY 2017 and FY 2016.

Condensed Statements of Net Position

	2018	2017 (As Restated)	2016*
Assets			
Current assets	\$ 2,214,683	\$ 2,656,547	\$ 2,379,726
Noncurrent assets	<u>2,027,628</u>	<u>2,014,001</u>	<u>1,985,138</u>
Total assets	<u>4,242,311</u>	<u>4,670,548</u>	<u>4,364,864</u>
Liabilities			
Current liabilities	621,730	697,000	639,057
Noncurrent liabilities	<u>237,103</u>	<u>241,792</u>	<u>744,723</u>
Total liabilities	<u>858,833</u>	<u>938,792</u>	<u>1,383,780</u>
Net Position			
Net investment in capital assets	746,360	789,769	857,442
Restricted for			
Nonexpendable endowment	120,138	120,138	120,138
Expendable, donor purpose	624,894	569,394	422,394
Unrestricted	<u>1,892,086</u>	<u>2,252,455</u>	<u>1,712,990</u>
Total net position	<u>\$ 3,383,478</u>	<u>\$ 3,731,756</u>	<u>\$ 3,112,964</u>

* Amounts have not been restated

Current assets consist primarily of cash and cash equivalents, accounts receivable and contributions receivable, and prepaid assets such as prepaid lease rentals. Noncurrent assets consist primarily of investments and property and equipment. Current liabilities consist of accounts payable and accrued expenses, and deferred and unearned revenues. Noncurrent liabilities consist of accrued expenses and a

Wyoming Public Media
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

loan payable. In FY 2018, WPM, in review of Governmental Accounting Standards Board guidance determined it was not appropriate to allocate the net pension liability and the net OPEB liability to WPM as the obligation to pay these benefits is the University's.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2018	2017 (As Restated)	2016*
Total operating revenue and support	\$ 2,174,701	\$ 2,132,580	\$ 1,254,069
Operating expenses	<u>4,053,352</u>	<u>3,986,926</u>	<u>3,808,046</u>
Operating loss	<u>(1,878,651)</u>	<u>(1,854,346)</u>	<u>(2,553,977)</u>
State appropriations - general revenue	794,397	1,229,163	895,112
Other nonoperating revenues	<u>735,976</u>	<u>782,276</u>	<u>1,365,769</u>
Nonoperating revenue	<u>1,530,373</u>	<u>2,011,439</u>	<u>2,260,881</u>
Increase in net position	<u>(348,278)</u>	<u>157,093</u>	<u>(293,096)</u>
Net position, beginning of year, as previously reported	3,731,756	3,131,050	3,406,060
Adjustment applicable to the year ended June 30, 2016	<u>-</u>	<u>443,613</u>	<u>-</u>
Net position, beginning of year, as restated	<u>3,731,756</u>	<u>3,574,663</u>	<u>3,406,060</u>
Net position, end of year	<u>\$ 3,383,478</u>	<u>\$ 3,731,756</u>	<u>\$ 3,112,964</u>

* Amounts have not been restated

Operating revenues consist primarily of membership contributions, underwriting contributions, and community service grants. In FY 2018 WPM changed its accounting policies with respect to classification of member contributions. These are now reported as operating revenues rather than nonoperating revenues. Operating expenses consist primarily of broadcasting; programming and production; management and general; and fundraising, underwriting, and grant solicitation expense. Nonoperating revenues consist primarily of state appropriations, investment income, and indirect administrative support from the University of Wyoming.

Wyoming Public Media
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

Condensed Statement of Cash Flows

	2018	2017 (As Restated)	2016*
Net cash used in operating activities	\$ (1,236,473)	\$ (904,273)	\$ (1,109,420)
Net cash provided by noncapital financing activities	794,397	1,229,163	895,112
Net cash used in capital financing activities	(141,678)	(50,174)	(168,321)
Net cash provided by investing activities	<u>18,866</u>	<u>20,272</u>	<u>10,550</u>
Net increase (decrease) in cash	<u>(564,888)</u>	<u>294,988</u>	<u>(372,079)</u>
Cash, beginning of year	<u>2,434,413</u>	<u>2,139,425</u>	<u>2,511,504</u>
Cash, end of year	<u>\$ 1,869,525</u>	<u>\$ 2,434,413</u>	<u>\$ 2,139,425</u>

* Amounts have not been restated

The net cash flows from operating activities were used primarily for payments to suppliers and employees, and for employee benefits.

Request for Information

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of WPM's finances and to account for the funding it receives. Additional details can be requested by mail at the following address:

Wyoming Public Media
Department 3984
1000 East University Avenue
Laramie, Wyoming 82071

Wyoming Public Media
Statements of Net Position
June 30, 2018 and 2017

Assets

	2018	2017 (Restated - Note 11)
Current Assets		
Cash and cash equivalents	\$ 1,869,525	\$ 2,434,413
Accounts receivable, net of \$400 allowance for uncollectible accounts for 2018 and 2017	19,390	15,065
Contributions receivable, net of \$32,423 and \$24,198 allowance for uncollectible accounts for 2018 and 2017	208,722	177,260
Inventory	6,635	4,124
Prepaid expenses	110,411	25,685
Total current assets	2,214,683	2,656,547
Noncurrent Assets		
Investments restricted for endowments	1,114,574	1,057,538
Capital assets, net	913,054	956,463
Total noncurrent assets	2,027,628	2,014,001
Total assets	4,242,311	4,670,548

Wyoming Public Media
Statements of Net Position (continued)
June 30, 2018 and 2017

Liabilities and Net Position

	2018	2017 (Restated - Note 11)
Current Liabilities		
Accounts payable	12,884	28,401
Accrued compensated absences	160,409	135,097
Other accrued liabilities	4,341	4,803
Current portion of loan payable	90,000	60,000
Underwriting and grants received in advance	354,096	468,699
Total current liabilities	621,730	697,000
Noncurrent Liabilities		
Accrued compensated absences	160,409	135,098
Loan payable, less current portion	76,694	106,694
Total noncurrent liabilities	237,103	241,792
Total liabilities	858,833	938,792
Net Position		
Net investment in capital assets	746,360	789,769
Restricted for		
Nonexpendable endowment	120,138	120,138
Expendable, donor purpose	624,894	569,394
Unrestricted	1,892,086	2,252,455
Total net position	\$ 3,383,478	\$ 3,731,756

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

	2018	2017 (Restated - Note 11)
Operating Revenues		
Membership contributions	\$ 1,424,761	\$ 1,399,811
Program underwriting	383,868	400,668
Corporation for Public Broadcasting Community Service		
Programs Acquisition, Rural Expansion, and Other Grants	353,012	324,101
Grants - other	13,060	8,000
Total operating revenues	2,174,701	2,132,580
Operating Expenses		
Broadcasting	778,395	872,130
Programming and production	1,254,002	1,251,110
Management and general	1,383,723	1,293,701
Fundraising, underwriting, and grant solicitation	439,035	452,138
Depreciation	198,197	117,847
Total operating expenses	4,053,352	3,986,926
Operating Loss	(1,878,651)	(1,854,346)
Nonoperating Revenues		
General revenue from the University of Wyoming	794,397	1,229,163
Indirect administrative support from the University of Wyoming	635,170	602,781
Investment income	60,067	100,187
Miscellaneous income	40,739	79,308
Nonoperating revenues	1,530,373	2,011,439
Increase (Decrease) in Net Position	(348,278)	157,093
Net Position, Beginning of Year, as Previously Reported	3,731,756	3,131,050
Adjustment applicable to the year ended June 30, 2016		443,613
Net Position, Beginning of Year, as Restated		3,574,663
Net Position, End of Year	\$ 3,383,478	\$ 3,731,756

Wyoming Public Media
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017 (Restated - Note 11)
Cash Flows from Operating Activities		
Membership contributions	\$ 1,393,299	\$ 1,399,811
Program underwriting	264,940	412,177
Community service grants	366,072	332,101
Payments to vendors	(1,439,621)	(1,457,043)
Payments to employees	(1,221,413)	(1,019,192)
Payments for benefits	(624,654)	(642,747)
Miscellaneous cash receipts	24,904	70,620
Net cash used in operating activities	(1,236,473)	(904,273)
Cash Flows from Noncapital Financing Activities		
General revenue from the University of Wyoming	794,397	1,229,163
Net cash provided by noncapital financing activities	794,397	1,229,163
Cash Flows from Capital Financing Activities		
Property and equipment acquisitions	(141,678)	(50,174)
Net cash used in capital financing activities	(141,678)	(50,174)
Cash Flows from Investing Activities		
Interest received	18,866	20,272
Net cash provided by investing activities	18,866	20,272
Net Increase (Decrease) in Cash	(564,888)	294,988
Cash and Cash Equivalents, Beginning of Year	2,434,413	2,139,425
Cash and Cash Equivalents, End of Year	\$ 1,869,525	\$ 2,434,413

Wyoming Public Media
Statements of Cash Flows (continued)
Years Ended June 30, 2018 and 2017

	2018	2017 (Restated - Note 11)
Reconciliation of Operating Loss to Net		
Cash Used in Operating Activities		
Operating loss	\$ (1,878,651)	\$ (1,854,346)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	198,197	117,847
Miscellaneous revenue	24,904	70,620
Noncash revenues		
Indirect administrative support from the University of Wyoming	635,170	602,781
Change in assets and liabilities		
Accounts receivable	(4,325)	(1,267)
Contributions receivable	(31,462)	-
Inventory	(2,511)	11,762
Prepaid expenses	(84,726)	17,796
Accounts payable	(28,627)	4,922
Accrued compensated absences	50,623	-
Other accrued liabilities	(462)	114,103
Underwriting and grants received in advance	(114,603)	11,509
Net cash used in operating activities	\$ (1,236,473)	\$ (904,273)
Noncash Investing, Capital and Noncapital Financing Activities		
Property and equipment acquisitions in accounts payable	\$ (13,110)	\$ -
Change in fair value of investments	323,157	-

Wyoming Public Media

Notes to Financial Statements

June 30, 2018 and 2017

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

Nature of Operations

Wyoming Public Media (the Network) is a public media entity licensed to the Trustees of the University of Wyoming (the University) and is reported as part of the University of Wyoming. These financial statements are intended to present the financial position, the changes in financial position and cash flows of only that portion of the University that is attributable to the transactions of the Network. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2018 and 2017, the changes in its financial position or cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Financial results for the University are presented in a separate financial statements prepared by the University.

The Network is comprised of 24 separate radio stations and associated translators, KBUW-FM – Buffalo, KDUW-FM – Douglas, KEUW-FM – Torrington, KSUW-FM – Sheridan, KUWA-FM – Afton, KUWC-FM – Casper, KUWD-FM – Sundance, KUWE-FM – Evanston, KUWG-FM – Gillette, KUWI-FM – Rawlins, KUWJ-FM – Jackson, KUWK-FM – Kaycee, KUWL-FM Jazz – Laramie, KUWN-FM – Newcastle, KUWP-FM – Powell/Cody, KUWR-FM – Laramie, KUWT-FM – Thermopolis, KUWV-FM – Lingle, KUWW-FM – Fort Washakie, KUWX-FM – Pinedale, KUWY-FM Classical – Laramie, KUWZ-FM – Rock Springs/Green River, KAIW-FM – Saratoga, and KZUW-FM – Reliance.

Basis of Accounting and Presentation

The financial statements of the Network have been prepared on the accrual basis of accounting whereby revenues are recorded when earned and all expenses are recorded when they have been incurred.

Reporting Guidelines

The Network is reported as a single purpose business-type activity entity. In addition, the Network's financial statements have been prepared in accordance with the Corporation for Public Broadcasting's (CPB) *Application Principles of Accounting and Financial Reporting to Public Telecommunications Entities*.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Wyoming Public Media

Notes to Financial Statements

June 30, 2018 and 2017

Cash and Cash Equivalents

The Network considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018 and 2017, cash and cash equivalents consist of claims on cash with the University and cash and cash equivalents held by the University of Wyoming Foundation (the Foundation).

Investments Restricted for Endowment

Investments restricted for endowment are held in the Foundation's Endowment Fund, which is a pooled investment of individual endowments benefiting the University and its related entities including the Network. In accordance with GASB No. 72, *Fair Value Measurement and Application*, for investments in pooled funds, the fair value is determined as the number of units or shares held in the fund multiplied by the price per unit or shares. Investments are reported at the net asset value (NAV).

Accounts Receivable

Accounts receivable consists of amounts due for underwriting. Accounts receivable is recorded net of estimated uncollectible amounts.

Contributions Receivable

Contributions receivable consists of amounts due for unconditional promises to give to the Network. Contributions receivable is recorded net of estimated uncollectible amounts which is based upon a review of outstanding pledges, historical collections and existing economic conditions.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Prepaid Expenses

Prepaid expenses represent payments for benefits not yet received, such as prepaid rent or membership dues paid in advance. The expenses are amortized and recognized in the period in which the benefit is received.

Capital Assets

Capital assets are recorded at historical cost at the date of purchase, or acquisition value at the date of donation if acquired by gift. For equipment, the Network's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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Notes to Financial Statements
June 30, 2018 and 2017

Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Network:

Buildings and improvements	50 years
Equipment	3 – 7 years

Accrued Compensated Absences

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

Underwriting and Grants Received in Advance

Underwriting and grants received in advance represents unearned amounts from contract sponsors which have not yet been earned under the terms of the agreement and on grants awards for which the Network has not met all of the applicable eligibility requirements.

Net Position

Net position of the Network is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Network. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Network, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted which may be used for the operation of the Network at the discretion of the governing board.

The Network first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Wyoming Public Media

Notes to Financial Statements

June 30, 2018 and 2017

Classification of Revenues

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

Operating revenues – Operating revenues include activities that are considered to be principal ongoing operations of the Network and include sources that are primarily used to provide services to the Network’s audience, such as (1) membership contributions, (2) program underwriting and (3) grants. Revenue from membership contributions is recognized when an unconditional promise to give exists. Unrestricted grants are recorded as revenues at the time the grant awards are received and when eligibility requirements have been met. Restricted support and revenues are recognized upon incurring the appropriate expenses or meeting the eligibility requirements.

Nonoperating revenues – Nonoperating revenues include all those revenues not considered to be operating revenues as defined above, such as state appropriations received from the University, investment income, and indirect administrative support from the University.

As discussed in Note 11, the Network changed the classification of membership contributions in 2018.

In-kind Contributions

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. However, if the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated services from volunteers are not included in the accompanying financial statements as there is no measureable and objective basis for determining the fair value of these contributions.

Indirect Administrative Support

Indirect support from the University consists of allocated institutional support and operation and maintenance costs incurred by the University for which the Network receives benefits. The fair value of this support is recognized in the Statements of Revenues, Expenses and Changes in Net Assets as indirect administrative support and also as expense in the management and general and fundraising, underwriting and grant solicitation functional expense categories as detailed in Note 7. The University also provides donated facilities consisting of office and studio space which is valued in accordance with the guidelines established by the CPB.

Wyoming Public Media
Notes to Financial Statements
June 30, 2018 and 2017

Note 2: Cash and Cash Equivalents

Deposits

Wyoming Statute §9-4-817 authorizes agencies of the state to deposit public funds in financial institutions authorized to do business in the State of Wyoming. These deposits must be fully insured by Federal Deposit Insurance Corporation (FDIC) or secured by a pledge of assets including bonds, debentures, and other securities in which the State Treasurer may by law invest. Alternatively, a depository may pledge conventional real estate mortgages and notes connected with mortgages at a ratio of one and one-half to one (1½:1) of the value of public funds secured by the securities.

Deposits for the Network represents the Network’s prorated share of commingled cash and cash equivalents held and invested by the University acting as the Network’s fiscal agent or held and invested by the Foundation. The Network’s deposits are held as follows:

	2018	2017
Deposits held by the University	\$ 1,797,840	\$ 2,384,846
Deposits held by Foundation	71,685	49,567
Total deposits	\$ 1,869,525	\$ 2,434,413

Additional information on the University’s and Foundation’s cash and cash equivalents can be found in their separately issued financial statements.

Note 3: Endowment Funds

The University of Wyoming Trustees approved transfers totaling \$400,000 from the Network to a designated account managed by the Foundation, which cannot be withdrawn without University of Wyoming’s Board of Trustees approval. Earnings from the account are available to the Network. The agreement provides that the Foundation may accept gifts as endowments from interested parties. A total of \$120,138 in gifts from outside parties have been received as of June 30, 2018. This quasi-endowment along with other gifts to the Network are held in the Foundation’s Endowment Fund which is a pooled investment of individual endowments benefiting the University and its related entities including the Network. The Foundation maintains a separate accounts for each participant in the pool.

Investment income, gains and losses and expenses of the pool are allocated to each participant based on their share of ownership in the pool and are reflected as investment income in the accompanying statements of revenues, expenses and changes in net position.

Wyoming Public Media

Notes to Financial Statements

June 30, 2018 and 2017

The investments within the Foundation’s Endowment Fund are exposed to risks that have the potential to result in losses. Those risks and their definitions are:

- Credit risk – the risk an insurer or counterparty to an investment will not fulfill its obligation
- Custodial risk – the risk that in the case of default by the counterparty a government will be unable to recover its deposit/investment or collateralizing securities in the possession of an outside party
- Concentration risk – the risk of loss attributable to the size of a government’s investment in a single issuer
- Interest rate risk – the risk that changes in interest rates will adversely affect the fair value of investments
- Foreign currency risk – the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment

The investment committee of the Foundation, following the Prudent Expert Rule, carries out the Foundation’s investment policy. The Prudent Expert Rule states that a fiduciary shall manage the portfolio “with the care, skill, prudence and diligence, under circumstances then prevailing, and that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and like aims.” External managers have been hired to invest in the following asset classes: equities, fixed income, absolute return, private equity/venture capital, hedged equity, and real estate. A long-term target asset allocation strategy has been implemented to achieve required returns while minimizing risk. All investments selected must be in compliance with the laws of the State of Wyoming, Internal Revenue Code prohibitions on self-dealing or vehicles that would jeopardize the carrying out of the exempt purpose of the Foundation, and restrictions on Unrelated Business Taxable Income.

Further information on the investments held by the Foundation can be found in their separately issued financial statements.

The following summarizes the Network’s activity and net asset value per share of the underlying portfolio for the years ended June 30, 2018 and 2017:

Balance, July 1, 2016		\$	961,002
Additions			5,000
Distributions			-
Realized/unrealized gain (loss)			91,536
			91,536
Balance, July 1, 2017			1,057,538
Additions			-
Distributions			-
Realized/unrealized gain (loss)			57,036
			57,036
Balance, June 30, 2018		\$	1,114,574

Wyoming Public Media
Notes to Financial Statements
June 30, 2018 and 2017

Note 4: Capital Assets

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated				
Land	\$ 50,272	\$ -	\$ -	\$ 50,272
Capital assets, being depreciated				
Equipment	2,550,509	154,788	-	2,705,297
Buildings	<u>507,455</u>	<u>-</u>	<u>-</u>	<u>507,455</u>
Total capital assets, being depreciated	3,057,964	154,788	-	3,212,752
Less: accumulated depreciation	<u>(2,151,773)</u>	<u>(198,197)</u>	<u>-</u>	<u>(2,349,970)</u>
Capital assets, net	<u>\$ 956,463</u>	<u>\$ (43,409)</u>	<u>\$ -</u>	<u>\$ 913,054</u>

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated				
Land	\$ 50,272	\$ -	\$ -	\$ 50,272
Capital assets, being depreciated				
Equipment	2,500,335	50,174	-	2,550,509
Buildings	<u>507,455</u>	<u>-</u>	<u>-</u>	<u>507,455</u>
Total capital assets, being depreciated	3,007,790	50,174	-	3,057,964
Less: accumulated depreciation	<u>(2,033,926)</u>	<u>(117,847)</u>	<u>-</u>	<u>(2,151,773)</u>
Capital assets, net	<u>\$ 1,024,136</u>	<u>\$ (67,673)</u>	<u>\$ -</u>	<u>\$ 956,463</u>

Wyoming Public Media
Notes to Financial Statements
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Note 5: Loan Payable

In November 2010, the Network entered into a loan agreement with the University of Wyoming Outreach School. The loan is to provide the financial resources necessary for the Network to construct a new transmitter in Southeast Wyoming. The noninterest bearing loan of \$300,000 is due in annual principal payments of \$30,000 for 10 years beginning December 1, 2012. Due to anticipated additional costs of the transmitter, an additional advance of \$2,962 was made during the construction period and will be paid with the final payment. Unused funds of \$16,268 were returned upon completion of the project in fiscal year 2012 and will reduce the repayment for the period 2021-2022. The outstanding balance on the loan is \$166,694 as of June 30, 2018 and 2017. Maturities of the loan are as follows:

Year Ending June 30	
2019	\$ 90,000
2020	30,000
2021	30,000
2022	<u>16,694</u>
	<u><u>\$ 166,694</u></u>

Note 6: Corporation for Public Broadcasting Grants

CPB is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the *Communications Act*, CSG funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds recordkeeping, audits, financial reporting, mailing lists and licensee status with the Federal Communications Commission.

Wyoming Public Media
Notes to Financial Statements
June 30, 2018 and 2017

Note 7: Functional Allocation of Contributed Support

The indirect administrative support has been allocated to the functional expense areas in which the support was used or consumed. For the years ended June 30, 2018 and 2017 the allocations were as follows:

	2018	2017
Management and general	\$ 623,427	\$ 596,430
Fundraising, underwriting, and grant solicitation	11,743	6,351
Total	<u>\$ 635,170</u>	<u>\$ 602,781</u>

Note 8: Operating Leases

The Network has several operating leases for the use of broadcast towers and equipment which expire in various years through 2025. These leases require various minimum monthly payments.

Future minimum lease payments at June 30, 2018, were:

Year Ending June 30	
2019	\$ 127,809
2020	114,456
2021	46,603
2022	22,155
2023	17,980
Thereafter	1,850
	<u>\$ 330,853</u>

Rental expense under the leases for the years ended June 30, 2018 and 2017, totaled \$94,476 and \$130,176, respectively, and is included in local programming and production and broadcasting expense in the accompanying statements of revenues, expenses and changes in net position.

Note 9: Related-party Transactions

The University of Wyoming Foundation (the Foundation) is a not-for-profit corporation formed to promote the welfare, development, growth and well-being of the University. The Foundation operates independently of the University, but supports University activities including those of the Network. The Foundation's financial records are maintained separately from the University's financial accounting system. The Foundation is utilized as an investment vehicle of the Network.

During the years ended June 30, 2018 and 2017, the Network received revenue from other University departments of \$39,402 and \$39,135, respectively, and paid expenses to other University departments of \$83,299 and \$83,398, respectively.

Wyoming Public Media
Notes to Financial Statements
June 30, 2018 and 2017

Note 10: Risk Management

The Network is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters, teachers' liability and employee health and accident benefits. The Network is covered through commercial insurance coverage which is purchased by the University for claims arising from such matters other than those related to employee health, long term disability, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The State of Wyoming self-insures employee health and workers' compensation benefits for all state employees, including Network employees, who are considered University employees.

Note 11: Restatements of Prior Year Financial Statements

Pension and OPEB Liabilities

In prior years, the Network was allocated a portion of the University's pension and OPEB items. Because the Network employees are University employees, the obligation to pay salaries and benefits is born by the University. Therefore, as the Network is not expected to pay these long-term liabilities it is not necessary to allocate and record the proportionate share of the University's collective net pension liability or other postemployment liability and the related deferred inflows and outflows of resources in the Network's financial statements. This change increased the beginning net position as of July 1, 2016 by \$443,613. Additionally, the increase in net position for the year ended June 30, 2017 increased by \$6,933 as a result of the restatement.

Change in Method of Applying an Accounting Principle

In prior years, the Network presented membership contributions within nonoperating revenues. During the current year, the Network determined it preferable that membership contributions should be presented as operating revenues using a "principal ongoing operations" concept rather than an "exchange/nonexchange transaction" concept, both as provided for by GASB 34. Determination of preferability for this presentation was based on the nature of the Network's operations and consistency with industry practice. This change had no effect on the previously reported change in net position.