

Broadcast Services Public Broadcasting Entities Operated By Missouri State University

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015

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Public Broadcasting Entities Operated By
Missouri State University
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Independent Auditor's Report

The Board of Governors
Broadcast Services
Missouri State University
Springfield, Missouri

We have audited the accompanying basic financial statements of Broadcast Services, Public Broadcasting Entities operated by Missouri State University (Broadcast Services), a component unit of the state of Missouri, which are comprised of statements of net position as of June 30, 2016 and 2015, 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broadcast Services as of June 30, 2016 and 2015, and the changes in its financial 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Broadcast Services' basic financial statements. The supplementary information listed in the table of contents, 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 information has been subjected to the auditing procedures applied in the audit 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.

BKD, LLP

December 21, 2016
Springfield, Missouri

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University
Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

Introduction

The purpose of this section of Broadcast Services' financial statements is to present a discussion and analysis of the financial performance of Broadcast Services during the fiscal years ended June 30, 2016 and 2015 and its financial position at those dates. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis are designed to focus on current activities, including comparative analysis, resulting change and current known facts – as well as to briefly summarize the relevant historical factors that provide broad context for analysis. The financial statements, footnotes and this discussion are the responsibility of management.

The conversion to digital broadcasting guided much of the technical investments of both stations over the last several years. The television station was the first to convert. That effort was funded by two major grants in 2003 and 2004 from the Department of Commerce under the Public Telecommunications Facilities Program (PTFP) and from Public Broadcasting Service (PBS) via the Digital Distribution Fund (DDF) appropriated by Congress for that purpose. This was followed by the initiative to adapt the radio station's transmission system to the new national HD digital standard. The Springfield radio transmitter began broadcasting in HD radio in 2006. Both private foundation and Corporation for Public Broadcasting (CPB) funds were directed to this effort.

In fiscal year (FY) 2011, KSMU in Springfield received a CPB Radio Digital Grant (from CPB's 2010 Digital Radio Conversion Fund) to increase digital power by replacing an existing analog-only transmitter with a dual analog/digital transmitter. This project was completed in FY2012.

In FY2010, OPT completed several technical upgrades to its Master Control Facility to ensure the television stations are able to offer reliable and cost effective programming services in an all digital broadcast environment. PTFP and DDF grants helped to make those projects possible. In FY2011, OPT completed its HD studio conversion. A PTFP grant provided 50% of that funding. This marked an important milestone as the station finished the major transition to digital broadcast operation throughout its technical facilities.

Fiscal year 2010 also marked the radio operations transition to digital for transmitters KSMS in Branson and KSMW in West Plains.

While the capital/technical infrastructure of both stations is stable, it is worth noting that equipment upgrades will be necessary in the coming years. To that end, KSMU and OPT secured private Foundation funding in FY2015 to upgrade aging equipment in its radio and television Master Control and Production facilities. That upgrade spanned both FY2015 and FY2016 and has provided further operating stability to the stations technical operations.

With elimination of federal government programs such as PTFP, stations like KSMU and Ozarks Public Television will have to rely on private funding that is often difficult to secure in a competitive fundraising environment. In the past, PTFP provided essential 50% funding for many station technical projects. The case needs to continue to be made regarding the importance of dedicated federal grant monies to secure the technical infrastructure of local public radio and television stations such as KSMU and OPT.

Financial Highlights

The financial highlights of the Stations are contained in this section. Comparative information provides additional information about the financial condition of the Stations.

STATEMENT OF NET POSITION

The statement of net position presents the assets, liabilities and net position of the Stations at the close of business on June 30, 2016 and 2015. The presentation is based on the accrual basis of accounting. The capital assets are presented net of depreciation accumulated from date of acquisition. The statement also presents all of the assets, liabilities and net position in one column. This allows the reader to determine the Stations' total position at the report date. Both assets and liabilities are grouped into current and noncurrent categories to show the reader the availability of the assets and the time of maturity of the liabilities.

	2016	2015	Change
Condensed Statement of Net Position			
Current assets			
Cash and cash equivalents	\$ 2,233,737	\$ 2,334,746	\$ (101,009)
Pledges receivable, net	825,134	12,021	813,113
Prepaid expense	89,903	62,293	27,610
Total current assets	<u>3,148,774</u>	<u>2,409,060</u>	<u>739,714</u>
Noncurrent assets			
Investments	416,052	452,008	(35,956)
Capital assets, net	1,591,066	1,781,476	(190,410)
Total noncurrent assets	<u>2,007,118</u>	<u>2,233,484</u>	<u>(226,366)</u>
Total assets	<u>5,155,892</u>	<u>4,642,544</u>	<u>513,348</u>
Current liabilities			
Accounts payable, accrued expenses and other	358,544	367,977	(9,433)
Total liabilities	<u>358,544</u>	<u>367,977</u>	<u>(9,433)</u>
Net position			
Net investment in capital assets	1,591,066	1,781,476	(190,410)
Restricted	72,869	309,227	(236,358)
Unrestricted	3,133,413	2,183,864	949,549
Total net position	<u>\$ 4,797,348</u>	<u>\$ 4,274,567</u>	<u>\$ 522,781</u>

Condensed Statement of Net Position	2015	2014	Change
Current assets			
Cash and cash equivalents	\$ 2,334,746	\$ 2,027,233	\$ 307,513
Pledges receivable, net	12,021	16,829	(4,808)
Prepaid expense	62,293	58,138	4,155
Total current assets	<u>2,409,060</u>	<u>2,102,200</u>	<u>306,860</u>
Noncurrent assets			
Investments	452,008	477,216	(25,208)
Capital assets, net	<u>1,781,476</u>	<u>2,094,285</u>	<u>(312,809)</u>
Total noncurrent assets	<u>2,233,484</u>	<u>2,571,501</u>	<u>(338,017)</u>
Total assets	<u>4,642,544</u>	<u>4,673,701</u>	<u>(31,157)</u>
Current liabilities			
Accounts payable, accrued expenses and other	<u>367,977</u>	<u>293,856</u>	<u>74,121</u>
Total liabilities	<u>367,977</u>	<u>293,856</u>	<u>74,121</u>
Net position			
Net investment in capital assets	1,781,476	2,094,285	(312,809)
Restricted	309,227	73,049	236,178
Unrestricted	<u>2,183,864</u>	<u>2,212,511</u>	<u>(28,647)</u>
Total net position	<u>\$ 4,274,567</u>	<u>\$ 4,379,845</u>	<u>\$ (105,278)</u>

The assets section of the statement of net position has two basic sections, current and noncurrent. They include the following:

CURRENT ASSETS

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in University and/or Foundation bank accounts and investments in term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable are primarily amounts due from federal, state and private granting agencies, but also may include trade receivables.

Pledges Receivable

Unconditional gifts expected to be collected within one year are reported as current pledges receivable at their net realizable value. Unconditional gifts expected to be collected in future years are reported as noncurrent pledges receivable at the present value of estimated future cash flows and net of allowance for uncollectible pledges. The resulting discount is amortized using the level-yield method.

Prepaid Expenses

Prepaid expenses are costs that relate to activities applicable to future periods. The items reported in this category will be converted to the use of the Stations within the next fiscal year.

NONCURRENT ASSETS

Investments

Investments with maturities that exceed one year are reported in this category. Endowment funds and funds treated as endowment by the Stations are held by the Foundation and managed as a pooled investment fund. The investment pool includes equity securities and debt securities, which are carried at fair value.

Capital Assets, Net

Capital assets consist of buildings and equipment, net of accumulated depreciation. Most years will include modest increases in equipment. Significant increases in equipment and other capital categories typically occur in conjunction with the receipt of external capital gifts and grants.

	KSMU	OPT	2016	2015	Change
Buildings and improvements	\$ 140,246	\$ 481,398	\$ 621,644	\$ 621,644	\$ -
Towers and transmitters	1,317,584	2,313,815	3,631,399	3,186,813	444,586
Fixed equipment	148,973	830,206	979,179	979,179	-
Equipment	517,067	2,969,791	3,486,858	3,708,140	(221,282)
Construction in progress	-	-	-	48,295	(48,295)
	<u>2,123,870</u>	<u>6,595,210</u>	<u>8,719,080</u>	<u>8,544,071</u>	<u>175,009</u>
Accumulated depreciation	<u>(1,691,666)</u>	<u>(5,436,348)</u>	<u>(7,128,014)</u>	<u>(6,762,595)</u>	<u>(365,419)</u>
	<u>\$ 432,204</u>	<u>\$ 1,158,862</u>	<u>\$ 1,591,066</u>	<u>\$ 1,781,476</u>	<u>\$ (190,410)</u>

	KSMU	OPT	2015	2014	Change
Buildings and improvements	\$ 140,246	\$ 481,398	\$ 621,644	\$ 621,644	\$ -
Towers and transmitters	1,033,864	2,152,949	3,186,813	3,186,813	-
Fixed equipment	148,973	830,206	979,179	979,179	-
Equipment	697,602	3,010,538	3,708,140	3,722,501	(14,361)
Construction in progress	4,160	44,135	48,295	-	48,295
	<u>2,024,845</u>	<u>6,519,226</u>	<u>8,544,071</u>	<u>8,510,137</u>	<u>33,934</u>
Accumulated depreciation	<u>(1,641,497)</u>	<u>(5,121,098)</u>	<u>(6,762,595)</u>	<u>(6,415,852)</u>	<u>(346,743)</u>
	<u>\$ 383,348</u>	<u>\$ 1,398,128</u>	<u>\$ 1,781,476</u>	<u>\$ 2,094,285</u>	<u>\$ (312,809)</u>

Decreases in net capital assets occurred in both 2016 and 2015 as depreciation outpaced equipment acquisition.

The liabilities section of the statement of net position has two sections, current and noncurrent. There were no noncurrent liabilities at June 30, 2016, 2015 or 2014.

CURRENT LIABILITIES

Accounts Payable, Accrued Expenses and Accrued Payroll

Accounts payable and accrued liabilities represent amounts that were due at June 30, 2016, 2015 and 2014, for goods and services received prior to the end of the fiscal year. They include regular trade payables in the process of payment and accrued payroll. The accrued payroll included salaries earned but not paid at June 30, 2016, 2015 and 2014, as well as an accrual for accumulated vacation and sick pay.

NET POSITION

Net position represent the difference between the Stations' assets and liabilities. Net position is broken down by net investment in capital assets, restricted – nonexpendable, restricted – expendable and unrestricted.

Restricted are those amounts whose purpose has been determined by an outside party. The nonexpendable portion represents the amount of gifts to Broadcast Services permanently restricted by the donors as endowment. The Foundation manages this money and provides investment return for the operations of the Stations. The expendable amount represents grants and contracts from third-party agencies with expenditure restrictions that will be released as time and purpose restrictions are met.

Unrestricted represent those balances from operational activities that have not been restricted by parties external to the University such as granting agencies. This includes funds that have been designated by the governing Board for specific purposes as well as amounts that have been contractually committed for goods and services that have not yet been received.

	2016	2015	Change
Net Position as of June 30			
Net investment in capital assets	\$ 1,591,066	\$ 1,781,476	\$ (190,410)
Restricted	72,869	309,227	(236,358)
Unrestricted	3,133,413	2,183,864	949,549
	<u> </u>	<u> </u>	<u> </u>
Total net position	<u>\$ 4,797,348</u>	<u>\$ 4,274,567</u>	<u>\$ 522,781</u>
	2015	2014	Change
Net Position as of June 30			
Net investment in capital assets	\$ 1,781,476	\$ 2,094,285	\$ (312,809)
Restricted	309,227	73,049	236,178
Unrestricted	2,183,864	2,212,511	(28,647)
	<u> </u>	<u> </u>	<u> </u>
Total net position	<u>\$ 4,274,567</u>	<u>\$ 4,379,845</u>	<u>\$ (105,278)</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statement of revenues, expenses and changes in net position presents the operating results of the Stations, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

	2016	2015	Change
Condensed Statements			
Operating revenues	\$ 1,064,203	\$ 1,081,319	\$ (17,116)
Operating expenses	4,428,635	4,263,396	165,239
Net operating loss	<u>(3,364,432)</u>	<u>(3,182,077)</u>	<u>(182,355)</u>
Nonoperating revenues (expenses)			
Gifts, memberships, fundraising and underwriting	2,834,195	1,762,806	1,071,389
University support	941,586	941,178	408
Gain on disposal of capital asset	240	512	(272)
Other	111,192	80,303	30,889
Net nonoperating revenues	<u>3,887,213</u>	<u>2,784,799</u>	<u>1,102,414</u>
Income (loss) before capital items	522,781	(397,278)	920,059
Capital gifts	<u>-</u>	<u>292,000</u>	<u>(292,000)</u>
Increase (decrease) in net position	522,781	(105,278)	628,059
Net position, beginning of year	<u>4,274,567</u>	<u>4,379,845</u>	<u>(105,278)</u>
Net position, end of year	<u>\$ 4,797,348</u>	<u>\$ 4,274,567</u>	<u>\$ 522,781</u>
	2015	2014	Change
Condensed Statements			
Operating revenues	\$ 1,081,319	\$ 1,074,529	\$ 6,790
Operating expenses	4,263,396	4,321,946	(58,550)
Net operating loss	<u>(3,182,077)</u>	<u>(3,247,417)</u>	<u>65,340</u>
Nonoperating revenues (expenses)			
Gifts, memberships, fundraising and underwriting	1,762,806	1,660,411	102,395
University support	941,178	975,015	(33,837)
Gain on disposal of capital assets	512	-	512
Other	80,303	219,605	(139,302)
Net nonoperating revenues	<u>2,784,799</u>	<u>2,855,031</u>	<u>(70,232)</u>
Loss before capital items	(397,278)	(392,386)	(4,892)
Capital grants and contracts	-	-	-
Capital gifts	<u>292,000</u>	<u>-</u>	<u>292,000</u>
Decrease in net position	(105,278)	(392,386)	287,108
Net position, beginning of year	<u>4,379,845</u>	<u>4,772,231</u>	<u>(392,386)</u>
Net position, end of year	<u>\$ 4,274,567</u>	<u>\$ 4,379,845</u>	<u>\$ (105,278)</u>

OPERATING REVENUES AND EXPENSES

In 2016, KSMU experienced an increase in operating loss. KSMU had a decrease in operating revenues and an increase in operating expenses. OPT had a decrease in operating revenue and an increase in operating expenses. These changes were due to normal operating fluctuations and reflected in an increase of 5% for KSMU and increase of 6% for OPT in the operating loss. The OPT's share of the operating loss was 62% and 61% in the current year and prior year, respectively.

In 2015, KSMU experienced a decrease in operating loss. KSMU had an increase in operating revenues and a decrease in operating expenses. OPT had an increase in operating revenue and an increase in operating expenses. These changes were due to normal operating fluctuations and reflected in a decrease of 5% for KSMU and an increase of less than 1% for OPT in the operating loss. The OPT's share of the operating loss was 61% and 60% in the current year and prior year, respectively.

	KSMU	OPT	2016	KSMU	OPT	2015
Operating revenues	\$ 158,124	\$ 906,079	\$ 1,064,203	\$ 161,505	\$ 919,814	\$ 1,081,319
Operating expenses	<u>1,450,753</u>	<u>2,977,882</u>	<u>4,428,635</u>	<u>1,388,748</u>	<u>2,874,648</u>	<u>4,263,396</u>
Operating loss	<u>\$ (1,292,629)</u>	<u>\$ (2,071,803)</u>	<u>\$ (3,364,432)</u>	<u>\$ (1,227,243)</u>	<u>\$ (1,954,834)</u>	<u>\$ (3,182,077)</u>
	KSMU	OPT	2015	KSMU	OPT	2014
Operating revenues	\$ 161,505	\$ 919,814	\$ 1,081,319	\$ 154,837	\$ 919,692	\$ 1,074,529
Operating expenses	<u>1,388,748</u>	<u>2,874,648</u>	<u>4,263,396</u>	<u>1,451,678</u>	<u>2,870,268</u>	<u>4,321,946</u>
Operating loss	<u>\$ (1,227,243)</u>	<u>\$ (1,954,834)</u>	<u>\$ (3,182,077)</u>	<u>\$ (1,296,841)</u>	<u>\$ (1,950,576)</u>	<u>\$ (3,247,417)</u>

Operating Revenues

	KSMU	OPT	2016	2015	Change
Operating Revenues					
Sales and services of educational activities	\$ 34,129	\$ 56,551	\$ 90,680	\$ 87,805	\$ 2,875
Grants and contracts	123,995	747,798	871,793	882,794	(11,001)
Other	<u>-</u>	<u>101,730</u>	<u>101,730</u>	<u>110,720</u>	<u>(8,990)</u>
Total operating revenues	<u>\$ 158,124</u>	<u>\$ 906,079</u>	<u>\$ 1,064,203</u>	<u>\$ 1,081,319</u>	<u>\$ (17,116)</u>
	KSMU	OPT	2015	2014	Change
Operating Revenues					
Sales and services of educational activities	\$ 34,405	\$ 53,400	\$ 87,805	\$ 107,625	\$ (19,820)
Grants and contracts	127,100	755,694	882,794	863,840	18,954
Other	<u>-</u>	<u>110,720</u>	<u>110,720</u>	<u>103,064</u>	<u>7,656</u>
Total operating revenues	<u>\$ 161,505</u>	<u>\$ 919,814</u>	<u>\$ 1,081,319</u>	<u>\$ 1,074,529</u>	<u>\$ 6,790</u>

Sales and Services of Educational Activities

This category includes all revenues derived from providing production and programming projects including services to educational organizations (colleges and universities) as well as rental of towers to cellular service providers. There was a slight increase of \$2,875 in 2016 and the decrease of \$19,820 in 2015 was primarily attributable to a decrease for OPT in sales and services.

Grants and Contracts

Nongovernmental grants are received from the Corporation for Public Broadcasting (CPB), which provides funding to public broadcasting stations nationally. There is a significant reliance on CPB support that represents a potential risk to ongoing operations. CPB is not a federal agency, but it does receive its funding through federal appropriations and therefore would be dependent upon the federal budgeting process and related political influences. If the Stations meet the qualifying criteria they are entitled to CPB grants. While the grant amounts fluctuate from year to year, historically CPB has been a stable source of revenue, with the Radio Station receiving grants since 1976 and OPT receiving grants since 1975. In 2016, operating grants and contracts decreased \$11,001. In 2015, operating grants and contracts increased \$18,954.

Operating Expenses

Operating expenses are recorded on the accrual basis and reported showing the natural classifications of the expenses. In 2016, the overall change in operating expenses was a 4% increase of \$165,239 from 2015. In 2016, the increase was due to both an increase in program services and support services. In 2015, the overall change in operating expenses was a 1% decrease of \$58,550 over 2014. Operating expenses categorized by functional classification are as follows:

	Salaries and Benefits	Supplies and Other Services	Depreciation	2016	2015	Change
Program services						
Local programming and production	\$ 573,169	\$ 1,013,687	\$ -	\$ 1,586,856	\$ 1,520,100	\$ 66,756
Broadcasting	498,790	375,956	-	874,746	847,463	27,283
Program information	18,172	50,983	-	69,155	70,927	(1,772)
Total program services	<u>1,090,131</u>	<u>1,440,626</u>	<u>-</u>	<u>2,530,757</u>	<u>2,438,490</u>	<u>92,267</u>
Support services						
Fundraising	168,319	275,857	-	444,176	448,462	(4,286)
Underwriting and grants	148,468	8,938	-	157,406	149,795	7,611
Management and general	294,928	604,856	-	899,784	839,152	60,632
Total support services	<u>611,715</u>	<u>889,651</u>	<u>-</u>	<u>1,501,366</u>	<u>1,437,409</u>	<u>63,957</u>
Depreciation	<u>-</u>	<u>-</u>	<u>396,512</u>	<u>396,512</u>	<u>387,497</u>	<u>9,015</u>
Total operating expenses	<u>\$ 1,701,846</u>	<u>\$ 2,330,277</u>	<u>\$ 396,512</u>	<u>\$ 4,428,635</u>	<u>\$ 4,263,396</u>	<u>\$ 165,239</u>

	Salaries and Benefits	Supplies and Other Services	Depreciation	2015	2014	Change
Program services						
Local programming and production	\$ 568,061	\$ 952,039	\$ -	\$ 1,520,100	\$ 1,555,620	\$ (35,520)
Broadcasting	489,109	358,354	-	847,463	794,885	52,578
Program information	16,916	54,011	-	70,927	67,992	2,935
Total program services	<u>1,074,086</u>	<u>1,364,404</u>	<u>-</u>	<u>2,438,490</u>	<u>2,418,497</u>	<u>19,993</u>
Support services						
Fundraising	165,053	283,409	-	448,462	467,381	(18,919)
Underwriting and grants	144,170	5,625	-	149,795	147,190	2,605
Management and general	284,798	554,354	-	839,152	900,154	(61,002)
Total support services	<u>594,021</u>	<u>843,388</u>	<u>-</u>	<u>1,437,409</u>	<u>1,514,725</u>	<u>(77,316)</u>
Depreciation	-	-	387,497	387,497	388,724	(1,227)
Total operating expenses	<u>\$ 1,668,107</u>	<u>\$ 2,207,792</u>	<u>\$ 387,497</u>	<u>\$ 4,263,396</u>	<u>\$ 4,321,946</u>	<u>\$ (58,550)</u>

NONOPERATING REVENUES (EXPENSES) NET

While the accounting classification of “nonoperating” revenues is appropriate for financial statement presentation, these sources of income (capital grants and contracts, charitable gifts, fundraising and underwriting) are vital to the ongoing operations of the Stations. Nonoperating revenues comprised 79% of all revenues in 2016, 74% of all revenues in 2015 and 73% in 2014. Regrouping all revenue sources into major categories indicates the significance of the grants, contracts, gifts and fundraising revenues.

	2016	2015	Change
Operating revenues	\$ 1,064,203	\$ 1,081,319	\$ (17,116)
Nonoperating revenues net and capital gifts/grants	<u>3,887,213</u>	<u>3,076,799</u>	<u>810,414</u>
Total revenues	<u>\$ 4,951,416</u>	<u>\$ 4,158,118</u>	<u>\$ 793,298</u>
	2015	2014	Change
Operating revenues	\$ 1,081,319	\$ 1,074,529	\$ 6,790
Nonoperating revenues net and capital gifts/grants	<u>3,076,799</u>	<u>2,855,031</u>	<u>221,768</u>
Total revenues	<u>\$ 4,158,118</u>	<u>\$ 3,929,560</u>	<u>\$ 228,558</u>

State Appropriations

The State of Missouri appropriated \$105,596 of funding in 2016 and \$60,523 of funding in 2015 for the Stations.

Capital Grants and Contracts

The Stations may receive grants and contracts from federal, state and nongovernmental entities to provide for capital purchases or construction. In 2016 and in 2015, the Stations received no capital grants or contracts.

Capital Gifts

In 2016, no capital gifts were received. In 2015, the Stations received \$292,000 in capital gifts.

Gifts, Memberships, Fundraising and Underwriting

This includes all charitable donations given to the Stations. Missouri State University Foundation has been designated as the gift-receiving arm of all units of the University and all gifts for the Stations are made to the Foundation. Money is transferred to the Stations as specified in gift documents.

Much of the gift revenue comes in the form of memberships, which provide donors with token benefits such as a programming guide, umbrellas, coffee mugs, etc. In 2016, gifts and memberships contributed \$2,250,182, an increase of \$1,019,149 from 2015. In 2015, gifts and memberships contributed \$1,231,033, an increase of \$97,204 over 2014. A variety of fundraising events are held throughout the year to provide additional revenues for the Stations as well as to generate community awareness and support. These events have included such activities as auctions and wine tastings. Proceeds in excess of the cost of such events are then available for broadcasting and programming purposes. Auction proceeds net of cost of goods sold, were \$67,031 in 2016, \$71,928 in 2015 and \$80,117 in 2014. Opportunities for foundations, companies and individuals to associate their names with specific programming of the Stations exist in the form of underwriting. Entities and/or individuals provide underwriting funds to the Stations and in exchange receive acknowledgement of their support as part of the program itself or in written communications about the Stations.

Investment Return, Net

Included in investment income are the earnings from cash placed with investment institutions. The proceeds from those investments have been adjusted to reflect unrealized gains and losses on those investments to adjust the values to bring them in line with the fair market value. Investment return was a loss of \$15,680 in 2016, a loss in 2015 of \$4,695, and a gain of \$61,395 in 2014.

University Support, Other Nonoperating Revenues and Expenses, Gain on Disposal of Equipment

University support consists of in-kind contributions from the University in the form of provided facilities and services. This includes administrative support, physical plant services and utilities and general support for Station operations. These in-kind contributions accounted for 19% of total revenues in 2016, 24% of total revenues in 2015 and 25% of total revenues in 2014. In 2016, other nonoperating revenues totaled \$21,276 and a gain on the disposal of equipment totaled \$240.

STATEMENT OF CASH FLOWS

The statement of cash flows provides another way to assess the financial health of the Stations. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the Stations during the fiscal year. It helps the user of the statement assess the Stations' ability to generate net cash flows, the ability to meet obligations as they come due and its need for external financing. The statement of cash flows is presented using the direct method.

	2016	2015	Change
Condensed Statements			
Cash provided by (used in)			
Operating activities	\$ (2,469,743)	\$ (2,335,971)	\$ (133,772)
Noncapital financing activities	2,573,763	2,379,207	194,556
Capital and related financing activities	(225,304)	243,764	(469,068)
Investing activities	20,275	20,513	(238)
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(101,009)	307,513	(408,522)
Cash and Cash Equivalents, Beginning of Year	<hr/>	<hr/>	<hr/>
	2,334,746	2,027,233	307,513
Cash and Cash Equivalents, End of Year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 2,233,737	\$ 2,334,746	\$ (101,009)
	2015	2014	Change
Condensed Statements			
Cash provided by (used in)			
Operating activities	\$ (2,335,971)	\$ (2,340,404)	\$ 4,433
Noncapital financing activities	2,379,207	2,306,173	73,034
Capital and related financing activities	243,764	(6,663)	250,427
Investing activities	20,513	22,199	(1,686)
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	307,513	(18,695)	326,208
Cash and Cash Equivalents, Beginning of Year	<hr/>	<hr/>	<hr/>
	2,027,233	2,045,928	(18,695)
Cash and Cash Equivalents, End of Year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 2,334,746	\$ 2,027,233	\$ 307,513

During 2016, sources of cash came from noncapital financing activities – noncapital gifts, auction proceeds, fundraising and underwriting and University support. Other components of the University support include allocated in-kind support from the University in the form of space, maintenance, utilities and administrative support. The Stations received no capital grants or contracts or gifts for capital purposes in 2016. Major operating uses in 2016 were payments to suppliers and to employees of \$1,853,789 and \$1,680,458, respectively.

During 2015, sources of cash came from noncapital financing activities – noncapital gifts, auction proceeds, fundraising and underwriting and University support. Other components of the University support include allocated in-kind support from the University in the form of space, maintenance, utilities and administrative support. The Stations received \$292,000 in capital gifts. Major operating uses in 2015 were payments to suppliers and to employees of \$1,742,630 and \$1,668,760, respectively.

OTHER INFORMATION

The economic position of the Stations continues to benefit from the economies of scale generated by the merger of the Radio Station and the Television Station. The Stations have continued to implement ways to utilize resources and cross train employees in order to eliminate redundancies and foster efficiencies in daily operations. Despite numerous political challenges to federal funding for public broadcast stations, CPB funding has remained an important source of funding for both KSMU and Ozarks Public Television (OPT). In recent years, national support of public broadcasting in the form of letters to legislators and social media campaigns (for example) have positively influenced continued funding for CPB. Both OPT and KSMU rely heavily on federal funding through CPB. In today's economic and political climate, it is vital for stations such as KSMU and OPT to continue to make the case for federal support. During FY2013, both KSMU and OPT were affected by the federal sequester which resulted in reduced grants from CPB. The Stations were able to manage these declines without sacrificing services to listeners and viewers. But, sustained cuts in the federal appropriations could result in local service challenges for the local radio and TV audiences. Effective FY2014, KSMU lost its "Rural" station designation as a result of population growth in the radio service area. This resulted in a marked decline in the amount of CPB grant payments to KSMU. This places increased pressure on the radio station to raise revenue from non-federal sources which remains challenging. Both the television and radio stations are seeing success in membership fundraising due to the implementation of a sustainers program which encourages regular, monthly donations. This provides the Stations with a better structure for becoming less pledge drive dependent and helps the Stations to better project annual membership revenue. The Stations continue to provide Planned Giving messaging in fundraising appeals as this type of revenue could provide important stability to funding station operations and equipment upgrades in the years ahead. This type of revenue may become essential if state and federal support for public broadcasting continues to flatten or diminish. Estate gifts have been an important component of the television station's financial health in recent years, and notably in FY2016.

The stable support provided by Missouri State University remains an important factor in maintaining public broadcasting services throughout the Ozarks region. The acquisition of the community licensed TV station in 2001 by the University was critical to maintaining public television service in this area. The University's long time operation of the radio station (since 1974) continues to contribute to its operational strength and stability.

The lack of state funding in FY2011 and FY2012 for OPT and KSMU presented challenges for the Stations' operating budgets. The overall economic climate in the State of Missouri contributed to the loss of this revenue stream. State of Missouri support for public broadcasting returned in FY2013--although at a small amount. State support for FY2014 was more favorable. However, the Stations experienced another downturn in state support for FY2015. State Funding rebounded in FY2016. OPT and KSMU are expecting FY2017 distributions more akin to the favorable FY2014 and FY2016 levels. The inconsistency of state support does present challenges for budgeting this revenue stream from year to year.

The Stations continue to strive to maintain exceptional local service to its audience despite state funding variances and works closely with other public broadcasting entities throughout the state to make the case for predictable and increased funding as the state budget stabilizes. Continued federal and state funding sources are important in enabling the Stations to serve the Ozarks region with NPR and PBS programs along with local news, outreach, documentary and public affairs programming. The quality of locally produced programming is evidenced by the receipt of multiple honors that include:

- 2016 Missouri Broadcasters Association Merit Award in the Documentary/Public Affairs/Special Program category for "Ozark Air Lines: The Sky's the Limit"
- 2016 Regional Edward R. Murrow Award for best Use of Sound: "[How One Teacher is Furthering Local STEM Education, One Prosthetic Arm at a Time](#)"

- 2016 Missouri State Teachers Association’s Communication Awards in Feature Category for “STEM Education”
- 2015 Springfield Little Theatre Arts Award: Radio “Arts News” and Television local documentary production featuring the arts
- 2015 American Advertising Federation of the Ozarks Silver Award: “Links to the Past, Fairways to the Future” Documentary Promotion
- 2015 National Educational Television Association Single Video in the Promotion category: “Tent Theatre—50 Fabulous Seasons”
- 2015 Professional Golf Association (PGA) Midwest Section Special Media Recognition: “Links to the Past, Fairways to the Future” Documentary Production
- 2014 Missouri Broadcasters Association First Place in News Series Category—“Missouri and the Medicaid Expansion”
- 2014 Missouri Broadcasters Association Merit Award in Documentary Category—“Tent Theatre: 50 Fabulous Seasons”
- 2014 Missouri Broadcasters Association Merit Award in Special Programs Category—“Community Ties: The Frisco Railroad in Southwest Missouri”
- 2014 Honorable Mention for the Toner Prize for Excellence in Political Reporting on “Missouri’s option of expanding Medicaid under the Affordable Care Act”
- 2013 RTNDA Regional Edward R. Murrow Award in Feature Reporting: “Small Town Finds Closure”
- 2013 Missouri Broadcasters Association First Place in Special Programs: “Around the World, Here at Home”
- 2013 Missouri Broadcasters Association First Place in Feature Reporting: “Saving Joplin’s Trees”
- 2013 Missouri Broadcasters Association First Place in Sports Category: “On the Fast Track: Racing in the Ozarks”
- 2013 Missouri Broadcaster Association Merit Award in Documentary Category: “O’Reilly General Hospital: The Hospital with a Soul”
- 2013 Springfield Advertising Association Public Service Campaign for Diversity: “Small World Big Picture”
- 2013 Springfield Advertising Association Best of Show Mosaic Award: “Small World Big Picture”
- 2012 RTNDA National and Regional Edward R. Murrow Award in Writing: “Angels of Mercy: Lessons Learned from Hospital Ravaged by Tornado”
- 2012 Missouri Broadcasters Association First Place in Promotions: “Missouri State University Men’s Basketball Promo”
- 2012 Missouri Broadcasters Association First Place in Documentary/Public Affairs: “Parents as Teachers Program Adjusts to Less State Funding”
- 2012 Missouri Broadcasters Association First Place in Special Programs: “The Joplin Tornado: A Retrospective Sound Portrait”
- 2012 Missouri Broadcasters Association Award of Merit in Feature: “Get Your Rust Kicks on Route 66: Meeting the Real Mater”
- 2011 Missouri Broadcasters Association First Place in Feature Reporting: “Remembering 9-11”
- 2011 Missouri Broadcasters Association Certificate of Merit in Public Affairs/Documentary: “Bear Study”
- 2011 Missouri Broadcasters Association Certificate of Merit in Special Programs: “Remembering Mitch”

- 2011 Missouri Broadcasters Association First Place in News Series: “The MO Public Defender System in Crisis”
- 2011 RTDNA Regional Edward R. Murrow Award: “The MO Public Defender System in Crisis”
- 2011 Missouri Broadcasters Association Award of Merit in Documentary: “Laura Ingalls Wilder-The Life Stories of a Pioneer Girl”
- 2010 Missouri Broadcaster Association Award of Merit in Children’s Programming Category: “Parent Information Resource Initiative-Television”
- 2010 Missouri Broadcasters Association Award of Merit in Special Programs Category-Television: “Seeds of Success: The Legacy of George Washington Carver”
- 2010 Missouri Broadcaster Association First Place in News Series-Radio: “Dairy Farmers, Sinking Further Into Debt, Implore Government for Help”
- 2010 Missouri Broadcaster Association First Place in Documentary/Public Affairs-Radio: “Vietnamese-American Woman Campaigns for Bone Marrow Donors”
- 2010 RTDNA Regional Edward R. Murrow Award in News Series: “Dairy Farmers, Sinking Further Into Debt, Implore Government for Help-Radio”
- 2009 NETA Award in Outstanding History Program-Small Station: “Route 66: Missouri’s Mother Road”
- 2009 RTDNA Regional Edward R. Murrow in Use of Sound: “Missouri Monks”
- 2009 Missouri Broadcaster Association First Place in Documentary/Public Affairs-Radio
- 2008 Missouri Broadcasters Association First Place in Documentary/Public Affairs-Radio
- 2008 Missouri Broadcasters Association Honorable Mention in Documentary/Public Affairs-TV
- 2008 Missouri Broadcasters Association Honorable Mention in Use of Sound-Radio
- 2006-07 One Regional Edward R. Murrow Award
- 2006-07 Three First Place awards and four Certificates of Merit from the Missouri Broadcasters Association
- 2005-06 One Regional Edward R. Murrow Award
- 2005-06 Three First Place awards and one Honorable Mention from the Missouri Broadcasters Association
- 2004-05 Three Regional Edward R. Murrow Awards
- 2004-05 Three First Place awards for reporting from the Missouri Broadcasters Association
- 2004-05 Two Certificates of Merit from the Missouri Broadcasters Association
- First place awards for Radio Documentary/Public Affairs Reporting and Television Special Programs from the Missouri Broadcasters Association
- 2002 National Edward R. Murrow Award from the RTDNA for News Series
- 2001 Regional Edward R. Murrow Award from the RTDNA for Feature Reporting
- 2002 Missouri Broadcasters Association Excellence Award in Documentary Public Affairs
- Certificates of Merit for Feature Reporting, Public Affairs Reporting and Complete News from the Missouri Broadcasters Association
- Three Public Radio News Directors Incorporated Awards
- Missouri State Teachers Association Award for Excellence in Education Reporting

Television broadcasting is fully digital after a multiyear conversion process. The digital technology has three key features – High Definition television (HDTV), including wide screen viewing, multicasting (simultaneously providing multiple programming from a single broadcaster) and data transmission (enhanced bandwidth utilization, visual and audio quality and consistency of signal). OPT has used this technology to provide HD service (OPT Main Channel), a daily stream of how-to and improvement programs (OPT-CREATE) and a three-hour delayed repeat of the PBS National Schedule (OPT-ED). The OPT-ED service will change in January 2017 to a 24/7 PBS KIDS channel which will provide markedly enhanced services to children across the Ozarks region. Digital technologies present opportunities for public television to further its mission and to continue to bring high quality, educational programming to the public. Additional opportunities may include homeland security, public service and data transmission capabilities. OPT continues its membership in the national organization America's Public Television Stations (APTS) which provides leadership in these areas.

The Radio Station broadcasts from the Springfield, Branson and West Plains transmitters utilizing HD digital technology which allows multiple program streams including 1) News/Classical and 2) Jazz. Both the radio and television stations will continue to develop local programming with an emphasis on content that: 1) preserves and documents the unique history of the Ozarks region, 2) celebrates diversity, and 3) addresses public affairs issues within area communities.

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University

Statements of Net Position
June 30, 2016 and 2015

Assets

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 2,233,737	\$ 2,098,388
Restricted cash and cash equivalents	-	236,358
Pledges receivable, net	825,134	12,021
Prepaid expenses	89,903	62,293
Total current assets	3,148,774	2,409,060
Noncurrent Assets		
Investments	343,183	379,139
Restricted investments	72,869	72,869
Capital assets, net	1,591,066	1,781,476
Total noncurrent assets	2,007,118	2,233,484
Total assets	5,155,892	4,642,544

Liabilities and Net Position

Current Liabilities		
Accounts payable and accrued expenses	93,899	125,020
Unearned revenue	300	-
Accrued payroll	264,345	242,957
Total current liabilities	358,544	367,977
Net Position		
Net investment in capital assets	1,591,066	1,781,476
Restricted for		
Nonexpendable		
Operations	72,869	72,869
Expendable		
Capital projects	-	236,358
Unrestricted	3,133,413	2,183,864
Total net position	\$ 4,797,348	\$ 4,274,567

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Operating revenues		
Sales and services of educational activities	\$ 90,680	\$ 87,805
Federal grants and contracts	2,072	-
Nongovernmental grants and contracts	869,721	882,794
Other	101,730	110,720
Total operating revenues	1,064,203	1,081,319
Expenses		
Operating expenses		
Salaries and benefits	1,701,846	1,668,107
Supplies and other services	2,330,277	2,207,792
Depreciation	396,512	387,497
Total operating expenses	4,428,635	4,263,396
Operating Loss	(3,364,432)	(3,182,077)
Nonoperating Revenues (Expenses)		
Gifts and memberships	2,250,182	1,231,033
State appropriations	105,596	60,523
Auction sale proceeds, net of cost of goods sold; 2016 - \$93,673, 2015 - \$76,288	67,031	71,928
Underwriting support	516,982	459,845
Investment return, net	(15,680)	(4,695)
University support	941,586	941,178
Gain on disposal of equipment	240	512
Other nonoperating revenues	21,276	24,475
Net nonoperating revenues	3,887,213	2,784,799
Income (Loss) Before Capital Items	522,781	(397,278)
Capital gifts	-	292,000
Increase (Decrease) in Net Position	522,781	(105,278)
Net Position, Beginning of Year	4,274,567	4,379,845
Net Position, End of Year	\$ 4,797,348	\$ 4,274,567

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Sales and services of educational activities	\$ 90,680	\$ 87,805
Federal grants and contracts	2,072	-
Nongovernmental grants and contracts	869,721	882,794
Payments to suppliers	(1,853,789)	(1,742,630)
Payments to employees	(1,680,458)	(1,668,760)
Other operating receipts	102,031	104,820
Net cash used in operating activities	(2,469,743)	(2,335,971)
Noncapital Financing Activities		
State appropriations	105,596	60,523
Gifts received for other than capital purposes	1,437,069	1,235,841
Proceeds from auction sales, net	67,031	71,928
Underwriting support	516,982	459,845
University support	425,809	526,595
Other nonoperating revenues	21,276	24,475
Net cash provided by noncapital financing activities	2,573,763	2,379,207
Capital and Related Financing Activities		
Purchase of capital assets	(225,544)	(48,748)
Proceeds from sale of capital assets	240	512
Gifts received for capital purposes	-	292,000
Net cash provided by (used in) capital and related financing activities	(225,304)	243,764
Investing Activities		
Interest on investments	20,275	20,513
Net cash provided by investing activities	20,275	20,513
Increase (Decrease) in Cash and Cash Equivalents	(101,009)	307,513
Cash and Cash Equivalents, Beginning of Year	2,334,746	2,027,233
Cash and Cash Equivalents, End of Year	\$ 2,233,737	\$ 2,334,746

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of Net Operating Loss		
to Net Cash Used in Operating Activities		
Operating loss	\$ (3,364,432)	\$ (3,182,077)
Depreciation expense	396,512	387,497
Donated facilities and administration support	515,776	414,583
Change in operating assets and liabilities		
Prepaid expenses	(27,610)	(4,155)
Accounts payable and accrued expenses	(11,677)	54,734
Accrued payroll	21,388	(653)
Unearned revenue	300	(5,900)
	<u>\$ (2,469,743)</u>	<u>\$ (2,335,971)</u>
 Reconciliation of Cash and Cash Equivalents to the		
Statements of Net Position		
Cash and cash equivalents	\$ 2,233,737	\$ 2,098,388
Restricted cash and cash equivalents	-	236,358
	<u>\$ 2,233,737</u>	<u>\$ 2,334,746</u>
 Supplemental Cash Flows Information		
Donated facilities and administration	\$ 515,776	\$ 414,583
Capital asset purchases included in accounts payable	\$ 6,498	\$ 25,940

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University
Notes to Financial Statements
June 30, 2016 and 2015

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

Nature of Operations

Broadcast Services operated by Missouri State University (University) includes KSMU-FM Radio (KSMU-FM) and Ozarks Public Television (OPT), (collectively Stations), affiliates of National Public Radio and Public Broadcasting Service, respectively. All amounts contained in this report are included in the financial statements of the University, a component unit of the state of Missouri, or the Missouri State University Foundation (Foundation) as of June 30. As the Stations are part of the University, they are exempt from federal and state income taxes.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Stations prepare financial statements as a business-type activity in conformity with applicable pronouncements of GASB.

Measurement Focus and Basis of Accounting

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they are related to services provided and used internally. The Stations first apply restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Operating revenues of the Stations consists of sales and services of educational activities that include providing educational programming to colleges and universities, certain grants and rental of towers to cellular companies. Transactions related to capital and financing activities, noncapital financing activities and investing activities are components of nonoperating revenues and expenses.

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University

Notes to Financial Statements

June 30, 2016 and 2015

Nonexchange transactions, in which the Stations receive value without directly giving equal value in return, include certain grants and appropriations. Revenues are recognized when all eligibility requirements have been satisfied. Eligibility requirements include timing requirements (which specify the year the resources are required to be used or the year when use is first permitted), matching requirements and expenditure requirements (in which resources are provided to the Stations on a reimbursement basis).

Use of Estimates

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

Cash Equivalents

The Stations consider all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash and cash equivalents consisted primarily of pooled cash accounts with the University and the Foundation.

Investments and Investment Return

The Stations account for investments at fair value, as determined by quoted market prices. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment return in the statements of revenues, expenses and changes in net position.

Accounts Receivable

Accounts receivable include amounts due from the federal government, state and local governments, the University and private sources in connection with reimbursement of allowable expenditures made pursuant to the Stations' grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University

Notes to Financial Statements

June 30, 2016 and 2015

Pledges Receivable

Unconditional gifts expected to be collected within one year are reported as current pledges receivable at their net realizable value. Unconditional gifts expected to be collected in future years are reported as noncurrent pledges receivable at the present value of estimated future cash flows and net of allowance for uncollectible pledges. The resulting discount is amortized using the level-yield method.

Capital Assets

Buildings and improvements with a cost in excess of \$200,000 are capitalized. Equipment with a cost in excess of \$5,000 with a useful life greater than one year is capitalized. Donated assets are transferred from the Foundation and are recorded at the acquisition value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Outlays for construction in progress are capitalized and depreciation on them commences when the project is completed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. No interest expense was capitalized during 2016 or 2015.

Unearned Revenue

Unearned revenue represents amounts received in advance for fundraising activities that will be held in the next fiscal year or grants and contract awards for which the Stations have not met all of the applicable eligibility requirements.

Current Liabilities

Current liabilities include trade accounts payable and accrued expenses (including payroll) incurred in the normal course of operations.

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University

Notes to Financial Statements

June 30, 2016 and 2015

Compensated Absences

It is the University's policy to permit employees to accumulate earned but unused sick and vacation pay benefits using the vesting method. Accrued vacation is the amount earned by all eligible employees through June 30. All eligible employees can accrue an unlimited amount of sick leave. Employees who retire under one of the University's public retirement plans will be paid for 40 percent of any accumulated unused sick leave rounded up or down to the nearest full day (up to a maximum of 48 days) and the remaining unused sick leave will be reported to Missouri State Employees' Retirement System (MOSERS) for inclusion as creditable service in accordance with MOSERS' policies reporting of unused sick leave. Accrued sick leave is based on a historic factor with these policies taken into consideration.

Net Position

The Stations' net position is classified as follows:

Net investment in capital assets – This represents the Stations' total investment in capital assets net of accumulated depreciation.

Restricted – nonexpendable – Nonexpendable restricted consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted – expendable – Restricted expendable include resources in which the Stations are legally and contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted – Unrestricted may be used for any purpose.

Classification of Revenues

The Stations have classified revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services of educational activities.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Funds Accounting*, and GASB No. 34, such as state appropriations and investment income.

**Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University**

Notes to Financial Statements

June 30, 2016 and 2015

In-Kind Contributions

Donated facilities from the University consist of office and studio space. These items, together with related occupancy costs, are recorded in revenue and expenses at estimated fair rental values. Administrative support from the University consists of allocated institutional costs and certain other expenses incurred by the University on behalf of the Stations.

Foundation

The Stations are among the beneficiaries of the Foundation that is a separate legal entity with its own Board of Directors. The Foundation has legal title to all of its assets.

Risk Management

The Stations are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. The Stations are covered under the University's commercial insurance policy that is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. The state of Missouri self-insures workers' compensation benefits for all state employees, including University and Station employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Note 2: Deposits, Investments and Investment Return

Deposits

Deposits consisted of the following:

	2016	2015
Cash and cash equivalents		
Deposits with Foundation	\$ 2,188,402	\$ 2,159,477
Amount due from University	45,335	175,269
Total cash and cash equivalents	\$ 2,233,737	\$ 2,334,746

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University

Notes to Financial Statements

June 30, 2016 and 2015

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. Deposits for Broadcast Services are held by the Foundation and University. The Foundation is not required by state law to collateralize its deposits. The Foundation's short-term holdings are in bank savings accounts and money market accounts. Amounts in excess of federally insured limits are exposed to custodial credit risk. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city having a population of not less than 2,000, 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.

At June 30, 2016 and 2015, the Stations had restricted cash of \$0 and \$236,358, respectively, held with the University. None of these deposits were exposed to custodial credit risk at June 30, 2016.

Investments

Endowment funds and funds treated as endowment by the Stations are held by the Foundation and managed as a pooled investment fund. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The investment pool includes equity securities and debt securities, which are carried at fair value. The Stations' investments are not classified by custodial credit risk category as they are not evidenced by securities that exist in physical or book entry form. The Board of Trustees has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. It is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 5.7%, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. The share of the pooled investments held for Broadcast Services consisted of the following at June 30, 2016 and 2015:

	2016	2015
Quasi-endowment	\$ 343,183	\$ 379,139
Endowment	72,869	72,869
Total investments	\$ 416,052	\$ 452,008

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June 30, 2016 and 2015

While the Foundation does not invest directly in derivative securities, it may, through investment holdings with various money managers, indirectly hold these securities. The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures. The Foundation's governing body has interpreted the State of Missouri Prudent Management Act (SPMIFA) as requiring preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Investment return includes interest income and the net change for the year in the fair value of investments. Investment return for the years ended June 30, 2016 and 2015, consisted of:

	2016	2015
Interest income	\$ 20,318	\$ 20,086
Net realized gains (losses)	(43)	427
Net unrealized gains (losses)	(35,955)	(25,208)
	\$ (15,680)	\$ (4,695)

Note 3: Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Pledges receivable consist of the following unconditional promises to give for which eligibility requirements have been met at June 30, 2016 and 2015:

	2016	2015
Due within one year	\$ 842,254	\$ 12,504
Less		
Allowance for uncollectible pledges	17,120	483
	\$ 825,134	\$ 12,021

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Notes to Financial Statements

June 30, 2016 and 2015

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2016 and 2015, was as follows:

	Beginning Balance	2016			Ending Balance
		Additions	Retirements	Transfers	
KSMU-FM					
Buildings	\$ 140,246	\$ -	\$ -	\$ -	\$ 140,246
Towers and transmitters	1,033,864	-	-	283,720	1,317,584
Fixed equipment	148,973	-	-	-	148,973
Equipment	697,602	5,000	31,093	(154,442)	517,067
Construction in progress	4,160	125,118	-	(129,278)	-
Total capital assets	2,024,845	130,118	31,093	-	2,123,870
Less accumulated depreciation	1,641,497	81,262	31,093	-	1,691,666
KSMU-FM – capital assets, net	383,348	48,856	-	-	432,204
OPT					
Building improvements	481,398	-	-	-	481,398
Towers and transmitters	2,152,949	-	-	160,866	2,313,815
Fixed equipment	830,206	-	-	-	830,206
Equipment	3,010,538	68,984	-	(109,731)	2,969,791
Construction in progress	44,135	7,000	-	(51,135)	-
Total capital assets	6,519,226	75,984	-	-	6,595,210
Less accumulated depreciation	5,121,098	315,250	-	-	5,436,348
OPT – capital assets, net	1,398,128	(239,266)	-	-	1,158,862
Broadcast Services – capital assets, net	\$ 1,781,476	\$ (190,410)	\$ -	\$ -	\$ 1,591,066

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June 30, 2016 and 2015

	2015				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
KSMU-FM					
Buildings	\$ 140,246	\$ -	\$ -	\$ -	\$ 140,246
Towers and transmitters	1,033,864	-	-	-	1,033,864
Fixed equipment	148,973	-	-	-	148,973
Equipment	691,561	6,041	-	-	697,602
Construction in progress	-	4,160	-	-	4,160
Total capital assets	2,014,644	10,201	-	-	2,024,845
Less accumulated depreciation	1,553,659	87,838	-	-	1,641,497
 KSMU-FM – capital assets, net	 460,985	 (77,637)	 -	 -	 383,348
OPT					
Building improvements	481,398	-	-	-	481,398
Towers and transmitters	2,152,949	-	-	-	2,152,949
Fixed equipment	830,206	-	-	-	830,206
Equipment	3,030,939	20,352	40,753	-	3,010,538
Construction in progress	-	44,135	-	-	44,135
Total capital assets	6,495,492	64,487	40,753	-	6,519,226
Less accumulated depreciation	4,862,192	299,659	40,753	-	5,121,098
 OPT – capital assets, net	 1,633,300	 (235,172)	 -	 -	 1,398,128
 Broadcast Services – capital assets, net	 \$ 2,094,285	 \$ (312,809)	 \$ -	 \$ -	 \$ 1,781,476

Note 5: Related Party Transactions

The University and Foundation administer all receipts and disbursements for the Stations. This activity is recorded through the due (to) from related entity accounts.

Note 6: Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

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Notes to Financial Statements

June 30, 2016 and 2015

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

Description	2016			
	Total	Level 1	Level 2	Level 3
Pooled investments held by the Foundation	<u>\$ 416,052</u>	<u>\$ -</u>	<u>\$ 416,052</u>	<u>\$ -</u>
Total investments measured at fair value	<u><u>\$ 416,052</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 416,052</u></u>	<u><u>\$ -</u></u>
	2015			
Description	Total	Level 1	Level 2	Level 3
Pooled investments held by the Foundation	<u>\$ 452,008</u>	<u>\$ -</u>	<u>\$ 452,008</u>	<u>\$ -</u>
Total investments measured at fair value	<u><u>\$ 452,008</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 452,008</u></u>	<u><u>\$ -</u></u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 are not available, securities are classified within Level 3 of the hierarchy.

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Notes to Financial Statements

June 30, 2016 and 2015

Note 7: Contingencies

The Stations are currently participating in numerous grants. The expenditures of grant proceeds must be for allowable and eligible purposes. Audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Note 8: Current Economic Conditions

Current economic conditions could make it difficult for some donors to continue to contribute to public broadcasting entities. Changes in contribution levels and grant funding could impact the Stations' operations.

The changes possible in this environment could result in future adjustments to the values of assets and liabilities. The Stations could experience difficulty maintaining sufficient liquidity should significant changes occur.

Supplementary Information

**Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University**

**Schedule of Statement of Revenues, Expenses
and Changes in Net Position Information by Station
Year Ended June 30, 2016**

	KSMU-FM	2016 Ozarks Public Television	Total
Revenues			
Operating revenues			
Sales and services of educational activities	\$ 34,129	\$ 56,551	\$ 90,680
Federal grants and contracts	-	2,072	2,072
Nongovernmental grants and contracts	123,995	745,726	869,721
Other	-	101,730	101,730
Total operating revenues	<u>158,124</u>	<u>906,079</u>	<u>1,064,203</u>
Expenses			
Operating expenses			
Salaries and benefits	666,531	1,035,315	1,701,846
Supplies and other services	702,960	1,627,317	2,330,277
Depreciation	81,262	315,250	396,512
Total operating expenses	<u>1,450,753</u>	<u>2,977,882</u>	<u>4,428,635</u>
Operating Loss	<u>(1,292,629)</u>	<u>(2,071,803)</u>	<u>(3,364,432)</u>
Nonoperating Revenues (Expenses)			
Gifts and memberships	380,212	1,869,970	2,250,182
State appropriations	13,830	91,766	105,596
Auction sale proceeds, net of cost of goods sold	-	67,031	67,031
Underwriting support	352,653	164,329	516,982
Investment return, net	(13,637)	(2,043)	(15,680)
University support	468,926	472,660	941,586
Gain on disposal of equipment	240	-	240
Other nonoperating revenues	-	21,276	21,276
Net nonoperating revenues	<u>1,202,224</u>	<u>2,684,989</u>	<u>3,887,213</u>
Income (Loss) Before Capital Items	(90,405)	613,186	522,781
Capital gifts	-	-	-
Increase (decrease) in net position	<u>(90,405)</u>	<u>613,186</u>	<u>522,781</u>
Net Position, Beginning of Year	<u>2,011,532</u>	<u>2,263,035</u>	<u>4,274,567</u>
Net Position, End of Year	<u>\$ 1,921,127</u>	<u>\$ 2,876,221</u>	<u>\$ 4,797,348</u>

Broadcast Services
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Schedule of Statement of Revenues, Expenses
and Changes in Net Position Information by Station
Year Ended June 30, 2015

	KSMU-FM	2015 Ozarks Public Television	Total
Revenues			
Operating revenues			
Sales and services of educational activities	\$ 34,405	\$ 53,400	\$ 87,805
Nongovernmental grants and contracts	127,100	755,694	882,794
Other	-	110,720	110,720
Total operating revenues	<u>161,505</u>	<u>919,814</u>	<u>1,081,319</u>
Expenses			
Operating expenses			
Salaries and benefits	651,687	1,016,420	1,668,107
Supplies and other services	649,223	1,558,569	2,207,792
Depreciation	87,838	299,659	387,497
Total operating expenses	<u>1,388,748</u>	<u>2,874,648</u>	<u>4,263,396</u>
Operating Loss	<u>(1,227,243)</u>	<u>(1,954,834)</u>	<u>(3,182,077)</u>
Nonoperating Revenues (Expenses)			
Gifts and memberships	370,404	860,629	1,231,033
State appropriations	7,989	52,534	60,523
Auction sale proceeds, net of cost of goods sold	-	71,928	71,928
Underwriting support	316,723	143,122	459,845
Investment return, net	(4,467)	(228)	(4,695)
University support	451,710	489,468	941,178
Gain on disposal of equipment	-	512	512
Other nonoperating revenues	-	24,475	24,475
Net nonoperating revenues	<u>1,142,359</u>	<u>1,642,440</u>	<u>2,784,799</u>
Loss Before Capital Items	<u>(84,884)</u>	<u>(312,394)</u>	<u>(397,278)</u>
Capital gifts	147,000	145,000	292,000
Decrease in net position	62,116	(167,394)	(105,278)
Net Position, Beginning of Year	<u>1,949,416</u>	<u>2,430,429</u>	<u>4,379,845</u>
Net Position, End of Year	<u>\$ 2,011,532</u>	<u>\$ 2,263,035</u>	<u>\$ 4,274,567</u>

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University
KSMU-FM Radio Operating Expenses by Function
Year Ended June 30, 2016

	Program Services				Support Services				Depreciation	Total
	Local Programming and Production	Broadcasting	Program Information	Total Program Services	Fundraising	Underwriting and Grants	Management and General	Total Support Services		
Salaries and benefits	\$ 196,441	\$ 157,391	\$ 5,151	\$ 358,983	\$ 101,190	\$ 69,457	\$ 136,901	\$ 307,548	\$ -	\$ 666,531
Supplies and other services	266,482	159,425	135	426,042	32,871	6,138	237,909	276,918	-	702,960
Depreciation	-	-	-	-	-	-	-	-	81,262	81,262
Total KSMU-FM Radio	\$ 462,923	\$ 316,816	\$ 5,286	\$ 785,025	\$ 134,061	\$ 75,595	\$ 374,810	\$ 584,466	\$ 81,262	\$ 1,450,753

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University
KSMU-FM Radio Operating Expenses by Function
Year Ended June 30, 2015

	Program Services				Support Services			Total Support Services	Depreciation	Total
	Local Programming and Production	Broadcasting	Program Information	Total Program Services	Fundraising	Underwriting and Grants	Management and General			
Salaries and benefits	\$ 199,452	\$ 156,593	\$ 6,013	\$ 362,058	\$ 95,064	\$ 62,481	\$ 132,084	\$ 289,629	\$ -	\$ 651,687
Supplies and other services	284,925	101,977	3,312	390,214	36,521	4,669	217,819	259,009	-	649,223
Depreciation	-	-	-	-	-	-	-	-	87,838	87,838
Total KSMU-FM Radio	<u>\$ 484,377</u>	<u>\$ 258,570</u>	<u>\$ 9,325</u>	<u>\$ 752,272</u>	<u>\$ 131,585</u>	<u>\$ 67,150</u>	<u>\$ 349,903</u>	<u>\$ 548,638</u>	<u>\$ 87,838</u>	<u>\$ 1,388,748</u>

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University
Ozarks Public Television Operating Expenses by Function
Year Ended June 30, 2016

	Program Services				Support Services			Total Support Services	Depreciation	Total
	Local Programming and Production	Broadcasting	Program Information	Total Program Services	Fundraising	Underwriting and Grants	Management and General			
Salaries and benefits	\$ 376,728	\$ 341,399	\$ 13,021	\$ 731,148	\$ 67,129	\$ 79,011	\$ 158,027	\$ 304,167	\$ -	\$ 1,035,315
Supplies and other services	747,205	216,531	50,848	1,014,584	242,986	2,800	366,947	612,733	-	1,627,317
Depreciation	-	-	-	-	-	-	-	-	315,250	315,250
Total Ozarks Public Television	<u>\$ 1,123,933</u>	<u>\$ 557,930</u>	<u>\$ 63,869</u>	<u>\$ 1,745,732</u>	<u>\$ 310,115</u>	<u>\$ 81,811</u>	<u>\$ 524,974</u>	<u>\$ 916,900</u>	<u>\$ 315,250</u>	<u>\$ 2,977,882</u>

Broadcast Services
Public Broadcasting Entities Operated By
Missouri State University
Ozarks Public Television Operating Expenses by Function
Year Ended June 30, 2015

	Program Services					Support Services			Depreciation	Total
	Local Programming and Production	Broadcasting	Program Information	Total Program Services	Fundraising	Underwriting and Grants	Management and General	Total Support Services		
Salaries and benefits	\$ 368,609	\$ 332,516	\$ 10,903	\$ 712,028	\$ 69,989	\$ 81,689	\$ 152,714	\$ 304,392	\$ -	\$ 1,016,420
Supplies and other services	667,114	256,377	50,699	974,190	246,888	956	336,535	584,379	-	1,558,569
Depreciation	-	-	-	-	-	-	-	-	299,659	299,659
Total Ozarks Public Television	<u>\$ 1,035,723</u>	<u>\$ 588,893</u>	<u>\$ 61,602</u>	<u>\$ 1,686,218</u>	<u>\$ 316,877</u>	<u>\$ 82,645</u>	<u>\$ 489,249</u>	<u>\$ 888,771</u>	<u>\$ 299,659</u>	<u>\$ 2,874,648</u>