



*University of Missouri  
KMST-FM Radio*

*Financial Statements as of and for the Years Ended  
June 30, 2014 and 2013, Supplemental Schedule for  
the Year Ended June 30, 2014, and Independent  
Auditors' Report*

# Mueller Prost

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*University of Missouri*  
**KMST-FM RADIO**

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***University of Missouri***  
**KMST-FM RADIO**

**MANAGEMENT DISCUSSION & ANALYSIS (Unaudited)**  
**As of and for the Years Ended June 30, 2014 and 2013**

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This management's discussion and analysis (MD&A) of KMST-FM Radio (the "Station") provides an overview of the Station's financial performance for the fiscal years ended June 30, 2014 and 2013. The MD&A should be read in conjunction with the basic financial statements for the period and the annual report to the Corporation for Public Broadcasting ("CPB").

**OVERVIEW OF THE OPERATIONS**

The Station is a department of the Rolla campus of the University of Missouri (the "University") and operates under FCC license issued to the Curators of the University of Missouri. The University provides on-going, line item funding as well as indirect institutional support (e.g. studio and office space, custodial and human resource support). The University's indirect institutional support to the Station is significant to the Station's financial activities and is fully described in the annual report to CPB.

The University is classified by the IRS as an entity of the State of Missouri and is chartered under Missouri state law. The Station's financial activities are managed under policies and procedures of the University and are subject to internal audit and control by the University. The University and the Station both receive annual external audits. For the Station, the external audit is a condition of annual grant funding from CPB. CPB is a private, nonprofit corporation created by Congress in 1967. CPB is not a governing agency. It promotes public telecommunications services (television, radio and on-line) for the American people.

**KMST ACCOUNTING AND FINANCIAL REPORTING**

This report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows. The basic financial statements of the Station are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

The notes to the basic financial statements provide required disclosures and other information that are essential to full understanding of the material data provided in the statements. The notes present information about the Station's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The Station's annual basic financial statements and reports to CPB are available for public inspection during business hours in the Station's public file located at 400 West 14<sup>th</sup> Street, Rolla, MO.

**STATEMENTS OF NET POSITION**

The Statements of Net Position present the financial position of the Station as of June 30, 2014 and 2013, including all assets and liabilities of the Station. The Net Position presents the current financial condition of the Station. Assets and liabilities are generally measured using current values, with certain exceptions, such as capital assets, which are stated at cost, less accumulated depreciation.

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**MANAGEMENT DISCUSSION & ANALYSIS (Unaudited)**  
**As of and for the Years Ended June 30, 2014 and 2013**

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A summary of the Station's assets, liabilities and net position at June 30, 2014 and 2013, is as follows:

	Fiscal Year 2014	Fiscal Year 2013
<b>Assets</b>		
Current Assets	\$ 302,209	\$ 291,026
Long-Term Investments	269,705	242,373
Capital Assets, Depreciable, Net	16,704	30,002
Total Assets	<u>\$ 588,618</u>	<u>\$ 563,401</u>
<b>Liabilities and Net Position</b>		
Current Liabilities	\$ 223,665	\$ 207,047
Noncurrent Liabilities	11,571	8,971
Total Liabilities	<u>235,236</u>	<u>216,018</u>
<b>Net Position</b>		
Unrestricted	60,556	67,810
Restricted Nonexpendable - Endowment	205,730	185,948
Restricted Expendable - Endowment	70,392	63,623
Invested in Capital Assets	16,704	30,002
Total Net Position	<u>353,382</u>	<u>347,383</u>
Total Liabilities and Net Position	<u>\$ 588,618</u>	<u>\$ 563,401</u>

**Fiscal Year 2014 Compared to Fiscal Year 2013**

**Total Assets** increased by \$25,217 to \$588,618 at June 30, 2014. **Capital Assets, depreciable** showed a net decrease of \$13,298 as of June 30, 2014, resulting from current year depreciation expense.

**Total Liabilities** increased by \$19,218 to \$235,236 at June 30, 2014.

**Total Net Position** increased by \$5,999 from \$347,383 at June 30, 2013, to \$353,382 at June 30, 2014.

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**MANAGEMENT DISCUSSION & ANALYSIS (Unaudited)**  
**As of and for the Years Ended June 30, 2014 and 2013**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Statements of Revenues, Expenses, and Changes in Net Position present the Station's results of operations. The Statements distinguish revenues and expenses between operating and non-operating categories, and provide the Station's operating margin and changes in net position for the years ended June 30, 2014 and 2013.

	Fiscal Year 2014	Fiscal Year 2013
Operating Revenues:		
Membership Contributions and Contributed Support	\$ 169,019	\$ 136,411
Community Service Grants from CPB	144,442	132,113
Underwriting Income	91,766	98,547
Other	15,549	6,316
Total Operating Revenues	<u>420,776</u>	<u>373,387</u>
Operating Expenses:		
Program Services -		
Broadcasting	125,467	127,947
Programming and Production	308,593	276,278
Program Information	25,605	27,507
Total Program Services	<u>459,665</u>	<u>431,732</u>
Support Services -		
Management and General	267,124	236,988
Fund-raising and Membership Development	87,588	79,824
Grant Solicitation and Underwriting	55,419	55,301
Total Support Services	<u>410,131</u>	<u>372,113</u>
Depreciation Expense	<u>13,298</u>	<u>14,576</u>
Total Operating Expenses	<u>883,094</u>	<u>818,421</u>
Operating Loss Before Nonoperating Revenues	<u>(462,318)</u>	<u>(445,034)</u>
Nonoperating Revenues:		
Support from the University of Missouri	298,861	303,573
Donated Facilities and Administrative Support from the University of Missouri	131,744	105,819
Investment Income (Loss)	37,712	27,876
Total Nonoperating Revenues	<u>468,317</u>	<u>437,268</u>
Increase (Decrease) in Net Position	5,999	(7,766)
Net Position, Beginning of Year	<u>347,383</u>	<u>355,149</u>
Net Position, End of Year	<u>\$ 353,382</u>	<u>\$ 347,383</u>

**MANAGEMENT DISCUSSION & ANALYSIS (Unaudited)**  
**As of and for the Years Ended June 30, 2014 and 2013**

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**Fiscal Year 2014 Compared to Fiscal Year 2013**

Total **Operating Revenues** in fiscal year 2014 increased \$47,389, or 12.7%, from fiscal year 2013. This is due primarily to an increase in grants from CPB and membership contributions. The Station's operating revenues derive from two primary sources: 1) Listener sensitive income including contributions from listeners through special events and program support from area businesses in exchange for on-air recognition; and 2) operating grants from CPB. **Membership Contributions and Contributed Support** increased \$32,608 to \$169,019 for fiscal year 2014 compared to \$136,411 for fiscal year 2013. **Underwriting Income** for fiscal year 2014 decreased 6,781, or 6.9%, from fiscal year 2013. Because of the uncertain economic outlook, the Station continues to make a conscientious effort to increase underwriting revenues. **Grants from Corporation for Public Broadcasting** for fiscal year 2014 increased by \$12,329, or 9.3%, from fiscal year 2013.

Total **Non-operating Revenues** for fiscal year 2014 increased by \$30,780, or 7%, from fiscal year 2013. Certain significant revenue streams relied upon for operations are defined as non-exchange transactions by GASB Statement No. 35 and recorded as non-operating revenues. These include endowment gifts, investment income, and donated facilities and administrative support from the University. **Support from the University of Missouri** decreased by \$4,712 from \$303,573 in fiscal year 2013 to \$298,861 in fiscal year 2014. **Donated Facilities and Administrative Support from the University of Missouri** increased \$25,656, or 24.2%, in fiscal year 2014 over the prior year. In fiscal year 2014, **Investment Income** increased \$9,836 from fiscal year 2013.

Total **Operating Expenses** increased by \$64,404, or 7.9%, in fiscal year 2014 as compared to fiscal year 2013. Operating expenses fall into two categories: 1) **Program Services**, representing 52.1% and 52.8% of total operating expenses for fiscal years 2014 and 2013, respectively; and 2) **Support Services**, representing 46.4% and 45.5% of total operating expenses for fiscal year 2014 and 2013, respectively. **Programming and Production** expenses increased by \$32,318, or 11.7%, to \$308,593 in fiscal year 2014 as compared to \$276,278 in fiscal year 2013. **Broadcasting** expense decreased by \$2,480, or 1.9%, in fiscal year 2014 as compared to fiscal year 2013. **Management and General** expenses increased \$29,867, or 12.6%, to \$266,855 in fiscal year 2014 as compared to \$236,988 in fiscal year 2013. **Fund-raising and Membership Development** expenses increased by \$7,764, or 9.7%, to \$87,588 in fiscal year 2014 as compared to \$79,824 for fiscal year 2013. **Grant Solicitation and Underwriting** expenses increased by \$118, or 0.2%, to \$55,419 for fiscal year 2014 as compared to \$53,301 in fiscal year 2013.

**ECONOMIC OUTLOOK**

The economic outlook for the Station is dependent on various influences of the Station's funding sources.

- **Corporation for Public Broadcasting:** The federal government's fiscal year 2013 appropriation for CPB was \$460 million, and decreased \$15 million for fiscal year 2014. The appropriation for 2014 is \$445 million. CPB had requested a \$451 million advance appropriation for fiscal year 2014, a 9% decrease over the fiscal year 2013 funding. Stations have been faced with flat CPB funding for the better part of the past decade. The impact of this has been magnified by the economic conditions of the last few years. CPB funding source should remain stable during fiscal year 2014. Because of the current economic and/or political climate, all federal funding appropriations are being reviewed, requiring CPB to prepare funding justifications. CPB funding beyond 2014 is not guaranteed at this time.
- **Underwriting support:** The Station has worked for a number of years to increase private business funding and will continue working toward an annual increase in underwriting revenue.
- **Special event funding:** The Station does not rely on special event funding, but if a situation presents itself, the Station evaluates whether the event is to the Station's advantage.

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**MANAGEMENT DISCUSSION & ANALYSIS (Unaudited)**  
**As of and for the Years Ended June 30, 2014 and 2013**

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- Investment income: The Station's investments are managed by the University. Investment income is dependent upon market conditions which, while improving, remain somewhat turbulent.
- Private donations: The Station relies on certain significant revenue streams, including private gifts, for operations.

Other funding such as gains on capital assets and miscellaneous revenue: The Station does not plan to sell any equipment in the near future.

## INDEPENDENT AUDITORS' REPORT

To the Board of Curators  
University of Missouri

We have audited the accompanying financial statements of the *University of Missouri KMST-FM Radio* (the "Station"), as of and for the years ended June 30, 2014 and 2013, and the related notes to the 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Station and do not purport to, and do not present fairly the financial position of the University of Missouri, as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, 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.



**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and yearly comparison information on pages 1-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's basic financial statements. The Supplemental Schedule of Non-Federal Financial Support for the year ended June 30, 2014, required by the Public Telecommunication Financing Act of 1978, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental Schedule of Non-Federal Financial Support 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 information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



November 20, 2014  
St. Louis, Missouri

Certified Public Accountants

*University of Missouri*  
**KMST-FM RADIO**

**STATEMENTS OF NET POSITION**  
**As of June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 5,683	\$ 5,951
Short-Term Investments	273,482	257,467
Accounts Receivable	8,701	12,417
Pledges Receivable, Net	6,883	10,171
Prepaid Expense	7,460	5,020
<b>Total Current Assets</b>	<b>302,209</b>	<b>291,026</b>
<b>Noncurrent Assets:</b>		
Long-Term Investments - Restricted	269,705	242,373
Capital Assets, Depreciable, Net	16,704	30,002
<b>Total Noncurrent Assets</b>	<b>286,409</b>	<b>272,375</b>
<b>Total Assets</b>	<b>\$ 588,618</b>	<b>\$ 563,401</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Other Accrued Expenses	\$ 8,599	\$ 6,335
Accrued Vacation	28,469	24,843
Unearned Revenue	1,090	1,090
Unexpended Grants	185,507	174,779
<b>Total Current Liabilities</b>	<b>223,665</b>	<b>207,047</b>
<b>Noncurrent Liabilities:</b>		
Accrued Vacation	11,571	8,971
<b>Total Noncurrent Liabilities</b>	<b>11,571</b>	<b>8,971</b>
<b>Total Liabilities</b>	<b>235,236</b>	<b>216,018</b>
<b>Net Position:</b>		
Unrestricted	60,556	67,810
Restricted Nonexpendable - Endowment	205,730	185,948
Restricted Expendable - Endowment	70,392	63,623
Invested in Capital Assets	16,704	30,002
<b>Total Net Position</b>	<b>353,382</b>	<b>347,383</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 588,618</b>	<b>\$ 563,401</b>

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

*University of Missouri***KMST-FM RADIO****STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION****For The Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues:</b>		
Membership Contributions and Contributed Support	\$ 169,019	\$ 136,411
Community Service Grants from Corporation for Public Broadcasting	144,442	132,113
Underwriting Income	91,766	98,547
Other	15,549	6,316
<b>Total Operating Revenues</b>	<b><u>420,776</u></b>	<b><u>373,387</u></b>
<b>Operating Expenses:</b>		
Program Services -		
Broadcasting	125,467	127,947
Programming and Production	308,593	276,278
Program Information	25,605	27,507
<b>Total Program Services</b>	<b><u>459,665</u></b>	<b><u>431,732</u></b>
Supporting Services -		
Management and General	267,124	236,988
Depreciation Expense	13,298	14,576
Fund-raising and Membership Development	87,588	79,824
Grant Solicitation and Underwriting	55,419	55,301
<b>Total Supporting Services</b>	<b><u>423,429</u></b>	<b><u>386,689</u></b>
<b>Total Operating Expenses</b>	<b><u>883,094</u></b>	<b><u>818,421</u></b>
<b>Operating Loss Before Nonoperating Revenue</b>	<b><u>(462,318)</u></b>	<b><u>(445,034)</u></b>
<b>Nonoperating Revenues:</b>		
Support from the University of Missouri	298,861	303,573
Donated Facilities and Administrative Support from University of Missouri	131,744	105,819
Investment Income	37,712	27,876
<b>Total Nonoperating Revenues</b>	<b><u>468,317</u></b>	<b><u>437,268</u></b>
<b>Increase (Decrease) in Net Position</b>	<b>5,999</b>	<b>(7,766)</b>
<b>Net Position, Beginning of Year</b>	<b><u>347,383</u></b>	<b><u>355,149</u></b>
<b>Net Position, End of Year</b>	<b><u>\$ 353,382</u></b>	<b><u>\$ 347,383</u></b>

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

*University of Missouri*  
**KMST-FM RADIO**

**STATEMENTS OF CASH FLOWS**  
**For The Years Ended June 30, 2014, and 2013**

	<b>2014</b>	<b>2013</b>
<b>Cash Flows from Operating Activities:</b>		
Membership Contributions and Contributed Support	\$ 172,307	\$ 137,832
Corporation for Public Broadcasting Grant	155,170	137,562
Underwriting Income	95,482	99,692
Payments to Suppliers and Employees	(732,002)	(692,569)
Other Receipts	15,549	6,316
<b>Net Cash Used in Operating Activities</b>	<b>(293,494)</b>	<b>(311,167)</b>
 <b>Net Cash Used In Capital Financing Activities</b>	 <b>-</b>	 <b>-</b>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Payments and Contributions from University of Missouri	298,861	303,573
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>298,861</b>	<b>303,573</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investments, Net	(43,347)	(273,431)
Investment Income	37,712	27,876
<b>Net Cash Used by Investing Activities</b>	<b>(5,635)</b>	<b>(245,555)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(268)</b>	<b>(253,149)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>5,951</b>	<b>259,100</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 5,683</b>	<b>\$ 5,951</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>		
Operating Loss	\$ (462,318)	\$ (445,034)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities -		
Depreciation Expense	13,298	14,576
Donated Facilities and Administrative Support	131,744	105,819
Changes in Assets and Liabilities:		
Accounts Receivable	3,716	1,145
Pledges Receivable, Net	3,288	1,421
Prepaid Expense	(2,440)	(100)
Accounts Payable and Other Accrued Expenses	2,264	1,511
Accrued Vacation	6,226	4,046
Unexpended Grants and Unearned Revenue	10,728	5,449
<b>Net Cash Used in Operating Activities</b>	<b>\$ (293,494)</b>	<b>\$ (311,167)</b>
<b>Noncash Activity:</b>		
Administrative Support from the University of Missouri	\$ 131,744	\$ 105,819

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major policies followed by KMST-FM Radio (the “Station”) are presented below to assist the reader and to enhance the usefulness of the basic financial statements.

Organization – The Station is a non-profit, non-commercial radio station operated by the University of Missouri (the “University”) on its Rolla campus in Rolla, Missouri. The Station operates with a power of 100,000 watts, reaching a potential audience in an 80-mile radius. The financial activity of the Station is included in the financial statements of the University. The accompanying basic financial statements were prepared based on the combination of various accounts associated with the Station and its related operations and do not present the financial position or changes in financial position or cash flows of the University. The Station is dependent upon support from the Corporation for Public Broadcasting, the University, and the public.

Financial Statement Presentation – In accordance with GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements, which incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. In addition, the Station applies all applicable FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins, except those that conflict with a GASB pronouncement.

The Station has adopted GASB Statement No. 35, *Basic Financial Statement—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities. The basic financial statement presentation provides a comprehensive entity-wide perspective of the Station’s net position, revenues, expenses and changes in net position and cash flows replacing the fund-group perspective previously required.

Basis of Accounting – The Station’s basic financial statements have been prepared using the economic resource focus and the accrual basis. The Station reports as a Business Type Activity, as defined by GASB Statement No. 34. Business Type Activities are those that are financed in whole or in part by funds received from external parties for goods or services.

The Station’s policy for defining operating activities as reported on the Statements of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Membership Contributions and Contributed Support are deemed program revenue and therefore operating revenue as prescribed by the Corporation for Public Broadcasting. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue as defined by GASB Statement No. 34. Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions, such as support from the University, permanent endowment contributions, and investment income.

Cash and Cash Equivalents – The Station participated in the University’s pooled cash accounts for fiscal years 2014 and 2013 and pooled investment accounts for fiscal years 2014 and 2013. For fiscal years 2014 and 2013 cash and cash equivalents are held as cash by the University on behalf of the Station. For purposes of the basic financial statements for fiscal year 2014, cash and cash equivalents consist of the University’s bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less.

Accounts Receivable – Accounts receivable are presented at their net amount. Accounts receivable consists of amounts due to the Station for underwriting contracts and other miscellaneous revenue sources. No allowance for doubtful accounts has been provided as management has determined no write offs are expected for accounts receivable.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

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Pledges Receivable – The Station receives unconditional promises to give (pledges) through private donations from corporations, alumni, and various other supporters of the Station. These pledges have been recorded as pledges receivable on the Statements of Net Position and as a portion of Membership Contributions and Contributed Support on the Statements of Revenues, Expenses and Changes in Net Position, at the present value of the estimated future cash flows. An allowance of \$688 and \$1,017 of June 30, 2014 and 2013, respectively, was made for uncollectible pledges based upon management’s expectations regarding the collection of the pledges and the Station’s historical collection experience.

Capital Assets – These assets are carried, if purchased, at cost, or if donated, at fair value at date of gift. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets – generally ten to forty years for buildings and improvements and seven to fifteen years for transmission, antenna, tower, studio and broadcast equipment. Expenditures for repairs and maintenance are charged to operating expenses as incurred. The Federal Government retains a priority revisionary interest in the transmitter equipment obtained with NTIA Grants #29-01-03157 and #29-01-07143. The liens shall extend until September 30, 2014 and September 30, 2018, respectively.

Unearned Revenue and Unexpended Grants – Amounts reflected in the Statements of Net Position as of June 30, 2014 and 2013, represent cash the Station has received under contracts that have services to be performed by the Station in future years. Grant revenues are recognized as eligibility requirements are met.

Net Position – The Station’s net position is classified for financial reporting in the following net position categories:

- **Invested in Capital Assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt, if any, attributable to the acquisition, construction or improvement of those assets.
- **Restricted Nonexpendable – Endowment:** Station’s net position in the University’s permanent endowment funds are subject to externally imposed stipulations that the principal be maintained in perpetuity.
- **Restricted Expendable – Endowment:** Station’s net position in the University’s quasi endowment funds are subject to externally imposed stipulations that the assets be restricted for the purpose specified.
- **Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specified purposes by action of the Board of Curators (the “Board”) or may otherwise be limited by contractual agreements with outside parties.

Underwriting Income – Underwriting income consists of advertising spots purchased by sponsors and are recognized when the spots are aired by the Station.

In-Kind Contributions – In-kind contributions are recorded as revenue and expense in the accompanying Statements of Revenues, Expenses and Changes in Net Position. In-kind contributions consist of donated property and professional services. These donations are recorded at fair value at time of gift.

Donated Facilities and Administrative Support – Donated facilities from the University consist of office and studio space. The cost of these facilities, together with the related occupancy cost, is recorded in revenues and expenses at depreciable value in accordance with valuation guidelines established by the Corporation for Public Broadcasting. Indirect administrative support from the University is included in revenues under donated facilities and administrative support. Support from the University consists of allocated general and administrative expenses incurred by the institution on behalf of the Station.

Use of Estimates – The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles (“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 basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

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New Accounting Pronouncements – Effective for fiscal year 2014, the University adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which intends to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reports. In adopting this standard and to comply with this naming convention, the Station changed “Deferred Revenue” to “Unearned Revenue” in the current liabilities section of the Statement of Net Position.

Effective for fiscal year 2014, the University adopted GASB Statement No. 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25, which intends to improve financial reporting by state and local governmental pension plans. Effective for fiscal year 2014, the Station adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27, which enhances accounting and financial reporting by state and local governments for pensions and improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Adoption of these standards had no effect on the Station’s financial statements.

Effective for fiscal year 2014, the University adopted GASB Statement No. 66, Technical Corrections - 2012 which intends to improve financial reporting by resolving conflicting guidance that resulted from issuance of two pronouncements, Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions and Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Adoption of GASB Statement No. 66 had no effect on the Station’s financial statements.

Effective for fiscal year 2014, the University adopted GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees which intends to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Adoption of GASB Statement No. 70 had no effect on the Station’s financial statements.

In January 2013, GASB issued GASB Statement No. 69, Government Combinations and Disposals of Government Operations effective for financial statements for periods beginning after December 15, 2013, which intends to improve financial reporting by establishing standards for reporting government combinations and disposals of government operations. The Station has not yet determined the effect that adoption of GASB Statement No. 69 will have on its financial statements.

**2. CASH AND CASH EQUIVALENTS RISK**

Custodial Credit Risk – Deposits – The custodial credit risk for deposits is the risk that in the event of bank failure, the University’s deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University’s cash deposits were fully insured or collateralized at June 30, 2014 and 2013, respectively.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

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3. INVESTMENTS

Investments – The Station participates in the University’s pooled investment accounts, which are stated at fair value, and holds an equity investment in the pool. The investment policies of the University are established by the Board. The policies are established to ensure that the University funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment. The University’s investment securities are held in book-entry form in brokerage, custody, and safe keeping accounts in the University’s name. The general investment pools, managed by the University, averaged a total return of 16.7% and 12.6% including unrealized gains and losses, for the years ended June 30, 2014, and 2013, respectively.

At June 30, 2014 and 2013, the Station held the following types of investments:

	Carrying Value as of June 30, 2014	Carrying Value as of June 30, 2013
Debt Securities	\$ 48,845	\$ 47,475
Equity Securities	167,925	154,180
Investments held by the University	272,749	256,220
Real Estate	12,575	12,517
Absolute Return	32,811	29,448
Money Market Funds	4,675	4,937
Risk Parity	8,282	-
Other Cash Equivalents	1,008	1,014
<b>Total Investments and Cash and Cash Equivalents</b>	<b>\$ 548,870</b>	<b>\$ 505,791</b>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect their fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does not have a formal policy that addresses interest rate risk; rather, such risk is managed by each individual investment manager, as applicable. The University and Pension Trust Funds invest in forward settling To Be Announced (TBA) Mortgage Back Securities (MBS). TBA MBS with notional amounts totaling \$110,000,000 and \$4,000,000 and fair values of (\$119,916,000) and (\$4,553,000) were in place at June 30, 2014 for the University and Pension Trust Funds, respectively. The forward settling MBS instruments expose the University to interest rate risk of mortgage back securities.



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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

At June 30, 2014, and 2013, the Station's portion of the University's debt securities matures as follows:

	As of June 30, 2014					
	Less than			More than	No	Carrying
	1 Year	1-5 Years	6-10 Years	10 Years	Maturity	Value
U.S. Treasury Obligations	\$ -	\$ -	\$ -	\$ 6,380	\$ -	\$ 6,380
Commingled Debt Securities	-	-	-	-	27,042	27,042
Asset-Backed Securities	-	(204)	-	-	-	(204)
Foreign Government Obligations	-	-	4,950	-	-	4,950
U.S. Corporate Bonds & Notes	-	-	8,200	-	-	8,200
Foreign Corporate Bonds & Notes	-	-	2,477	-	-	2,477
<b>Total</b>	<b>\$ -</b>	<b>\$ (204)</b>	<b>\$ 15,627</b>	<b>\$ 6,380</b>	<b>\$ 27,042</b>	<b>\$ 48,845</b>
	As of June 30, 2013					
	Less than			More than	No	Carrying
	1 Year	1-5 Years	6-10 Years	10 Years	Maturity	Value
U.S. Agency Obligations	\$ -	\$ -	\$ -	\$ 1,420	\$ -	\$ 1,420
U.S. Treasury Obligations	-	-	86	-	-	86
Commingled Debt Securities	-	-	-	-	26,293	26,293
Asset-Backed Securities	-	1,968	-	-	-	1,968
Foreign Government Obligations	-	-	5,903	-	-	5,903
U.S. Corporate Bonds & Notes	-	-	6,006	-	-	6,006
Foreign Corporate Bonds & Notes	-	-	5,799	-	-	5,799
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,968</b>	<b>\$ 17,794</b>	<b>\$ 1,420</b>	<b>\$ 26,293</b>	<b>\$ 47,475</b>

**Credit Risk - Investments** – An investment's credit risk is the risk that the issuer or other counterparty will not meet its obligations. For investments in debt securities, this credit risk is typically measured by the credit quality ratings provided by a nationally recognized statistical rating organization such as Moody's Investors Service (Moody's) or Standard & Poor's Ratings Group (S&P). For General Investments, the University's policy is to hold corporate bonds rated A or better by S&P. Also within General Investments, commercial paper and other short-term securities should be rated A-1/P-1 or better. Disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the respective investment manager after consideration of individual facts and circumstances.

All holdings of commercial paper and variable rate demand notes were rated A-1/P-1 or better at June 30, 2014 and 2013, respectively. All holdings of money market funds were rated AAA at June 30, 2014 and 2013, respectively.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

Based on investment ratings provided by Moody's or S&P, the Station's portion of the University's credit risk exposure as of June 30, 2014 and 2013, is as follows:

	As of June 30, 2014						Total
	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Commingled Debt Securities	
U.S. Agency Obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Obligations	6,380	-	-	-	-	-	6,380
Mortgage-Backed Securities	-	-	-	-	-	-	-
Guaranteed by U.S. Agencies	-	(3,038)	-	-	-	-	(3,038)
Debt Securities in							
Commingled Funds	-	-	-	-	-	27,042	27,042
Aaa/AAA	-	17	615	252	474	-	1,358
Aa/AA	-	230	400	23	108	-	761
A/A	-	24	500	306	229	-	1,059
Baa/BBB	-	46	2,067	759	185	-	3,057
Less than Baa/BBB	-	2,451	163	6,363	835	-	9,812
Unrated	-	66	1,205	497	646	-	2,414
<b>Total</b>	<b>\$ 6,380</b>	<b>\$ (204)</b>	<b>\$ 4,950</b>	<b>\$ 8,200</b>	<b>\$ 2,477</b>	<b>\$ 27,042</b>	<b>\$ 48,845</b>
	As of June 30, 2013						
	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Commingled Debt Securities	Total
U.S. Agency Obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Obligations	1,420	86	-	-	-	-	1,506
Mortgage-Backed Securities	-	-	-	-	-	-	-
Guaranteed by U.S. Agencies	-	1,102	-	-	-	-	1,102
Debt Securities in							
Commingled Funds	-	-	-	-	-	26,293	26,293
Aaa/AAA	-	24	1,326	235	1,999	-	3,584
Aa/AA	-	344	1,310	29	1,106	-	2,789
A/A	-	40	1,551	139	981	-	2,711
Baa/BBB	-	53	116	330	560	-	1,059
Less than Baa/BBB	-	279	-	4,811	775	-	5,865
Unrated	-	126	1,600	462	378	-	2,566
<b>Total</b>	<b>\$ 1,420</b>	<b>\$ 2,054</b>	<b>\$ 5,903</b>	<b>\$ 6,006</b>	<b>\$ 5,799</b>	<b>\$ 26,293</b>	<b>\$ 47,475</b>

**Custodial Credit Risk** – For investments, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments held by an outside party. In accordance with its policy, the University minimizes custodial credit risk by establishing limitations on the types of instruments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. All University investments are insured or registered and are held by the University or an agent in its name.

**Foreign Currency Risk** – The risk that changes in exchange rates will adversely affect the fair value of a foreign investment is referred to as foreign currency risk. The University's investment policy allows for exposure to non-U.S. dollar denominated equities and fixed income securities. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. At June 30, 2014 and 2013, 18.5% and 21.5% respectively, of the Station's total investments and cash and cash

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

equivalents were denominated in foreign currencies. The Station's portion of the University's exposure to foreign currency risk is as follows:

Foreign Currency Risk					
International Investment Securities at Fair Value					
Currency	Debt Securities	Equity Securities	Cash and Cash Equivalents	2014 Total	2013 Total
Euro	\$ 2,287	\$ 1,129	\$ 84	\$ 3,500	\$ 4,643
Japanese Yen	23	2,368	18	2,409	3,774
British Pound Sterling	687	2,790	15	3,492	5,708
Australian Dollar	278	631	22	931	1,309
Canadian Dollar	103	267	2	372	807
Danish Krone	91	-	-	91	193
New Zealand Dollar	161	-	-	161	448
Brazil Real	1,085	-	1	1,086	688
Israel Shekel	-	-	-	-	164
Mexican New Peso	284	-	43	327	464
Swiss Franc	-	2,200	-	2,200	2,466
Hong Kong Dollar	-	1,505	-	1,505	1,399
Swedish Krona	-	896	-	896	908
Polish Zloty	60	-	-	60	-
Other	16,388	68,351	15	84,754	85,794
<b>Total</b>	<b>\$ 21,447</b>	<b>\$ 80,137</b>	<b>\$ 200</b>	<b>\$ 101,784</b>	<b>\$ 108,765</b>

Concentration of Credit Risk – The risk of loss attributed to the magnitude of investments in a single issue is known as the concentration of credit risk. Investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools are excluded from this category. The University investment policies all specify diversification requirements across asset sectors. The investment policy for the general pool has specific single issuer limits in place for corporate bonds and commercial paper.

**4. CHANGES IN UNEXPENDED GRANTS**

The balance of unexpended grants at June 30, 2014, and 2013, is as follows:

	Fiscal Year	
	2014	2013
Balance, Beginning of Year	\$ 174,779	\$ 169,330
Grants	155,170	137,562
Deductions, Amount Expended	(144,442)	(132,113)
<b>Balance, End of Year</b>	<b>\$ 185,507</b>	<b>\$ 174,779</b>

**5. CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2014, and 2013, is summarized as follows:

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

2014	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Depreciable:				
Buildings	\$ 88,504	\$ -	\$ -	\$ 88,504
Transmission, Antenna and Tower	20,634	-	-	20,634
Studio and Other Broadcast Equipment	245,100	-	-	245,100
Total Capital Assets, Depreciable	354,238	-	-	354,238
Accumulated Depreciation:				
Buildings	78,328	677	-	79,005
Transmission, Antenna and Tower	20,634	-	-	20,634
Studio and Other Broadcast Equipment	225,274	12,621	-	237,895
Total Accumulated Depreciation	324,236	13,298	-	337,534
Total Capital Assets, Depreciable, Net	<u>\$ 30,002</u>	<u>\$ (13,298)</u>	<u>\$ -</u>	<u>\$ 16,704</u>
2013	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Depreciable:				
Buildings	\$ 88,504	\$ -	\$ -	\$ 88,504
Transmission, Antenna and Tower	77,056	-	(56,422)	20,634
Studio and Other Broadcast Equipment	252,780	-	(7,680)	245,100
Total Capital Assets, Depreciable	418,340	-	(64,102)	354,238
Accumulated Depreciation:				
Buildings	76,591	1,737	-	78,328
Transmission, Antenna and Tower	77,056	-	(56,422)	20,634
Studio and Other Broadcast Equipment	220,115	12,839	(7,680)	225,274
Total Accumulated Depreciation	373,762	14,576	(64,102)	324,236
Total Capital Assets, Depreciable, Net	<u>\$ 44,578</u>	<u>\$ (14,576)</u>	<u>\$ -</u>	<u>\$ 30,002</u>

**6. DONOR-DESIGNATED ENDOWMENT**

The Station's permanent endowment consists of two funds, the Weiner Fund for KMST and the KMST Endowment Fund. Distribution from the funds is based on income earned on the corpus and is used at the discretion of the General Manager of the Station with approval from the Vice Chancellor. The balance of the endowment at June 30, 2014 and 2013 is \$205,730 and \$185,948, respectively.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

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7. RISK MANAGEMENT

The Station is a part of the University's overall risk management program, for which it is charged an annual premium by the University. The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The University does not maintain a separate liability reserve for claims relating to the Station.

8. RETIREMENT PLAN

Plan Description – All qualified employees of the Station participate in the University of Missouri Retirement, Disability, and Death Benefits Plan (the "Plan"), a single-employer defined benefit plan.

All full-time employees of the University are eligible for benefits after five years of service. The annual lifetime pension of a member is calculated by multiplying the number of years of service by 2.2% of the compensation base for employees hired before October 1, 2012 or 1.0% for employees hired after September 30, 2012. The compensation base is the average regular annual salary of the member for the five consecutive highest salary years. Benefits to pensioners may be increased at certain times by the University's Board of Curators. Early retirement benefits are available at reduced rates to members age 55 to 60 with at least ten years of credited service and members age 60 to 65 with at least five years of credited service.

Contributions – The University's contributions to the Plan are equal to the actuarially determined rates, which is a percent of payroll, which averaged 10.8% and 8.9% for employees hired before October 1, 2012 and 6.8% and 7.2% for employees hired after September 30, 2012 for the years ended June 30, 2014 and 2013, respectively. Employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000.

Additional Information – Historical trend information and funding status information is designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits and disclose "actuarial accrued liability" and the funding excess or unfunded liability. This information is presented in the University's annual report, which can be obtained at the University of Missouri, 1000 W. Nifong, Building 7, Ste. 300, Columbia, Missouri 65211.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2014 and 2013**

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9. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Station participates in the University's postemployment benefits plan. This plan provides postretirement medical, dental, life insurance, and long-term disability benefits to claimants who were vested in the University's retirement plan at the time their disability began and vested employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or who retire after attaining age 60 with five or more years of service. Section 172.300 of the Revised Statutes of Missouri gives the Board sole authority and discretion to determine the terms and conditions governing the postemployment benefits to which employees are entitled.

In June 2008, the University established an Other Post Employment Benefits Trust Fund, the assets of which are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. Postemployment benefits, other than long-term disability, were previously funded on a current basis and expenses were recorded on a pay-as-you-go basis. In fiscal years 2014 and 2013, the University contributed 41.8% and 37.6%, respectively, of the actuarially determined annual required contribution. The fiscal years 2014 and 2013 annual required contribution represented 5.4% and 4.9%, respectively, of annual covered payroll. The Station assumes no liability for postemployment benefits provided by the University other than its departmental charge for employee benefits.

Additional information is presented in the University's annual report, which can be obtained at the University of Missouri, 1000 W. Nifong, Building 7, Ste. 300, Columbia, Missouri 65211.

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**SUPPLEMENTAL SCHEDULE OF NON-FEDERAL FINANCIAL SUPPORT**  
**For The Year Ended June 30, 2014**

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Summary of Non-Federal Financial Support

1. Direct Revenue	\$ 543,074
2. Indirect Administrative Support	131,744
3. In-Kind Contributions:	
a. Services and Other Assets	<u>-</u>
4. Total Non-Federal Financial Support	<u><u>\$ 674,818</u></u>

*See Accompanying Independent Auditors' Report.*