

*University of Missouri
KBIA-FM Radio*

*Financial Statements as of and for the Years Ended
June 30, 2011 and 2010, Supplemental Schedule for
the Year Ended June 30, 2011, and Independent
Auditors' Report*

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University of Missouri
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University of Missouri
KBIA-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2011 and 2010

This Management's Discussion and Analysis ("MD&A") of KBIA-FM Radio (the "Station") provides an overview of the Station's financial performance for the fiscal years ended June 30, 2011, and 2010. Please read it in conjunction with the basic financial statements for the period and the annual report to the Corporation for Public Broadcasting ("CPB") that accompanies the basic financial statements.

OVERVIEW OF THE OPERATIONS

The Station is a department of the Columbia campus of the University of Missouri (the "University") and operates under a 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.

KBIA ACCOUNTING AND FINANCIAL REPORTING

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

The notes to the financial statements provide required disclosures and other information that are essential to fully understanding 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 409 Jesse Hall, Columbia, MO.

STATEMENTS OF NET ASSETS

The Statements of Net Assets present the financial position of the Station as of June 30, 2011, and 2010, including all assets and liabilities of the Station. The Net Assets present 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, and long-term debt, which is stated at cost.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2011 and 2010

A summary of the Station's assets, liabilities, and net assets at June 30, 2011, 2010, and 2009, is as follows:

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Assets			
Current Assets	\$ 596,649	\$ 580,301	\$ 409,629
Long-Term Investments	750,284	619,654	979,460
Capital Assets, Depreciable, Net	<u>279,767</u>	<u>317,682</u>	<u>269,885</u>
Total Assets	<u>\$ 1,626,700</u>	<u>\$ 1,517,637</u>	<u>\$ 1,658,974</u>
Liabilities and Net Assets			
Current Liabilities	\$ 272,102	\$ 242,897	\$ 228,002
Noncurrent Liabilities	<u>15,243</u>	<u>13,846</u>	<u>12,616</u>
Total Liabilities	<u>287,345</u>	<u>256,743</u>	<u>240,618</u>
Net Assets:			
Invested in Capital Assets	279,767	317,682	269,885
Restricted Expendable-Grants			
Unrestricted -			
Other	268,269	252,694	495,795
Board Designated	<u>791,319</u>	<u>690,518</u>	<u>652,676</u>
Total Net Assets	<u>1,339,355</u>	<u>1,260,894</u>	<u>1,418,356</u>
Total Liabilities and Net Assets	<u>\$ 1,626,700</u>	<u>\$ 1,517,637</u>	<u>\$ 1,658,974</u>

Fiscal Year 2011 Compared to Fiscal Year 2010

Total assets increased by \$109,063 to \$1,626,700, which primarily reflects the increase long-term investments. Accounts Receivable increased minimally by less than \$10,000 reflecting the stabilization of the economy. Pledge Receivables increased by less than \$5,000 reflecting a stabilization of the economy.

Capital assets, depreciable for the year ended June 30, 2011, decreased by \$37,915 from \$317,682 to \$279,767.

Total liabilities increased \$30,602 over the prior year due primarily to an increase in Unexpended Grants.

Net assets increased by \$78,461 reflecting the station's operating results for the year.

Fiscal Year 2010 Compared to Fiscal Year 2009

Total assets decreased by \$141,337 to \$1,517,637, which primarily reflects the decrease in short-term and long-term investments. Accounts Receivable increased by \$35,737 reflecting the economy of slower paying underwriters. Pledge Receivables decreased by \$21,353 reflecting a decrease in Private Gifts.

Capital assets, depreciable for the year ended June 30, 2010, increased by \$47,797 from \$269,885 to \$317,682.

Total liabilities increased \$16,125 over the prior year due primarily to an increase in Unexpended Grants.

Net assets decreased by \$157,462 reflecting the station's operating results for the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2011 and 2010

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses, and Changes in Net Assets present the Station's results of operations. The Statements distinguish between operating and non-operating revenues and expenses, and provide the Station's operating margin and changes in net assets.

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Operating Revenues:			
Membership Contributions and Contributed Support	\$ 469,711	\$ 431,348	\$ 483,746
Community Service Grants from Corporation for Public Broadcasting	287,793	181,598	173,774
Grant from Missouri Arts Council	-	14,663	18,158
Underwriting Income	309,284	363,747	323,503
Other	942	376	1,643
Total Operating Revenues	1,067,730	991,732	1,000,824
Operating Expenses:			
Program Services -			
Broadcasting	117,490	144,739	102,715
Promotions	24,644	-	-
Programming and Production	676,085	632,352	617,548
Total Program Services	818,219	777,091	720,263
Support Services -			
Management and General	310,750	343,962	336,480
Fundraising and Membership Development	282,385	486,456	287,869
Total Support Services	593,135	830,418	624,349
Depreciation Expense	44,448	44,833	37,478
Total Operating Expenses	1,455,802	1,652,342	1,382,090
Operating Loss Before Nonoperating Revenues	(388,072)	(660,610)	(381,266)
Nonoperating Revenues:			
Support from the University of Missouri	230,776	243,059	255,169
Donated Facilities and Administrative Support From the University of Missouri	101,853	125,860	101,445
Capital Grant	-	62,976	4,302
Investment Income (Loss)	133,904	71,253	(137,314)
Total Nonoperating Revenues	466,533	503,148	223,602
Increase (Decrease) in Net Assets	78,461	(157,462)	(157,664)
Net Assets, Beginning of Year	1,260,894	1,418,356	1,576,020
Net Assets, End of Year	\$ 1,339,355	\$ 1,260,894	\$ 1,418,356

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2011 and 2010

Fiscal Year 2011 Compared to Fiscal Year 2010

Total **Operating Revenues** for fiscal year 2011 increased \$75,998 from fiscal year 2010. The Station's operating revenues are derived from three primary sources: 1) Membership contributions; 2) program support from area businesses in exchange for on-air recognition; and 3) operating grants from CPB and other granting agencies. Membership contributions for fiscal year 2011 increased \$38,363 or 8% due largely to the stabilization of the economy. **Underwriting Income** for fiscal year 2011 decreased 15% or \$54,463 over fiscal year 2010. During fiscal year 2011, **Grants from the Corporation for Public Broadcasting** increased by almost 63%, or \$106,195, over fiscal year 2010 due receiving two new grants (The first grant for a one time marketing project and the second grant for a two year grant for a reporter.) The **State Broadcasting Grant** was not awarded for 2011 reflecting the State government continued budget pressures due to adverse economic conditions.

Total **Nonoperating Revenues** for fiscal year 2011 decreased by \$36,615 from fiscal year 2010. Certain significant revenue streams that the Station relies upon for its operations are defined as nonexchange transactions by GASB Statement No. 35, and recorded as nonoperating revenues. These include investment income, and donated facilities and administrative support from the University. **Support from the University of Missouri** decreased 5% in fiscal year 2010 from \$243,059 to \$230,770 for fiscal year 2011 reflecting decrease in State funding for the University. **Donated facilities and administrative support from the University of Missouri** decreased \$24,007 or 19% in fiscal year 2011 from fiscal year 2010, due primarily to a change in Institutional Support expenditures. For fiscal year 2011, KBIA did not have a **Capital Grant** as it did in fiscal year 2010. In fiscal year 2011, **Investment Income** increased \$62,651 from fiscal year 2010 due primarily to realized and unrealized gains in the University's pooled investments.

Total **Operating Expenses** decreased \$298,393 to \$1,353,949 in fiscal year 2011, compared to \$1,652,342 the previous year. **Program services** represented 60% and 47% of total operating expenses for fiscal years 2011 and 2010, respectively; and **Support services** represented 36% and 50% of total operating expenses for fiscal years 2011 and 2010, respectively.

Fiscal Year 2010 Compared to Fiscal Year 2009

Total **Operating Revenues** for fiscal year 2010 decreased \$9,092 from fiscal year 2009. The Station's operating revenues are derived from three primary sources: 1) Membership contributions; 2) program support from area businesses in exchange for on-air recognition; and 3) operating grants from CPB and other granting agencies. Membership contributions for fiscal year 2010 decreased \$52,398 or 11% due largely to the uncertain economic outlook. **Underwriting Income** for fiscal year 2010 increased 12.0% or \$40,244 over fiscal year 2009. During fiscal year 2010, **Grants from the Corporation for Public Broadcasting** increased by almost 5%, or \$7,824, over fiscal year 2009. The **State Broadcasting Grant** decreased by \$3,495 or 20% and reflects State government continued budget pressures due to adverse economic conditions.

Total **Nonoperating Revenues** for fiscal year 2010 increased by \$279,546 from fiscal year 2009. Certain significant revenue streams that the Station relies upon for its operations are defined as nonexchange transactions by GASB Statement No. 35, and recorded as nonoperating revenues. These include investment income, and donated facilities and administrative support from the University. **Support from the University of Missouri** decreased 5% in fiscal year 2009 from \$255,169 to \$243,059 for fiscal year 2010. **Donated facilities and administrative support from the University of Missouri** increased \$24,415 or 24% in fiscal year 2010 from fiscal year 2009, due primarily to a change in Institutional Support expenditures. In fiscal year 2010, **Investment Income** increased \$208,567 from fiscal year 2009 due primarily to realized and unrealized gains in the University's pooled investments.

Total **Operating Expenses** increased \$270,252 to \$1,652,342 in fiscal year 2010, compared to \$1,382,090 the previous year. **Program services** represented 47% and 52% of total operating expenses for fiscal years 2009 and 2008, respectively; and **Support services** represented 53% and 48% of total operating expenses for fiscal years 2010 and 2009, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2011 and 2010

ECONOMIC OUTLOOK

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

- **Corporation for Public Broadcasting:** The CPB is funded two years in advance. The federal government's fiscal year 2010 appropriation for CPB was \$420 million, and remained flat at the same rate for fiscal year 2011. The budget request for 2012 is \$542 million. CPB has requested a \$604 million advance appropriation for fiscal year 2013, a 14.7% increase over the fiscal year 2012 funding. Stations have been faced with flat CPB funding for the better part of the past decade, which is actually a decline when inflation is considered. The impact of this lack of even an inflationary increase (until FY 2010) has been magnified by the economic conditions of the last few years. CPB funding source should remain stable during fiscal year 2012. 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 2013 is not guaranteed at this time.
- **Underwriting support:** Underwriting decreased in fiscal year 2011. The projections for underwriting do not look to increase for at least two years because the economic situation is still unclear. The Station has worked for a number of years to increase private business funding and will continue to work towards cultivating underwriting so when the economy does recover, the Station will be in a good position to capitalize on the situation.
- **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.
- **Support from University of Missouri:** The Station does not have reason to believe that an adverse change in funding will occur in fiscal year 2012. Indirect funding remains dependent on Institutional Support expenditures.
- **Investment income:** The Station's investments are directed by the University. Investment income is dependent on market viability, and current market conditions are turbulent.
- **Private donations:** Because of the strong support of public broadcasting, membership donations increased in fiscal year 2011. The Station, to meet one of the new CPB criteria, created a major donor program in fiscal year 2009 and implemented it in fiscal year 2010. For fiscal year 2011, The Station saw an increase of 25% in major donors and a 40% increase in major donor funding.
- **Other funding in prior fiscal years have included state grant funding and miscellaneous revenue:** The Station did not receive State funding in fiscal year 2011 because of the negative economic condition the State is facing. It is anticipated those funds will again not be available for fiscal year 2012.
- **In fiscal year 2009, the Station received a grant from Public Telecommunications Facilities Program to build a new station in Mexico, MO – KAUD.** Because of negotiation issues, the majority of the building and funding for this facility did not occur in fiscal year 2009, but are reflected in fiscal year 2010. PTFP was eliminated in fiscal year 2011 funding so those funds are no longer available.
- **For fiscal year 2011, KBIA received two new grants from CPB.** One grant was for a one-time marketing project: "My Source" and KBIA does not anticipate applying for additional funding in fiscal year 2012. The second grant is funding for the Local Journalism Center – a two year multi-station reporting collaborative.

INDEPENDENT AUDITORS' REPORT

To the Board of Curators
University of Missouri
Columbia, Missouri

We have audited the accompanying financial statements of the University of Missouri KBIA-FM Radio (the "Station"), as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the University of Missouri's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2011 and 2010, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 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 audits 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's financial statements as a whole. The Supplemental Schedule of Non-Federal Financial Support for the year ended June 30, 2011, required by the Public Telecommunication Financing Act of 1978, is presented for the purpose of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with

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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 financial statements as a whole.

November 30, 2011
St. Louis, Missouri

Muller PwC PC

Certified Public Accountants

University of Missouri
KBIA-FM RADIO

STATEMENTS OF NET ASSETS
As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 412,862	\$ 394,385
Short-Term Investments	9,239	6,661
Accounts Receivable, Net	77,584	83,940
Pledges Receivable	52,610	53,629
Prepaid Expense	44,354	41,686
Total Current Assets	<u>596,649</u>	<u>580,301</u>
Noncurrent Assets:		
Long-Term Investments	750,284	619,654
Capital Assets, Depreciable, Net	279,767	317,682
Total Noncurrent Assets	<u>1,030,051</u>	<u>937,336</u>
Total Assets	<u>\$ 1,626,700</u>	<u>\$ 1,517,637</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 17,458	\$ 16,007
Accrued Vacation	47,330	43,968
Unexpended Grants	207,064	181,902
Deferred Revenue	250	1,020
Total Current Liabilities	<u>272,102</u>	<u>242,897</u>
Noncurrent Liabilities:		
Accrued Vacation	15,243	13,846
Total Noncurrent Liabilities	<u>15,243</u>	<u>13,846</u>
Total Liabilities	<u>287,345</u>	<u>256,743</u>
Net Assets:		
Invested in Capital Assets	279,767	317,682
Unrestricted		
Other	268,269	252,694
Board Designated	791,319	690,518
Total Net Assets	<u>1,339,355</u>	<u>1,260,894</u>
Total Liabilities and Net Assets	<u>\$ 1,626,700</u>	<u>\$ 1,517,637</u>

See accompanying notes to basic financial statements.

University of Missouri
KBIA-FM RADIO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Membership Contributions and Contributed Support	\$ 469,711	\$ 431,348
Community Service Grants from Corporation for Public Broadcasting	287,793	181,598
Grant from Missouri Arts Council	-	14,663
Underwriting Income	309,284	363,747
Other	942	376
Total Operating Revenues	<u>1,067,730</u>	<u>991,732</u>
Operating Expenses:		
Program Services -		
Broadcasting	117,490	144,739
Promotions	24,644	-
Programming and Production	676,085	632,352
Total Program Services	<u>818,219</u>	<u>777,091</u>
Supporting Services -		
Management and General	310,750	343,962
Depreciation Expense	44,448	44,833
Fundraising and Membership Development	282,385	486,456
Total Supporting Services	<u>637,583</u>	<u>875,251</u>
Total Operating Expenses	<u>1,455,802</u>	<u>1,652,342</u>
Operating Loss Before Nonoperating Revenues	<u>(388,072)</u>	<u>(660,610)</u>
Nonoperating Revenues:		
Support from the University of Missouri	230,776	243,059
Donated Facilities and Administrative Support from the University of Missouri	101,853	125,860
Capital Grant	-	62,976
Investment Income	133,904	71,253
Total Nonoperating Revenues	<u>466,533</u>	<u>503,148</u>
Increase (Decrease) in Net Assets	78,461	(157,462)
Net Assets, Beginning of Year	<u>1,260,894</u>	<u>1,418,356</u>
Net Assets, End of Year	<u><u>\$ 1,339,355</u></u>	<u><u>\$ 1,260,894</u></u>

See accompanying notes to basic financial statements.

University of Missouri
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STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Membership Contributions and Contributed Support	\$ 470,730	\$ 431,348
Corporation for Public Broadcasting and Other Grants	313,897	237,418
Underwriting Income	314,870	328,198
Payments to Suppliers and Employees	(1,305,959)	(1,492,053)
Other Receipts	-	376
Net Cash Used in Operating Activities	<u>(206,462)</u>	<u>(494,713)</u>
Cash Flows from Capital Financing Activities:		
Purchase of Capital Assets	(6,533)	(92,630)
Capital Grants	-	62,976
Net Cash Used in Capital Financing Activities	<u>(6,533)</u>	<u>(29,654)</u>
Cash Flows from Noncapital Financing Activities:		
Payments and Contributions from University of Missouri	230,776	243,059
Net Cash Provided by Noncapital Financing Activities	<u>230,776</u>	<u>243,059</u>
Cash Flows from Investing Activities:		
Sale (Purchase) of Investments, Net	(133,208)	438,112
Investment Income	133,904	71,253
Net Cash Provided by Investing Activities	<u>696</u>	<u>509,365</u>
Net Increase in Cash and Cash Equivalents	18,477	228,057
Cash and Cash Equivalents, Beginning of Year	<u>394,385</u>	<u>166,328</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 412,862</u></u>	<u><u>\$ 394,385</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	\$ (388,072)	\$ (660,610)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities -		
Depreciation Expense	44,448	44,833
Donated Facilities and Administrative Support	101,853	125,860
Changes in Assets and Liabilities:		
Accounts Receivable, Net	6,356	(35,737)
Pledges Receivable	1,019	21,353
Prepaid Expense	(2,668)	(6,537)
Accounts Payable and Other Accrued Expenses	1,451	(4,882)
Accrued Vacation	4,759	1,015
Unexpended Grants and Deferred Revenue	24,392	19,992
Net Cash Used in Operating Activities	<u><u>\$ (206,462)</u></u>	<u><u>\$ (494,713)</u></u>
Noncash Activity - Administrative Support from the University of Missouri	<u><u>\$ 104,442</u></u>	<u><u>\$ 136,776</u></u>

See accompanying notes to basic financial statements.

University of Missouri
KBIA-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2011 and 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization – The Station is a non-profit, non-commercial radio station operated by the University of Missouri (the "University") on its Columbia campus in Columbia, Missouri. The Station operates with a power of 100,000 watts, reaching a potential audience in a 75-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. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Station is required to follow all applicable GASB pronouncements. In addition, the Station applies all applicable FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The Station has elected not to apply FASB pronouncements issued after November 30, 1989.

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 assets, revenues, expenses and changes in net assets 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 Assets 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 non-operating revenue as defined by GASB Statement No. 34. Non-operating revenues include revenues from activities that have the characteristics of non-exchange 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 2011 and 2010 and pooled investment accounts for fiscal years 2011 and 2010. For fiscal years 2011 and 2010 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 2011, cash and cash equivalents consist of funds held by the University on behalf of the Station.

Accounts Receivable – Accounts receivable are presented at the net amount. Accounts receivable consists of amounts due to the Station for underwriting contracts and other miscellaneous revenue sources. An allowance of \$17,159 and \$15,148 as of June 30, 2011, and 2010, respectively, has been made for uncollectible accounts receivable based upon management's expectations regarding the collectability of the accounts and the Station's historical collection experience.

University of Missouri
KBIA-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2011 and 2010

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 Assets and as a portion of Membership Contributions and Contributed Support on the Statements of Revenues, Expenses and Changes in Net Assets, at the present value of the estimated future cash flows. No allowance for doubtful accounts has been provided as management has determined no write offs are expected for pledges receivable.

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 seven to fifteen years. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

Deferred Revenue and Unexpended Grants – Amounts reflected in the Statements of Net Assets as of June 30, 2011, and 2010, 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 Assets – The Station’s net assets are classified for financial reporting in the following net asset 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.
- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets 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 Assets. In-Kind contributions consist of donated property and professional services. These donations are recorded at fair value at the time of the 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.

New Accounting Pronouncements – The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. The statement requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The statement also requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Adoption of GASB Statement No. 51 had no effect on the Station’s financial statements.

The GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. The statement requires derivative instruments to be measured at fair value at the reporting date, with changes in fair value generally being reported as investment gains or losses. However,

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changes in fair value of hedging derivative instruments would be deferred until the related instrument ends or ceases to significantly reduce risk. Adoption of GASB Statement No. 53 had no effect on the Station's financial statements. GASB Statement No. 53 was amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011.

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifying the existing governmental fund type definitions. These fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The adoption of GASB Statement No. 54 had no effect on the Station's financial statements.

The GASB issued Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. The statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The adoption of GASB Statement No. 59 had no effect on the Station's financial statements.

The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for fiscal years beginning after June 15, 2012. The statements were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The Station has not yet determined the effect, if any, that adoption of GASB Statement No. 61 may have on its financial statements.

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for fiscal years beginning after December 15, 2011. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

- Financial Accounting Standards Board ("FASB") Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

The Station has not yet determined the effect, if any, that adoption of GASB Statement No. 62 may have on its financial statements.

The GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011 which amends GASB Statement No. 53. The statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Station has not yet determined the effect, if any, that adoption of GASB Statement No. 63 may 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, 2011 and 2010, respectively.

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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 Statues 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 21.5% and 11.4%, including unrealized gains and losses, for the years ended June 30, 2011 and 2010, respectively.

At June 30, 2011 and 2010, the Station held the following types of investments:

	Carrying Value as of June 30, 2011	Carrying Value as of June 30, 2010
Debt Securities	\$ 247,273	\$ 187,765
Corporate Stocks	447,146	190,473
Other investments	-	248,077
Cash and Cash Equivalents held by the University	378,065	305,617
Real Estate	27,344	-
Absolute Return	37,760	-
Money Market Funds	16,702	80,355
Other cash equivalents	18,095	8,413
	<hr/>	<hr/>
Total Investments and Cash and Cash Equivalents	<u>\$ 1,172,385</u>	<u>\$ 1,020,700</u>

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 has investments in asset-backed securities guaranteed by U.S. agencies and corporate collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

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At June 30, 2011 and 2010, the Station's portion of the University's debt securities matures as follows:

	As of June 30, 2011					
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	No Maturity	Fair Value
U.S. Agency Obligations	\$ -	\$ 1,334	\$ 166	\$ 69	\$ -	\$ 1,569
U.S. Treasury Obligations	2,019	20,608	15,962	19,715	-	58,304
Commingled Debt Securities	-	-	-	-	59,042	59,042
Asset-Backed Securities	15	149	2,122	18,596	-	20,882
Foreign Government Obligations	1,042	13,201	16,301	5,825	-	36,369
U.S. Corporate Bonds & Notes	60	8,779	17,003	4,898	-	30,740
Foreign Corporate Bonds & Notes	6,105	22,264	7,457	4,541	-	40,367
Total	\$ 9,241	\$ 66,335	\$ 59,011	\$ 53,644	\$ 59,042	\$ 247,273

	As of June 30, 2010					
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	No Maturity	Fair Value
U.S. Agency Obligations	\$ -	\$ 958	\$ 803	\$ 11,735	\$ -	\$ 13,496
U.S. Treasury Obligations	547	25,872	20,173	22,701	-	69,293
Commingled Debt Securities	-	-	-	-	-	-
Asset-Backed Securities	-	-	-	-	-	-
Foreign Government Obligations	2,046	14,466	17,559	8,400	-	42,471
U.S. Corporate Bonds & Notes	902	9,157	16,362	1,912	-	28,333
Foreign Corporate Bonds & Notes	3,166	21,660	5,949	3,397	-	34,172
Total	\$ 6,661	\$ 72,113	\$ 60,846	\$ 48,145	\$ -	\$ 187,765

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, 2011 and 2010, respectively. All holdings of money market funds were rated AAA at June 30, 2011 and 2010, respectively.

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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, 2011 and 2010, is as follows:

	As of June 30, 2011						
	U.S. Treasury	U.S. Agency	Foreign	U.S.	Foreign	Commingled	Total
	Obligations	Obligations	Government	Corporate	Corporate	Debt	
U.S. Agency Obligations	\$ -	\$ 1,569	\$ -	\$ -	\$ -	\$ -	\$ 1,569
U.S. Treasury Obligations	58,304	-	-	-	-	-	58,304
Mortgage-Backed Securities							
Guaranteed by U.S. Agencies	-	15,248	-	-	-	-	15,248
Debt Securities in Commingled Funds	-	-	-	-	-	59,042	59,042
Aaa/AAA	-	2,319	10,604	1,330	19,461	-	33,714
Aa/AA	-	322	5,407	1,547	5,130	-	12,406
A/A	-	987	5,732	7,149	9,170	-	23,038
Baa/BBB	-	343	1,885	636	1,611	-	4,475
Less than Baa/BBB	-	589	-	19,275	1,660	-	21,524
Unrated	-	1,074	12,741	804	3,334	-	17,953
Total	\$ 58,304	\$ 22,451	\$ 36,369	\$ 30,741	\$ 40,366	\$ 59,042	\$ 247,273

	As of June 30, 2010						
	U.S. Treasury	U.S. Agency	Foreign	U.S.	Foreign	Commingled	Total
	Obligations	Obligations	Government	Corporate	Corporate	Debt	
U.S. Treasury Obligations	\$ 69,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,293
Mortgage-Backed Securities							
Guaranteed by U.S. Agencies	-	7,254	-	-	-	-	7,254
Debt Securities in Commingled Funds	-	-	-	-	-	-	-
Aaa/AAA	-	2,797	22,075	1,430	19,099	-	45,401
Aa/AA	-	492	8,562	962	3,516	-	13,532
A/A	-	1,060	6,255	6,545	6,485	-	20,345
Baa/BBB	-	156	1,231	549	572	-	2,508
Less than Baa/BBB	-	590	-	17,670	1,337	-	19,597
Unrated	-	1,147	4,348	1,177	3,163	-	9,835
Total	\$ 69,293	\$ 13,496	\$ 42,471	\$ 28,333	\$ 34,172	\$ -	\$ 187,765

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

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securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. At June 30, 2011 and 2010, 25.8% and 25.8% respectively, of the Station's total investments and cash and cash 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	2011 Total	2010 Total
Euro	\$ 27,821	\$ 36,085	\$ 1,520	\$ 65,426	\$ 65,056
Japanese Yen	3,753	20,714	364	24,831	24,053
British Pound Sterling	5,118	22,342	219	27,679	20,558
Australian Dollar	4,867	4,881	-	9,748	10,469
Canadian Dollar	2,304	5,389	-	7,693	7,015
Swiss Franc	-	9,017	-	9,017	6,725
Hong Kong Dollar	-	4,128	-	4,128	-
Swedish Krona	1,767	989	-	2,756	-
Other	48,454	102,549	252	151,255	129,159
Total	\$ 94,084	\$ 206,094	\$ 2,355	\$ 302,533	\$ 263,035

Concentration of Credit Risk – The risk of loss attributed to the magnitude of investments in a single issuer 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, 2011, and 2010, consists of unexpended grant awards from the Corporation for Public Broadcasting.

	Unexpended Grants	
	2011	2010
Balance, Beginning of Year	\$ 181,902	\$ 162,098
Grants	287,793	259,237
Deductions, Amount Expended	(262,631)	(239,433)
Balance, End of Year	\$ 207,064	\$ 181,902

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NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2011 and 2010

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2011, and 2010, is as follows:

2011	Beginning Balance	Additions	Transfers	Ending Balance
Capital Assets, Depreciable:				
Transmission, Antenna and Tower	\$ 632,525	\$ 6,533	\$ -	\$ 639,058
Studio and Other Broadcast Equipment	281,944	-	-	281,944
Total Capital Assets, Depreciable	914,469	6,533	-	921,002
Accumulated Depreciation:				
Transmission, Antenna and Tower	333,801	35,856	-	369,657
Studio and Other Broadcast Equipment	262,986	8,592	-	271,578
Total Accumulated Depreciation	596,787	44,448	-	641,235
Total Capital Assets, Depreciable, Net	\$ 317,682	\$ (37,915)	\$ -	\$ 279,767

2010	Beginning Balance	Additions	Transfers	Ending Balance
Capital Assets, Depreciable:				
Transmission, Antenna and Tower	\$ 539,677	\$ 92,630	\$ 218	\$ 632,525
Studio and Other Broadcast Equipment	282,162	-	(218)	281,944
Total Capital Assets, Depreciable	821,839	92,630	-	914,469
Accumulated Depreciation:				
Transmission, Antenna and Tower	302,236	31,565	-	333,801
Studio and Other Broadcast Equipment	249,718	13,268	-	262,986
Total Accumulated Depreciation	551,954	44,833	-	596,787
Total Capital Assets, Depreciable, Net	\$ 269,885	\$ 47,797	\$ -	\$ 317,682

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NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2011 and 2010

6. OPERATING LEASE OBLIGATIONS

The Station leases an above-ground broadcast tower. Future minimum payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 6,152
2013	6,152
2014	6,152
2015	<u>1,538</u>
Total Future Minimum Payments	<u>\$ 19,994</u>

Total lease payments for the years ended June 30, 2011, and 2010, were \$6,114 and \$4,500, respectively.

7. BOARD-DESIGNATED QUASI-ENDOWMENT

The Station's quasi-endowment was established on April 9, 1998 by the University of Missouri – Columbia as the KBIA Unrestricted Endowment Fund to provide unrestricted support to the Station. As of June 30, 2011 and 2010, the balance of the quasi-endowment was \$791,319 and \$690,518, respectively.

8. 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.

9. 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. 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 5.7% and 4.9% for the years ended June 30, 2011, and 2010, respectively. Effective July 1, 2009, 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.

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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, 118 University Hall, Columbia, Missouri 65211.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, 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 2011 and 2010, the University contributed 50.0% and 45.3%, respectively, of the actuarially determined annual required contribution. The fiscal years 2011 and 2010 annual required contribution represented 6.0% and 5.2%, respectively, of annual covered payroll. The Station assumes no liability for postemployment benefits provided by the University other than its annual required contributions.

Additional information is presented in the University’s annual report, which can be obtained at the University of Missouri, 118 University Hall, Columbia, Missouri 65211.

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SUPPLEMENTAL SCHEDULE OF NON-FEDERAL FINANCIAL SUPPORT
For the Year Ended June 30, 2011

Summary of Non-Federal Financial Support

1. Direct Revenue	\$	1,020,204
2. Indirect Administrative Support		<u>101,853</u>
3. Total Non-Federal Financial Support	\$	<u>1,122,057</u>

See Accompanying Independent Auditors' Report.