KPBS FM/TV

(A Department of San Diego State University)

Financial Report
June 30, 2013 and 2012

McGladrey

Assurance ▪ Tax ▪ Consulting

KPBS FM/TV

(A Department of San Diego State University)

Table of Contents

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Financial Statements:	
Statements of Net Position	13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15-16
Notes to Financial Statements	17-33
Supplementary Information:	
Supplementary Schedule of Direct and Indirect Support	34

McGladrey

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of KPBS FM/TV (KPBS), a department of San Diego State University (the University), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KPBS FM/TV as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1 to the financial statements, the financial statements of KPBS FM/TV are intended to present the financial position, the changes in net position and cash flows of only that portion of the University that is attributable to the transactions of KPBS FM/TV. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2013 and 2012, and the changes in its net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming an opinion on the financial statements. The supplementary schedule of direct and indirect support for the year ended June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The supplementary schedule of direct and indirect support has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

San Diego, CA
November 26, 2013

Management's Discussion and Analysis

This section of KPBS FM/TV's (the Stations) annual financial report includes Management's Discussion and Analysis of the financial performance of the Stations for the fiscal years ended June 30, 2013 and 2012. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

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

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

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

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

Analytical Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Stations' financial activities as of and for the years ended June 30, 2013 and 2012. Included are a comparative analysis of current year and prior year activities and balances; a discussion of restrictions of the Stations' net position; and a discussion of capital assets and long-term debt.

The Stations' condensed summary of net position as of fiscal years June 30, 2013, 2012 and 2011, respectively, are as follows:

Condensed Summary of Net Position

	June 30,		
	2013	**2012**	**2011**
Assets:			
Current assets	$ 5,081,951	$ 6,260,477	$ 6,778,164
Capital assets, net	12,669,331	12,603,910	10,923,485
Other noncurrent assets	7,300,500	5,522,632	6,004,500
Total assets	25,051,782	24,387,019	23,706,149
Liabilities:			
Current liabilities	4,015,565	3,830,756	4,735,603
Noncurrent liabilities	4,902,452	5,500,078	5,978,281
Total liabilities	8,918,017	9,330,834	10,713,884
Net position:			
Net investment in capital assets	7,257,423	6,516,483	4,452,986
Restricted - nonexpendable	1,044,414	736,787	689,406
Restricted - expendable	1,342,696	1,294,840	1,423,040
Unrestricted	6,489,232	6,508,075	6,426,833
Total net position	$ 16,133,765	$ 15,056,185	$ 12,992,265

Assets

Total assets increased $681,000 and $665,000 from 2011 to 2012 and from 2012 to 2013, respectively. The increase in total assets for 2012 was primarily due to the continued investment in capital projects offset by a reduction in the value of investments resulting from market conditions and a decrease in noncurrent accounts receivable. The increase in total assets for 2013 resulted mainly from an increase in noncurrent underwriting receivables combined with increased investment values given more favorable market conditions during the period.

Capital assets increased approximately $1,680,000 from 2011 to 2012 primarily due to completion of the Gateway Center remodel and investment in the Mount Soledad radio transmitter and tower relocated from Mount San Miguel. Capital assets increased approximately $65,000 from 2012 to 2013 due primarily to project investments of approximately $1,751,000, including completion of the Mount Soledad radio transmitter and tower and investment in solid state television transmitters at Mount San Miguel, offset by net disposals of $20,000 and depreciation of $1,666,000.

Other noncurrent assets decreased by $482,000 from 2011 to 2012 due to a decrease in the fair market value of the managed investment portfolio and a decrease in noncurrent accounts receivable. Other noncurrent assets increased by $1,778,000 from 2012 to 2013 due to an increase in the fair market value of the investment portfolio and an increase in noncurrent underwriting receivables.

Liabilities

Total liabilities decreased from 2011 to 2012 by $1,383,000 primarily due to a decrease in unearned revenues of approximately $1,277,000 resulting from completion of the Gateway Center remodel and scheduled payments made against outstanding notes payable and capital lease obligations. Total liabilities decreased from 2012 to 2013 by $413,000 primarily due to continued scheduled payments against outstanding notes payable and capital lease obligations.

Net Position

Total net position increased $2,064,000 from 2011 to 2012 primarily due to the $2,217,000 operating income (net of San Diego State University transfers), the net decrease in the fair market value of investments of $296,000, and net interest and other income of $143,000. Total net position increased $1,078,000 from 2012 to 2013 primarily due to the $561,000 operating income (net of San Diego State University transfers), the net increase in the fair market value of investments of $490,000, and net interest and other income of $26,000.

Restrictions on Net Position

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

	June 30,		
	2013	**2012**	**2011**
Nonexpendable	$ 1,044,414	$ 736,787	$ 689,406
Expendable:			
Capital campaign	$ 589,063	$ 619,226	$ 647,745
Annuity trust agreements	69,693	77,164	108,111
Program production and airing	477,838	416,285	472,106
Scholarship activities	206,102	182,165	195,078
Total restricted expendable net position	$ 1,342,696	$ 1,294,840	$ 1,423,040

The Capital campaign fund resulted from donations for expenditures of the Gateway Center. The Program production and airing fund resulted from a contribution for the KPBS Radio Reading Service. The increase in the restricted expendable net position is a result of the general increase in investment market values during the year and the maturity of annuity trust agreements. Nonexpendable net position increased primarily due to receipt of a $302,000 endowment.

The Stations' condensed summary of revenues, expenses and changes in net position for the fiscal years ended June 30, 2013, 2012 and 2011, respectively, are as follows:

Condensed Summary of Revenues, Expenses and Changes in Net Position

	Year Ended June 30,		
	2013	**2012**	**2011**
Operating revenues:			
Contributions	$ 18,234,056	$ 19,542,732	$ 17,160,247
Corporation for Public Broadcasting grants	2,523,290	2,590,006	2,523,830
Stations-generated support	1,021,803	688,999	1,489,714
Total operating revenues	21,779,149	22,821,737	21,173,791
Operating expenses:			
Program services	15,064,022	14,818,161	14,102,699
Support services	13,054,278	12,240,172	12,815,164
Total operating expenses	28,118,300	27,058,333	26,917,863
Operating loss	(6,339,151)	(4,236,596)	(5,744,072)
Nonoperating revenues (expenses):			
Interest expense	(160,487)	(177,302)	(189,957)
Interest income, net	207,019	322,087	327,856
Net increase (decrease) in fair value of investments	489,982	(296,150)	790,588
Other nonoperating expense	(20,136)	(2,159)	(3,990)
Total nonoperating revenues (expenses), net	516,378	(153,524)	924,497
Loss before transfers	(5,822,773)	(4,390,120)	(4,819,575)
San Diego State University transfers	6,900,353	6,454,040	6,894,767
Change in net position	1,077,580	2,063,920	2,075,192
Net position, beginning of year	15,056,185	12,992,265	10,917,073
Net position, end of year	$ 16,133,765	$ 15,056,185	$ 12,992,265

Operating Revenues and Expenses

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

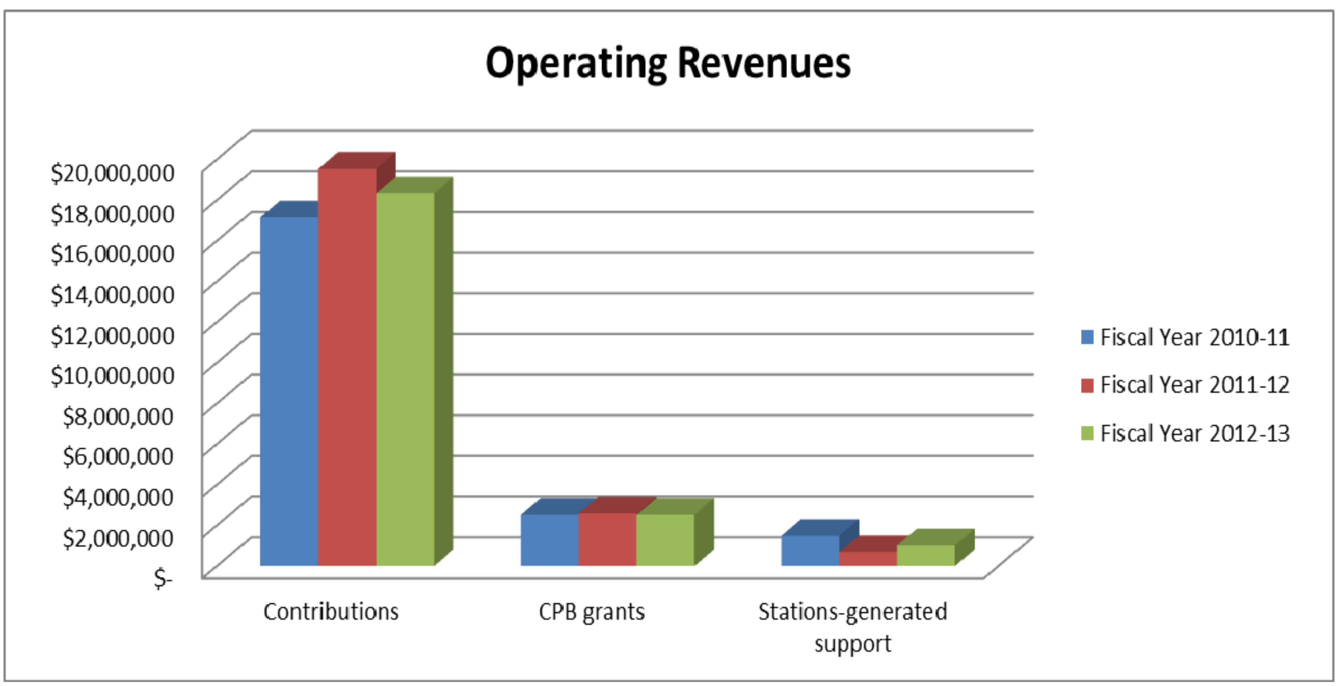
Operating Revenues

Contributions increased $2,382,000 from 2011 to 2012, resulting from general increases in several areas, including grants $496,000, underwriting $524,000, planned giving $670,000, major gifts $528,000, and other $164,000. Contributions decreased $1,309,000 from 2012 to 2013, resulting primarily from nonrecurring revenue of $1,991,000 in the prior year relating to capital projects, including the radio tower and transmitter, as well as the remodel of the Gateway Center newsroom and administrative offices; and a decrease in donated equipment and services of $403,000, offset by net increases in several areas, including planned gifts $530,000, underwriting $508,000, and other $47,000.

Funding received from the Corporation for Public Broadcasting (CPB) increased $66,000 during 2011 to 2012 and decreased $67,000 during 2012 to 2013 due to relative changes in nonfederal financial support during 2010 and 2011. CPB grants are calculated based on nonfederal financial support measured during the fiscal year period, which is two fiscal years prior to the grant.

Stations-generated support decreased approximately $801,000 from 2011 to 2012 primarily due to completion of the digital studio and broadcast equipment project of $586,000 and a general decrease in other areas of $215,000, including the one-time receipt of $66,000 from investment property insurance proceeds. Stations-generated support increased $333,000 from 2012 to 2013 primarily due to an additional national pledge production program of $170,000 and net increases in web sponsorships of $163,000.

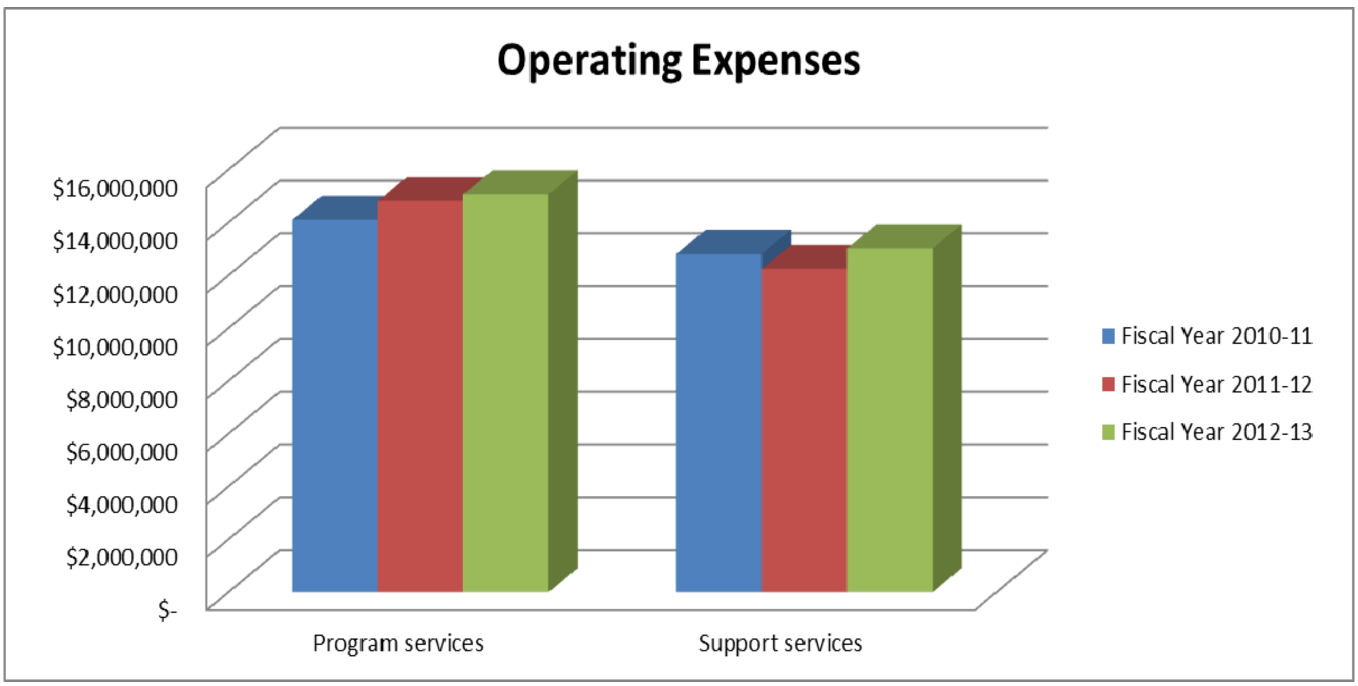
The following chart presents the proportional share that each category of operating revenues contributed to the totals for fiscal years 2013, 2012 and 2011:



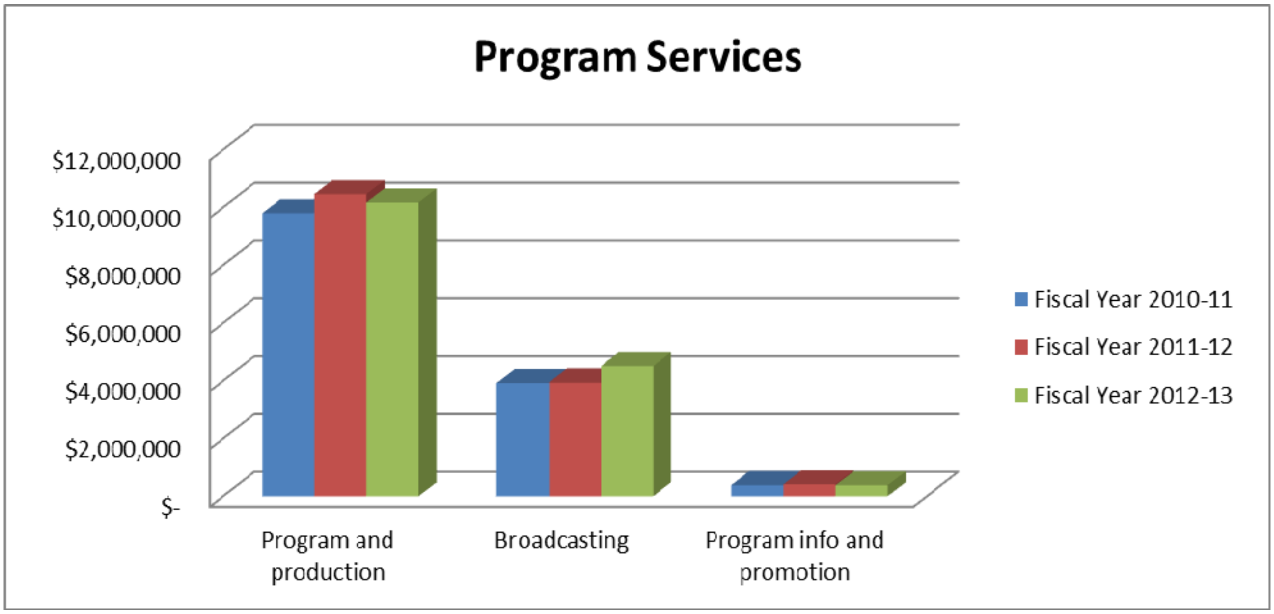
Operating Expenses

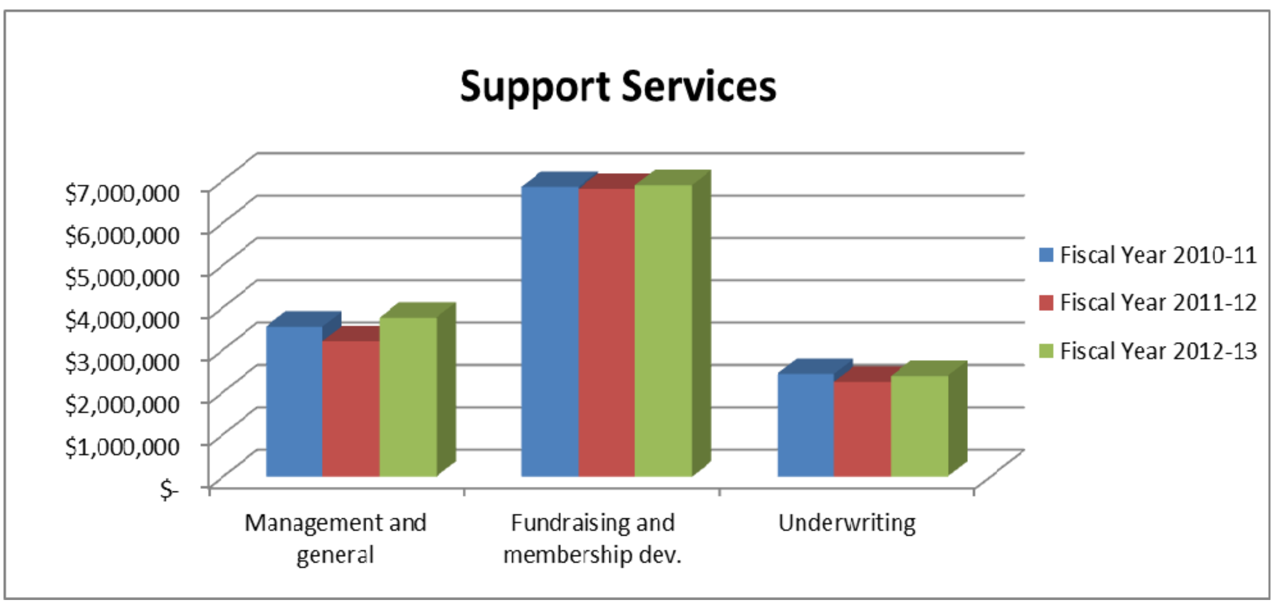
Program services expenses increased by $715,000 from 2011 to 2012 due to new programs and initiatives and expenditure allocations related to San Diego State University indirect financial support. Program services expenses increased by $246,000 from 2012 to 2013 due to additional expenditure allocations related to San Diego State University indirect financial support and an increase in depreciation relating to broadcasting, offset by reductions due to the conclusion of certain programs.

Support services expenses decreased $575,000 from 2011 to 2012 due primarily to expenditure decreases in professional services, moving expenses relative to the Gateway building and San Diego State University indirect financial support expenditure allocations. Support services expenses increased by $814,000 from 2012 to 2013 primarily due to expenditure increases in underwriting resulting from the addition of an account executive, increases in direct mail programs and San Diego State University indirect financial support expenditure allocations. The following chart presents the distribution of resources in support of the Stations for fiscal years 2013, 2012 and 2011:



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





Nonoperating Revenues and Expenses

Nonoperating revenues and expenses come from sources that are not part of the Stations' primary business functions. Included in this classification are changes in the fair value of investments and interest expense. Nonoperating expenses exceeded nonoperating revenues in 2012 and the net results in this category decreased by $1,078,000 from 2011 to 2012 due primarily to the impact of unfavorable market results on the fair value of investments. Nonoperating revenues exceeded nonoperating expenses in 2013 and the net results in this category increased by $670,000 from 2012 to 2013 due primarily to improved results in the fair value of investments.

San Diego State University Transfers

Support from the University decreased by $441,000 from 2011 to 2012 and increased by $446,000 from 2012 to 2013. These services were provided without cost and have been allocated to the Stations as shown in the Supplementary Schedule of Direct and Indirect Support. The cost of the services is reported as transfers and operating expense in the accompanying financial statements. The direct financial support received from the University decreased $295,000 from 2011 to 2012 and increased $274,000 from 2012 to 2013. Direct support consisted primarily of salaries, space rental and utilities. The decrease in direct support from 2011 to 2012 resulted from a headcount reduction of KPBS personnel. The increase in direct support from 2012 to 2013 resulted from an increase in space rental expenditures due to the addition of the Mount Soledad radio treatment site as well as additional compensated absence expenses relating to KPBS personnel. Indirect support received from the University decreased $146,000 from 2011 to 2012 and increased $172,000 from 2012 to 2013. Indirect support relates to a portion of the University's general overhead costs and benefits the programs of the Stations. Such items, allocated based upon square footage percentage and proportionate costs, include administration, maintenance and repairs.

Capital Assets

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

	June 30, 2013	June 30, 2012	June 30, 2011
Building under capital lease	$ 6,470,296	$ 7,051,643	$ 4,557,463
Studio/broadcast equipment	2,719,674	2,999,345	2,724,309
Furniture and fixtures	146,573	192,856	262,173
Transmission/antenna/tower	2,056,179	698,569	837,108
Construction in progress	606,609	991,497	1,872,432
KQVO radio station license	670,000	670,000	670,000
Total capital assets, net of accumulated depreciation	$ 12,669,331	$ 12,603,910	$ 10,923,485

Capital assets increased approximately $1,680,000 from 2011 to 2012 primarily due to completion of the Gateway Center remodel and construction in progress relative to the Mount Soledad radio transmitter and tower relocated from Mount San Miguel. Capital assets increased approximately $65,000 from 2012 to 2013 due to completion of the Mount Soledad radio transmitter and tower, as well as investments in digital television transmitters at Mount San Miguel, offset by depreciation of $1,666,000.

Long-Term Debt Obligations

Debt outstanding at June 30, 2013, 2012 and 2011 is summarized below by type of debt instrument:

	June 30,		
	2013	**2012**	**2011**
Capital lease obligations	$ 3,830,534	$ 4,192,483	$ 4,323,460
Notes payable	1,581,374	1,894,944	2,147,038
Total	5,411,908	6,087,427	6,470,498
Less current portion	(623,007)	(687,220)	(570,840)
Total long-term debt	$ 4,788,901	$ 5,400,207	$ 5,899,658

Total debt decreased approximately $383,000 and $676,000 during 2011 to 2012 and 2012 to 2013, respectively, due to the payment of scheduled obligations, net of the new obligations for capitalized licensed software.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Net Position

June 30, 2013 and 2012

Assets		**2013**		**2012**
Current assets:				
Cash held by San Diego State University	$	118,995	$	-
Due from San Diego State University Research Foundation		1,640,170		2,929,405
Accounts receivable (note 4)		2,785,014		3,168,272
Grants receivable		532,772		147,231
Prepaid expenses		5,000		15,569
Total current assets		5,081,951		6,260,477
Noncurrent assets:				
Accounts receivable (note 4)		1,119,775		83,200
Long-term investments (note 3)		3,638,543		3,222,416
Restricted investments (note 3)		2,387,109		2,031,626
Capital assets, net (notes 5 and 8)		12,669,331		12,603,910
Other assets (note 6)		155,073		185,390
Total noncurrent assets		19,969,831		18,126,542
Total assets		25,051,782		24,387,019
Liabilities				
Current liabilities:				
Due to San Diego State University		-		151,397
Accounts payable		1,096,082		802,036
Accrued expenses		943,586		784,396
Unearned revenue		1,352,890		1,405,707
Notes payable, current portion (note 7)		244,651		313,570
Capital lease obligations, current portion (note 8)		378,356		373,650
Total current liabilities		4,015,565		3,830,756
Noncurrent liabilities:				
Notes payable, net of current portion (note 7)		1,336,723		1,581,374
Capital lease obligations, net of current portion (note 8)		3,452,178		3,818,833
Other liabilities		113,551		99,871
Total noncurrent liabilities		4,902,452		5,500,078
Total liabilities		8,918,017		9,330,834
Commitments and contingencies (notes 5, 8, 9, 10 and 11)				
Net Position				
Net position:				
Net investment in capital assets		7,257,423		6,516,483
Restricted for:				
Nonexpendable - endowments		1,044,414		736,787
Expendable:				
Capital campaign		589,063		619,226
Annuity trust agreements		69,693		77,164
Program production and airing		477,838		416,285
Scholarship activities		206,102		182,165
Unrestricted		6,489,232		6,508,075
Total net position	$	16,133,765	$	15,056,185

See accompanying notes to financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Revenues, Expenses and Changes in Net Position

June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Contributions	$ 18,234,056	$ 19,542,732
Corporation for Public Broadcasting grants (note 2)	2,523,290	2,590,006
Stations-generated support	1,021,803	688,999
Total operating revenues	21,779,149	22,821,737
Operating expenses (notes 5, 6, 8, 9 and 11):		
Program services:		
Programming and production	10,172,782	10,462,148
Broadcasting	4,508,104	3,937,369
Program information and promotion	383,136	418,644
Total program services	15,064,022	14,818,161
Support services:		
Management and general	3,790,329	3,200,830
Fundraising and membership development	6,886,315	6,798,074
Underwriting	2,377,634	2,241,268
Total support services	13,054,278	12,240,172
Total operating expenses	28,118,300	27,058,333
Operating loss	(6,339,151)	(4,236,596)
Nonoperating revenues (expenses):		
Interest expense (notes 7 and 8)	(160,487)	(177,302)
Interest income, net	207,019	322,087
Net increase (decrease) in fair value of investments	489,982	(296,150)
Other nonoperating expense	(20,136)	(2,159)
Total nonoperating revenues (expenses), net	516,378	(153,524)
Loss before transfers	(5,822,773)	(4,390,120)
San Diego State University transfers (note 2):		
Direct financial support	2,182,689	1,908,709
Indirect financial support	4,717,664	4,545,331
Total San Diego State University transfers	6,900,353	6,454,040
Change in net position	1,077,580	2,063,920
Net position, beginning of year	15,056,185	12,992,265
Net position, end of year	$ 16,133,765	$ 15,056,185

See accompanying notes to financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Cash Flows

June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Contributions	$ 16,839,968	$ 17,602,795
Stations-generated support	1,021,803	688,999
Payments to suppliers	(10,517,129)	(10,053,154)
Payments to employees	(10,136,900)	(9,940,339)
Administrative fees paid to San Diego State University Research Foundation	(719,785)	(769,637)
Corporation for Public Broadcasting grants	2,523,290	2,590,006
Net cash (used in) provided by operating activities	(988,753)	118,670
Cash flows from noncapital and related financing activities:		
Transfers from San Diego State University	2,182,689	1,908,709
Decrease in amounts due from San Diego State University Research Foundation	1,289,235	109,165
Net cash provided by noncapital and related financing activities	3,471,924	2,017,874
Cash flows from capital and related financing activities:		
Payments on long-term debt and capital leases	(687,220)	(569,979)
Interest paid	(212,855)	(313,177)
Purchase of capital assets	(1,691,905)	(2,734,681)
Net cash used in capital and related financing activities	(2,591,980)	(3,617,837)
Cash flows from investing activities:		
Interest income, net	207,019	322,087
Sale of investments	40,785	2,336
Purchase of investments	(20,000)	-
Net cash provided by investing activities	227,804	324,423
Net increase (decrease) in cash and cash equivalents	118,995	(1,156,870)
Cash and cash equivalents held by San Diego State University, beginning of year	-	1,156,870
Cash and cash equivalents held by San Diego State University, end of year	$ 118,995	$ -

See accompanying notes to financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Cash Flows, Continued

June 30, 2013 and 2012

	2013	2012
Reconciliation of operating loss to net cash		
(used in) provided by operating activities:		
Operating loss	$ (6,339,151)	$ (4,236,596)
Adjustments to reconcile operating loss to net cash		
(used in) provided by operating activities:		
Allocated San Diego State University expenses	4,717,664	4,545,331
Depreciation and amortization	1,696,332	1,317,288
Contributions restricted for long-term investments	(302,413)	-
(Increase) decrease in assets:		
Accounts receivable	(653,317)	(939,614)
Grants receivable	(385,541)	273,834
Prepaid expenses	10,569	63,613
Other assets	(360)	6,523
Increase (decrease) in liabilities:		
Due to San Diego State University	(151,397)	151,397
Accounts payable	294,046	163,691
Accrued expenses	163,952	28,770
Deferred revenue	(52,817)	(1,276,815)
Other liabilities	13,680	21,248
Net cash (used in) provided by operating activities	$ (988,753)	$ 118,670
Supplemental disclosure of noncash financing and related capital activity:		
Noncash refinancing of capital lease	$ 59,307	$ 234,513
Supplemental disclosures of noncash investing and capital activity:		
Increase (decrease) in fair value of investments	$ 489,982	$ (296,150)

See accompanying notes to financial statements.

(1) Organization

KPBS FM/TV (KPBS or the Stations) is engaged in the production, broadcast and distribution of content via public television, radio and the internet. KPBS TV and FM are licensed to the Board of Trustees of The California State University (the CSU) for San Diego State University (SDSU or the University). KQVO FM is licensed to the State of California on behalf of the University. San Diego State University Research Foundation (SDSU Research Foundation), a not-for-profit California corporation, which is an auxiliary organization of the CSU, provides financial accounting and administrative support to the Stations under a service agreement and includes all of the Stations' accounts, except for certain capital assets, University cash, notes payable and related interest and expenses related to certain State employees in its financial statements. KPBS is a department of the University. Administrative fees paid to SDSU Research Foundation were approximately $720,000 and $770,000 for the fiscal years ended June 30, 2013 and 2012, respectively. The accompanying financial statements include only the activities and balances associated with KPBS FM/TV and are not intended to present the financial position, changes in financial position or cash flows of SDSU Research Foundation or the University.

Affiliated Organizations

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

(2) Summary of Significant Accounting Policies

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

(a) Basis of Accounting and Reporting

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

(b) Election of Applicable FASB Statements

The Stations apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(c) Classification of Current and Noncurrent Assets and Liabilities

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

(d) Cash and Cash Equivalents

Cash includes funds held by the University. The Stations consider all highly liquid investments with original maturity dates of three months or less to be cash equivalents. There was no cash on hand at June 30, 2012. The Stations had $119,000 in cash or cash equivalents on hand at June 30, 2013.

(e) Due from SDSU Research Foundation

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

(f) Accounts Receivable

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

(g) Investments

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

(h) Capital Assets and Intangible Assets

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

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

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

Intangible assets are recorded at the lower of cost or fair value. Intangible assets consist of the broadcast license associated with the acquisition of the KQVO radio station. The broadcast license is renewable every eight years at a nominal fee to the Stations. The intangible asset has an indefinite life and is not amortized. The Stations' policy is to review the asset annually for impairment and adjust the asset to fair value if lower than the recorded amount. There was no impairment in value for the years ended June 30, 2013 or 2012.

(i) Compensated Absences

The Stations accrue vacation benefits for eligible employees at various rates depending upon length of service. Eligible full-time employees accrue sick leave at the rate of four hours per pay period. Employees are typically not paid for unused sick leave at the end of employment. However, for certain employees, a portion of accumulated sick leave is paid upon retirement. Liabilities for compensated absences of approximately $591,000 and $380,000 for the years ended June 30, 2013 and 2012, respectively, are included in accrued expenses. Liabilities for compensated absences at June 30, 2013 include $111,000 relating to certain KPBS employees funded by the University through direct financial support.

(j) Contributions

Revenue from contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Contributions received prior to satisfaction of eligibility requirements are recognized as deferred revenue. The Stations received approximately 84% and 86% of their operating revenue from contributions in the years ended June 30, 2013 and 2012, respectively.

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

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

(k) University Support

Direct financial support received from the University for the years ended June 30, 2013 and 2012 consisted primarily of salaries for management, space rental and utilities.

Indirect support received from the University for the years ended June 30, 2013 and 2012 was approximately $4,718,000 and $4,545,000, respectively. A portion of the University's general overhead costs relates to and benefits the Stations. Such costs are allocated primarily based on the proportion of KPBS's expenses to certain costs of SDSU Research Foundation and the University, which are then applied to certain administration, maintenance and repair costs of the University. These University services, provided without cost, have been allocated to the Stations and are reported as transfers and operating expense in the accompanying financial statements.

(l) Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. The CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement; however, each grant must be expended within two years of the initial grant authorization. Over the last three years, the Stations have expended all funds received under CSGs in the year received.

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

The grants are reported in the financial statements as operating revenue. Certain guidelines set by the CPB must be satisfied in connection with the application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting and licensee status with the Federal Communications Commission. Revenue on these grants is recognized as the funds are received, and management's policy is to expend the money in the year received. The Stations received and recorded approximately $2,523,000 and $2,590,000 in grant revenue from the CPB in the years ended June 30, 2013 and 2012, respectively.

(m) Unearned Revenue

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

(n) Fundraising and Membership Development

Fundraising and membership development expenses are from fundraising activities.

(o) Net Position

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

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

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

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

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

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

(p) Classification of Revenues and Expenses

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

(q) Income Taxes

The University, as a campus of the CSU system, which is an agency of the State of California and is treated as a governmental entity for tax purposes, is generally not subject to federal or state income taxes. SDSU Research Foundation is generally exempt from income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code. However, both the University and SDSU Research Foundation are subject to tax on trade or business income earned from an activity that is not in furtherance of their tax-exempt purposes. The Stations are engaged in activities that produce unrelated business income: namely, sales of certain products and services, and advertising. The Stations had no tax liability for the years ended June 30, 2013 or 2012.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues, gains, and other support and expenditures and deductions during the reporting period. Actual results could differ from those estimates.

(s) Reclassifications

Certain reclassifications have been made to the June 30, 2012 financial statements in order to conform to the current year presentation. These reclassifications had no effect on results of operations or net position as previously reported.

(t) Pronouncements Issued

KPBS implemented the following GASB statements that became effective for the year ended June 30, 2013:

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*

Implementation of GASB Statement Nos. 61, 62 and 64 did not have a significant impact on the financial statements.

Implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, changed the names, captions and format of the financial statements, but did not have any other significant impact on the financial statements.

The GASB has issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (effective for the year ending June 30, 2014); GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* (effective for the year ending June 30, 2014); GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27* (effective for the year ending June 30, 2015); GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (effective for the year ending June 30, 2015); and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (effective for the year ending June 30, 2015).

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

(3) Investments

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

	2013	2012
Long-term investments	$ 3,638,543	$ 3,222,416
Restricted assets, investments	2,387,109	2,031,626
	$ 6,025,652	$ 5,254,042

KPBS's investments are part of a unitized investment pool managed by SDSU Research Foundation and are therefore not separately identifiable. The pool is approved and monitored by the SDSU Research Foundation Board of Directors, and maintains 56% stock, 21% fixed income, and 23% alternative investments and real estate as of June 30, 2013.

(a) Interest Rate Risk

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

(b) Credit Risk

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

(4) Accounts Receivable

Accounts receivable at June 30 consisted of the following:

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

	2012	
	Current	**Noncurrent**
Underwriter receivables	$ 2,436,240	$ 83,200
Other receivable	762,032	-
Allowance	(30,000)	-
	$ 3,168,272	$ 83,200

(5) Capital Assets

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

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

		Balance June 30, 2011		Additions		Retirements/ Transfers		Balance June 30, 2012
Nondepreciable capital assets:								
Construction in progress [(a)]	$	1,872,432	$	2,264,746	$	(3,145,681)	$	991,497
KQVO radio station license		670,000		-		-		670,000
Total nondepreciable capital assets		2,542,432		2,264,746		(3,145,681)		1,661,497
Depreciable capital assets:								
Building under capital lease [(b)]		9,926,462		2,978,134		-		12,904,596
Studio/broadcast equipment		12,420,008		858,266		(482,723)		12,795,551
Furniture and fixtures		1,638,052		13,730		(46,596)		1,605,186
Transmission/antenna/tower		2,883,538		-		-		2,883,538
Total depreciable capital assets		26,868,060		3,850,130		(529,319)		30,188,871
Less accumulated depreciation:								
Building under capital lease		5,368,999		483,954		-		5,852,953
Studio/broadcast equipment		9,695,699		581,073		(480,566)		9,796,206
Furniture and fixtures		1,375,879		83,047		(46,596)		1,412,330
Transmission/antenna/tower		2,046,430		138,539		-		2,184,969
Total accumulated depreciation		18,487,007		1,286,613		(527,162)		19,246,458
Total depreciable assets		8,381,053		2,563,517		(2,157)		10,942,413
Net capital assets	$	10,923,485	$	4,828,263	$	(3,147,838)	$	12,603,910

(a) Construction in progress at June 30, 2012 primarily represents the Mount Soledad radio tower and transmitter project. Construction in progress at June 30, 2013 primarily relates to the back-up generator project.

(b) The building under capital lease represents the Stations-occupied portion of the Gateway Center and is pledged as collateral for debt issued by SDSU Research Foundation, whose outstanding balance at June 30, 2013 and 2012 was approximately $4,330,000 and $4,665,000, respectively.

Depreciation expense totaled $1,665,655 and $1,286,613 for the years ended June 30, 2013 and 2012, respectively, and was allocated among expenses in the accompanying statements of revenues, expenses and changes in net position, as follows:

	2013	2012
Program Services	$ 973,335	$ 719,610
Support Services	692,320	567,003
Total depreciation	$ 1,665,655	$ 1,286,613

(6) Other Assets

Included in other assets is a building owned by the Stations from which rental income is derived. The use of the building is subject to two land leases, one of which terminates in fiscal 2017. The Stations are amortizing the contributed value of the building over that time. Amortization expense totaled $30,677 for each of the years ended June 30, 2013 and 2012. The unamortized value included in other assets totaled approximately $123,000 and $153,000 at June 30, 2013 and 2012, respectively.

(7) Long-Term Debt Obligations

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

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

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Notes payable	$ 2,147,039	$ -	$ (252,095)	$ 1,894,944	$ 313,570

In 2002 the University obtained a loan for the purchase of equipment, of which the Stations received certain of the equipment in return for payment to the University on a portion of the loan. The University paid the loan in full in 2008 and simultaneously entered into an agreement with the Stations that allowed them to pay their outstanding note balance to the University in annual principal and interest installments of $155,825 due in March of each year. In July 2010, the University amended the note payment schedule, deferred the March 2011 payment, and extended the term of the loan through 2013. The unsecured note payable, with interest at a fixed rate of 3.5%, was paid in March 2013. Interest incurred on the note payable amounted to $2,081 and $4,761 for the years ended June 30, 2013 and 2012, respectively.

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

Years Ending June 30:	Principal	Interest	Total
2014	$ 244,651	$ 55,349	$ 300,000
2015	253,215	46,785	300,000
2016	262,077	37,923	300,000
2017	271,250	28,750	300,000
2018	280,743	19,257	300,000
2019	269,438	9,429	278,867
2020	-	-	-
	$ 1,581,374	$ 197,493	$ 1,778,867

Interest incurred on the note payable amounted to $60,404 and $68,226 for the years ended June 30, 2013 and 2012, respectively.

(8) Commitments

(a) Capital Lease

Gateway Center

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

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

The capital lease payments were set up based on an allocation of the KPBS portion of the debt service of SDSU Research Foundation's 1999 Revenue Refunding Bonds. On April 5, 2010, the CSU system issued system-wide revenue bonds (SRB 2010A) to replace the 1999 Revenue Refunding Bonds. The SRB 2010A bonds sold at amounts greater than par, resulting in a bond premium. As a result of the refunding and new issuance, the debt service schedule that was the basis for the capital lease changed, resulting in a gain on refunding of $666,480, which is being amortized over the remaining life of the capital lease. Amortization expense totaled $47,606 for each of the years ended June 30, 2013 and 2012.

Capital Equipment Lease

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

Capitalized Licensed Software

During the year ended June 30, 2012, the University purchased a software package for KPBS broadcasting and radio needs. Payments are due annually through 2017 for the use of the software. During the year ended June 30, 2009, the University purchased software with payments due through 2013, which was extended during the year ended June 30, 2013 with payments due through 2015.

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

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

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Capital lease obligation	$ 3,752,192	$ 234,513	$ (317,884)	$ 3,668,821	$ 373,650
Unamortized refinancing gain	571,268	-	(47,606)	523,662	-
	$ 4,323,460	$ 234,513	$ (365,490)	$ 4,192,483	$ 373,650

The following is a schedule of the future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2013:

Years Ending June 30:		Principal		Interest		Total
2014	$	378,356	$	142,215	$	520,571
2015		390,799		128,689		519,488
2016		378,789		112,333		491,122
2017		390,351		96,689		487,040
2018		359,811		79,729		439,540
Thereafter		1,456,372		176,292		1,632,664
		3,354,478	$	735,947	$	4,090,425
Unamortized refinancing gain		476,056				
	$	3,830,534				

(b) Operating Leases

KPBS leases certain equipment, land, buildings and transmitter space under noncancelable operating leases, which expire on various dates through January 2099. The current monthly rental payments range from approximately $237 to $12,673, and several of the agreements allow for annual increases in the base rent. KPBS incurred rental expense for the years ended June 30, 2013 and 2012 of $388,700 and $256,100, respectively.

The total minimum rental commitment at June 30, 2013 under the leases mentioned above is due as follows:

Years Ending June 30:		
2014	$	400,674
2015		411,030
2016		423,146
2017		433,123
2018		445,046
Thereafter		2,115,183
	$	4,228,202

(9) Pension and Postretirement Benefits

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

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

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

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

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

In order for the Stations' employees to be eligible for retiree pension and health benefits, the employee must be appointed to an approved class code, work a regular schedule of 20 hours or more per week, and not be a temporary or leased employee. Amounts charged to KPBS from SDSU Research Foundation for pension and other postretirement benefits totaled \$91,625 and \$87,549 for the years ended June 30, 2013 and 2012, respectively, and are recorded as either program services or support services, depending upon the employee's function, on the accompanying statements of revenues, expenses and changes in net position.

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

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

The Stations' University-employed personnel are required to contribute 5% of their monthly earnings in excess of $513 to CalPERS. The University is required to contribute at an actuarially determined rate. The contribution requirements (i.e., annual required contribution) of the plan members are established and may be amended by CalPERS. Amounts charged to KPBS for its annual required contribution from the University totaled $167,574 and $154,531 for the years ended June 30, 2013 and 2012, respectively, and are recorded as direct support and program services or support services expense, depending upon the employee's function. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

(10) Contingencies

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

(11) Risk Management

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

Insurance through the University is included in the University indirect support and allocated to program and support services on the statements of revenues, expenses and changes in net position. Premiums to SDSU Research Foundation on these insurance policies totaled approximately $100,100 and $94,100 for the years ended June 30, 2013 and 2012, respectively.

(12) Subsequent Events

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

The Company has evaluated subsequent events through November 26, 2013, the date on which the financial statements were available to be issued.

KPBS FM/TV

(A Department of San Diego State University)

Supplementary Schedule of Direct and Indirect Support

Year Ended June 30, 2013

Supplementary Information

Supplementary Schedule of Direct and Indirect Support
Year ended June 30, 2013

	KPBS Excluding Direct and Indirect Transfers	SDSU Transfers Direct	SDSU Transfers Indirect	KPBS Combined
Operating revenues:				
Contributions	$ 18,234,056	$ -	$ -	$ 18,234,056
Corporation for Public Broadcasting grants	2,523,290	-	-	2,523,290
Stations-generated support	1,021,803	-	-	1,021,803
Total operating revenues	21,779,149	-	-	21,779,149
Operating expenses:				
Program services:				
Programming and production	8,469,194	3,212	1,700,376	10,172,782
Broadcasting	2,923,775	819,493	764,836	4,508,104
Program information and promotion	318,497	-	64,639	383,136
Total program services	11,711,466	822,705	2,529,851	15,064,022
Support services:				
Management and general	2,147,115	1,005,169	638,045	3,790,329
Fundraising and membership development	5,375,291	354,815	1,156,209	6,886,315
Underwriting	1,984,075	-	393,559	2,377,634
Total support services	9,506,481	1,359,984	2,187,813	13,054,278
Total operating expenses	21,217,947	2,182,689	4,717,664	28,118,300
Operating income (loss)	561,202	(2,182,689)	(4,717,664)	(6,339,151)
Nonoperating revenues (expenses):				
Interest expense	(160,487)	-	-	(160,487)
Interest income, net	207,019	-	-	207,019
Net increase in fair value of investments	489,982	-	-	489,982
Other nonoperating expense	(20,136)	-	-	(20,136)
Total nonoperating revenues, net	516,378	-	-	516,378
Income (loss) before transfers	1,077,580	(2,182,689)	(4,717,664)	(5,822,773)
San Diego State University transfers:				
Direct financial support	-	2,182,689	-	2,182,689
Indirect financial support	-	-	4,717,664	4,717,664
Total San Diego State University transfers	-	2,182,689	4,717,664	6,900,353
Change in net position	$ 1,077,580	$ -	$ -	1,077,580
Net position, beginning of year				15,056,185
Net position, end of year				$ 16,133,765