

***University of Missouri
KWMU-FM Radio***

*Financial Statements as of and for the Years Ended
June 30, 2012 and 2011, Supplemental Schedule for
the Year Ended June 30, 2012, and Independent
Auditors' Report*

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University of Missouri
KWMU-FM RADIO

TABLE OF CONTENTS

	Page
Management's Discussion and Analysis	1
Independent Auditors' Report	6
Basic Financial Statements as of and for the Years Ended June 30, 2012 and 2011:	
Statements of Net Assets	8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Basic Financial Statements	11
Supplemental Information for the Year Ended June 30, 2012:	
Supplemental Schedule of Non-Federal Financial Support	23

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2012 and 2011

This Management's Discussion and Analysis ("MD&A") of KWMU-FM Radio (the "Station") provides an overview of the Station's financial performance for the fiscal years ended June 30, 2012 and 2011. 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 St. Louis campus of the University of Missouri (the "University") and operates under FCC license issued to the Curators of the University of Missouri. The University provides on-going, line item funding as well as indirect institutional support (e.g. studio and office space, custodial and human resource support). The University's indirect institutional support to the Station is significant to the Station's financial activities and is fully described in the annual report to CPB.

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

KWMU 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 basic financial statements of the Station are prepared in accordance with generally accepted accounting principles in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The notes to the basic financial statements provide required disclosures and other information that are essential to fully understand 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 3651 Olive Street, St. Louis, MO 63108.

STATEMENTS OF NET ASSETS

The Statements of Net Assets present the financial position of the Station as of June 30, 2012 and 2011 at the end of the fiscal year, including all assets and liabilities of the Station and segregating them into current and noncurrent components. 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.

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2012 and 2011

A summary of the Station's assets, liabilities, and net assets at June 30, 2012, 2011, and 2010, is as follows:

	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
Assets			
Current Assets	\$ 5,678,788	\$ 3,755,711	\$ 3,521,999
Noncurrent Assets	5,666,554	3,979,470	1,416,319
Total Assets	<u>\$ 11,345,342</u>	<u>\$ 7,735,181</u>	<u>\$ 4,938,318</u>
Liabilities and Net Assets			
Current Liabilities	\$ 855,765	\$ 434,905	\$ 562,491
Noncurrent Liabilities	149,667	195,690	243,423
Total Liabilities	<u>1,005,432</u>	<u>630,595</u>	<u>805,914</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	287,768	236,295	201,542
Restricted Nonexpendable - Endowment	403,099	406,301	296,127
Restricted Expendable - Capital	5,907,691	3,664,251	2,889,399
Unrestricted	3,741,352	2,797,739	745,336
Total Net Assets	<u>10,339,910</u>	<u>7,104,586</u>	<u>4,132,404</u>
Total Liabilities and Net Assets	<u>\$ 11,345,342</u>	<u>\$ 7,735,181</u>	<u>\$ 4,938,318</u>

Fiscal Year 2012 Compared to Fiscal Year 2011

Total assets increased \$3,610,161 to \$11,345,342 reflecting the general stability of the Station's financial position. The increase is related to the increased support from the University, Station's Capital Campaign gifts, Membership Contributions, Underwriting Income, and funding from Corporation for Public Broadcasting (CPB).

Total liabilities increased \$374,837 to \$1,005,432 over the prior year due primarily to a increase in Accounts Payable and Other Accrued Expenses.

Net assets increased by \$3,235,324. The increase is related to the increased support from the University, Station's Capital Campaign gifts, Membership Contributions, Underwriting Income, and funding from Corporation for Public Broadcasting (CPB).

Fiscal Year 2011 Compared to Fiscal Year 2010

Total assets increased \$2,796,863 to \$7,735,181 reflecting the general stability of the Station's financial position. The increase is related to the increased support from the University, Station's Capital Campaign gifts, Membership Contributions, Underwriting Income and funding from Corporation for Public Broadcasting (CPB).

Total liabilities decreased \$175,319 to \$630,595 over the prior year due primarily to a decrease in deferred revenue, unexpended grants, and notes payable to the University.

Net assets increased by \$2,972,182. The increase is related to the increased support from the University, Station's Capital Campaign gifts, Membership Contributions, Underwriting Income, Special Events and funding from Corporation for Public Broadcasting (CPB).

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2012 and 2011

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 revenues and expenses between operating and non-operating categories, and provides a view of the Station's operating margin.

	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
Operating Revenues:			
Membership Contributions and Contributed Support	\$ 2,800,700	\$ 2,797,530	\$ 2,372,338
Community Service Grants from CPB	523,085	454,885	373,497
Underwriting Income	1,516,150	1,634,419	1,133,902
Special Events & Other Operating Revenue	148,434	216,926	153,782
Total Operating Revenues	4,988,369	5,103,760	4,033,519
Operating Expenses:			
Program Services -			
Broadcasting	714,020	482,149	293,785
Programming and Production - Local	2,414,124	2,274,933	1,692,453
Program Information	342,681	476,775	571,582
Total Program Services	3,470,825	3,233,857	2,557,820
Support Services	2,783,984	1,951,409	2,423,111
Depreciation Expense	85,068	64,556	59,959
Total Operating Expenses	6,339,877	5,249,822	5,040,890
Operating Loss Before Nonoperating Revenues (Expenses)	(1,351,508)	(146,062)	(1,007,371)
Nonoperating Revenues (Expenses):			
Capital Campaign, Net	2,184,510	737,483	481,878
Support from the University of Missouri	1,333,468	1,342,073	442,024
Donated Facilities and Administrative Support from University of Missouri	916,348	735,002	753,272
Other Grants	11,449	35,332	97,715
Other In-Kind Nonoperating Revenue	21,870	135,417	187,401
Investment Income (Loss)	35,826	115,471	75,040
Interest on Note Receivable	69,193	7,307	-
Interest Expense	(7,832)	(9,841)	(11,767)
Payments from Friends of KWMU	22,000	20,000	75,000
Total Nonoperating Revenues (Expenses)	4,586,832	3,118,244	2,100,563
Increase (Decrease) in Net Assets	3,235,324	2,972,182	1,093,192
Net Assets, Beginning of Year	7,104,586	4,132,404	3,039,212
Net Assets, End of Year	<u>\$ 10,339,910</u>	<u>\$ 7,104,586</u>	<u>\$ 4,132,404</u>

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2012 and 2011

Fiscal Year 2012 Compared to Fiscal Year 2011

Total **Operating Revenues** for fiscal year 2012 decreased \$115,391 over fiscal year 2011 largely due to a decrease in Underwriting Income and Special Events. The Station's operating revenues fall into two categories: 1) Listener sensitive income including contributions from listeners through special events and program support from area businesses in exchange for on-air recognition; and 2) operating grants from Corporation for Public Broadcasting. **Membership Contributions and Contributed Support** for fiscal year 2012 increased \$3,170, or .1%, over fiscal year 2011. As of June 30, 2012, KWMU has 20,391 members. For fiscal year 2012, **Underwriting Income** decreased by \$118,269, or 7.2%, over fiscal year 2011. The Station continues to make a strong effort to sustain current underwriting and secure new businesses. For fiscal year 2012, **Community Service Grants** from the CPB increased by \$68,200 over fiscal year 2011. For fiscal year 2012, **Special Events & Other Operating Revenue** decreased by \$68,492, or 31.6%, over fiscal 2011.

Total **Nonoperating Revenues** for fiscal year 2012 increased \$1,468,588, or 47.1%, over fiscal year 2011. The increase is primarily due to the Station's **Capital Campaign. Support from the University** for fiscal year 2012 decreased by \$8,605, or .6%, over fiscal year 2011. For fiscal year 2012, **Donated Facilities and Administrative Support from the University of Missouri** increased by \$181,346, or 24.7%, over fiscal year 2011. The increase is related to the University's support to the new building for the Station. For fiscal year 2012, **Other Grants** decreased by \$23,883, or 67.6%, over fiscal year 2011. For fiscal year 2012, **Other In-Kind Nonoperating Revenue** decreased by \$113,547, or 83.8%, over fiscal year 2011. The decrease was primarily due to promoting Station's major special events. **Investment Income** for fiscal year 2012 decreased by \$79,645 over fiscal year 2011 due to market fluctuations from year to year. The **Interest on Note Receivable** increased by \$61,886 over fiscal year 2011 due to increase from financing of construction of new building.

Fiscal year 2012 **Operating expenses** increased \$1,090,055, or 20.8%, from fiscal year 2011. Operating expenses fall into two categories: 1) **Program Services**, which represented 54.7% and 61.6% of total operating expenses for fiscal years ended June 30, 2012, and 2011, and 2) **Support Services, including Depreciation**, which represented 45.3% and 38.4% of total operating expenses for fiscal years ended June 30, 2012 and 2011. Program service costs for **Programming and Production** increased \$139,191 to \$2,414,124 for fiscal year 2012 as compared to \$2,274,933 the prior year. **Support Services, including Depreciation** expense increased by \$853,087, or 42.3%, in fiscal year 2012 as compared to the prior year. **Management and General** increased by \$671,066.

Fiscal Year 2011 Compared to Fiscal Year 2010

Total **Operating Revenues** for fiscal year 2011 increased \$1,070,241 over fiscal year 2010 largely due to an increase in Membership Contributions, Underwriting Income, Community Service Grants and Special Events. The Station's operating revenues fall into two categories: 1) Listener sensitive income including contributions from listeners through special events and program support from area businesses in exchange for on-air recognition; and 2) operating grants from Corporation for Public Broadcasting. **Membership Contributions and Contributed Support** for fiscal year 2011 increased \$425,192, or 17.9%, over fiscal year 2010. As of June 30, 2011, KWMU has 20,390 members. For fiscal year 2011, **Underwriting Income** increased by \$500,517, or 44.1%, over fiscal year 2010. The Station continues to make a strong effort to sustain current underwriting and secure new businesses. For fiscal year 2011, **Community Service Grants** from the CPB increased by \$81,388 over fiscal year 2010. For fiscal year 2011, **Special Events & Other Operating Revenue** increased by \$63,144, or 41.1%, over fiscal 2010.

Total **Nonoperating Revenues** for fiscal year 2011 increased \$1,017,681, or 48.4%, over fiscal year 2010. The increase is primarily due to the Station's **Capital Campaign and Support from the University. Support from the University** for fiscal year 2011 increased by \$900,049, or 203.6%, over fiscal year 2010. The increase is related to the University's support to the construction of the new building that will become the new office space for the Station and provide available space for the use of the University. For fiscal year 2011, **Donated Facilities and Administrative Support from the University of Missouri** decreased by \$18,270, or 2.4%, over fiscal year 2010. The decrease is due primarily to a change in Institutional Support expenditures. For fiscal year 2011, **Other Grants** decreased by \$62,383, or 63.8%, over fiscal year 2010. The decrease was due to additional funding received from the Department of Commerce in fiscal year 2010. For fiscal year 2011, **Other In-Kind Nonoperating Revenue**

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2012 and 2011

decreased by \$51,984, or 27.7%, over fiscal year 2010. The decrease was primarily due to promoting Station's major special events. **Investment Income** for fiscal year 2011 increased by \$40,431 over fiscal year 2010 due to market fluctuations from year to year.

Payments from Friends of KWMU-FM for fiscal year 2011 decreased \$55,000 from fiscal year 2010. The decrease reflects the shift of membership revenues and grants from the Friends to the Station.

Fiscal year 2011 **Operating expenses** increased \$208,932, or 4.1%, from fiscal year 2010. Operating expenses fall into two categories: 1) **Program Services**, which represented 61.6% and 50.7% of total operating expenses for fiscal years ended June 30, 2011, and 2010, and 2) **Support Services, including Depreciation**, which represented 38.4% and 49.3% of total operating expenses for fiscal years ended June 30, 2011, and 2010. Program service costs for **Programming and Production** increased \$582,480 to \$2,274,933 for fiscal year 2011 as compared to \$1,692,453 the prior year. **Support Services, including Depreciation** expense decreased by \$467,105, or 18.8%, in fiscal year 2011 as compared to the prior year. **Management and General** decreased by \$793,632. In prior years the cost of Donated Facilities and Administrative Support was included in Support Services, however for FY2011, \$322,208 of the total cost of \$735,002 was allocated to Program Services.

ECONOMIC OUTLOOK

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

- Corporation for Public Broadcasting: The federal government's fiscal year 2011 appropriation for CPB was \$420 million, and remained flat at the same rate for fiscal year 2012. 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 2011) has been magnified by the economic conditions of the last few years. CPB funding source should remain stable during fiscal year 2013. 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: The Station expects a decrease in underwriting due to the depressed national economy. The station has worked for a number of years to increase private business funding and will continue working toward an annual increase in underwriting revenue.
- Support from University of Missouri: The Station has reason to believe that an adverse change in funding may occur in fiscal year 2013 because of the potential impact on State funding to the University resulting from current economic conditions; however, indirect funding remains dependent on Institutional Support expenditures.
- 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.
- Investment income: The Station's investments are managed by the University. Investment income is dependent upon market conditions which, while improving, remain somewhat turbulent.
- Private donations: The Station relies on certain significant revenue streams, including private gifts, for operations.
- Other funding such as gains on assets and miscellaneous revenue: The Station does not plan to sell any equipment in the near future.

INDEPENDENT AUDITORS' REPORT

To the Board of Curators
University of Missouri
Columbia, Missouri

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit, Friends of KWMU Fund, of the University of Missouri KWMU-FM Radio (the "Station"), as of and for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, 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, 2012, 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

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financial statements or to the 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 financial statements as a whole.

December 21, 2012
St. Louis, Missouri

Mueller Probst PC

Certified Public Accountants

University of Missouri
KWMU-FM RADIO

STATEMENTS OF NET ASSETS
As of June 30, 2012 and 2011

	2012		2011	
	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,939,457	\$ 128,102	\$ 1,231,867	\$ 100,376
Cash and Cash Equivalents - Restricted	2,128,057	-	783,044	-
Short-Term Investments - Restricted	2,865	-	4,737	-
Accounts Receivable, Net	190,465	-	261,140	-
Grants Receivable	10,513	-	9,582	-
Pledges Receivable, Net	940,578	-	942,731	-
Prepaid Lease Expense	415,214	-	362,068	-
Prepaid Expense	51,639	-	160,542	-
Total Current Assets	5,678,788	128,102	3,755,711	100,376
Noncurrent Assets:				
Long-Term Investments - Restricted	377,298	-	384,633	-
Pledges Receivable, Net	1,225,230	-	660,493	-
Note Receivable	3,712,084	-	2,614,212	-
Capital Assets, Depreciable, Net	351,942	-	245,184	-
Capital Assets, Non-Depreciable	0	-	74,948	-
Total Noncurrent Assets	5,666,554	-	3,979,470	-
Total Assets	\$ 11,345,342	\$ 128,102	\$ 7,735,181	\$ 100,376
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable and Other Accrued Expenses	\$ 592,382	\$ -	\$ 62,429	\$ -
Accrued Vacation	126,272	-	109,965	-
Deferred Revenue	69,187	-	102,282	-
Unexpended Grants	16,716	-	111,117	-
Note Payable - Administrative Services	51,208	-	49,112	-
	855,765	-	434,905	-
Noncurrent Liabilities:				
Accrued Vacation	40,600	-	35,415	-
Note Payable - Administrative Services	109,067	-	160,275	-
Total Noncurrent liabilities	149,667	-	195,690	-
Total Liabilities	1,005,432	-	630,595	-
Net Assets:				
Invested in Capital Assets, Net of Related Debt	287,768	-	236,295	-
Restricted Nonexpendable - Endowment	403,099	-	406,301	-
Restricted Expendable - Capital	5,907,691	-	3,664,251	-
Unrestricted	3,741,352	128,102	2,797,739	100,376
Total Net Assets	10,339,910	128,102	7,104,586	100,376
Total Liabilities and Net Assets	\$ 11,345,342	\$ 128,102	\$ 7,735,181	\$ 100,376

See accompanying notes to the basic financial statements.

University of Missouri
KWMU-FM RADIO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the years Ended June 30, 2012 and 2011

	2012		2011	
	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit
Operating Revenues:				
Membership Contributions and Contributed Support	\$ 2,800,700	\$ 53,439	\$ 2,797,530	\$ 35,012
Community Service Grants from Corporation for Public Broadcasting	523,085	-	454,885	-
Underwriting Income	1,516,150	-	1,634,419	-
Special Events & Other Operating Revenue	148,434	-	216,926	2,130
Total Operating Revenues	4,988,369	53,439	5,103,760	37,142
Operating Expenses:				
Program Services -				
Broadcasting	714,020	-	482,149	-
Programming and Production - Local	2,414,124	-	2,274,933	-
Program Information	342,681	-	476,775	-
Total Program Services	3,470,825	-	3,233,857	-
Supporting Services -				
Management and General	1,173,091	3,724	502,025	4,149
Depreciation Expense	85,068	-	64,556	-
Fundraising and Membership Development	1,610,893	-	1,449,384	-
Total Supporting Services	2,869,052	3,724	2,015,965	4,149
Total Operating Expenses	6,339,877	3,724	5,249,822	4,149
Operating Income (Loss) Before Nonoperating Revenues (Expenses)	(1,351,508)	49,715	(146,062)	32,993
Nonoperating Revenues (Expenses):				
Capital Campaign, Net	2,184,510	-	737,483	-
Support from the University of Missouri	1,333,468	-	1,342,073	-
Donated Facilities and Administrative Support from University of Missouri	916,348	-	735,002	-
Other Grants	11,449	-	35,332	11,133
Other In-Kind Nonoperating Revenue	21,870	-	135,417	-
Investment Income	35,826	11	115,471	15
Interest on Note Receivable	69,193	-	7,307	-
Interest Expense	(7,832)	-	(9,841)	-
Payments to (from) Friends of KWMU	22,000	(22,000)	20,000	(20,000)
Total Nonoperating Revenues (Expenses)	4,586,832	(21,989)	3,118,244	(8,852)
Increase (Decrease) in Net Assets	3,235,324	27,726	2,972,182	24,141
Net Assets, Beginning of Year	7,104,586	100,376	4,132,404	76,235
Net Assets, End of Year	\$ 10,339,910	\$ 128,102	\$ 7,104,586	\$ 100,376

See accompanying notes to the basic financial statements.

University of Missouri
KWMU-FM RADIO

STATEMENTS OF CASH FLOWS
For the years Ended June 30, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>University Fund Business Type Activity</u>	<u>Friends of KWMU Discretely Presented Component Unit</u>	<u>University Fund Business Type Activity</u>	<u>Friends of KWMU Discretely Presented Component Unit</u>
Cash Flows from Operating Activities:				
Membership Contributions and Contributed Support Corporation for Public Broadcasting Grant	\$ 2,238,116	\$ 53,439	\$ 2,525,500	\$ 35,012
Underwriting Income	428,684	-	363,118	-
Payments to Suppliers and Employees	1,553,730	-	1,511,192	-
Other Receipts	(4,656,243)	(3,724)	(4,466,768)	(4,149)
Net Cash Provided by (Used in) Operating Activities	(287,279)	49,715	149,968	32,993
Cash Flows from Capital and Related Financing Activities:				
Capital Campaign	2,184,510	-	737,483	-
Purchase of Capital Assets	(116,878)	-	(80,448)	-
Other grants	10,518	-	29,542	-
Payments for prepaid lease	(53,146)	-	(362,068)	-
Principal Payments on Note Payable	(49,112)	-	(47,104)	-
Interest Payments on Note Payable	(7,832)	-	(9,841)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	1,968,060	-	267,564	-
Cash Flows from Noncapital Financing Activities:				
Payments and Contributions from University of Missouri & Other Sources	1,333,468	-	1,342,073	-
Payments to/from Friends of KWMU	22,000	(22,000)	20,000	(20,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	1,355,468	(22,000)	1,362,073	(20,000)
Cash Flows from Investing Activities:				
Sale of Investments, Net	9,207	-	(120,798)	-
Investment Income	35,826	11	115,471	15
Issuance of Note Receivable	(1,097,872)	-	(2,614,212)	-
Interest on Note Receivable	69,193	-	7,307	-
Net Cash Provided by (Used in) Investing Activities	(983,646)	11	(2,612,232)	15
Net Increase (Decrease) in Cash and Cash Equivalents	2,052,603	27,726	(832,627)	13,008
Cash and Cash Equivalents, Beginning of Year	2,014,911	100,376	2,847,538	87,368
Cash and Cash Equivalents, End of Year	\$ 4,067,514	\$ 128,102	\$ 2,014,911	\$ 100,376
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating Income (Loss)	\$ (1,351,508)	\$ 49,715	\$ (146,062)	\$ 32,993
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities -				
Operating Activities -				
Depreciation Expense	85,068	-	64,556	-
Donated Facilities and Administrative Support from the University	916,348	-	735,002	-
Other In-Kind Nonoperating Revenue	21,870	-	135,417	-
Changes in Assets and Liabilities:				
Accounts, Grants and Pledges Receivable, Net	(491,909)	-	(350,188)	-
Prepaid Lease Expense	108,903	-	(160,542)	-
Prepaid Expense	529,953	-	5,353	-
Accounts Payable and Other Accrued Expenses	21,492	-	3,268	-
Accrued Vacation	(127,496)	-	(136,836)	-
Unexpensed Grants and Deferred Revenue	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	\$ (287,279)	\$ 49,715	\$ 149,968	\$ 32,993
Noncash Activity:				
Administrative Support from the University of Missouri	\$ 916,348	\$ -	\$ 735,002	\$ -
Non-Cash Contributions of Services and Other Assets	21,870	-	135,417	-

See accompanying notes to the basic financial statements.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization – The Station is a non-profit, non-commercial radio station operated by the University of Missouri (the “University”) on its St. Louis campus in St. Louis, Missouri. 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.

Reporting Entity – Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, provides guidance as to the financial reporting of component units (legally separate organizations for which the Station is financially accountable). Effective July 1, 2003 the Station adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations for which the Station is not financially accountable should be reported as component units based on the nature and significance of their relationship to the Station.

The Friends of KWMU meets the criteria set forth for discretely presented component units under GASB Statement No. 39, and the financial statements include the department and the accounts of the Friends of KWMU-FM, a non-profit Missouri Corporation. The Friends of KWMU (the “Organization”) is a not-for-profit organization that follows generally accepted accounting principles (“GAAP”) under the Financial Accounting Standards Board (“FASB”). The Organization provides financial support for the objectives, purposes, and programs of the Station. The Organization solicits funds in the name of and with approval of the Station. Although the Station does not control the timing, purpose, or amount of receipts from the Organization, the resources which the Organization holds and invests are restricted to the activities of the Station.

During the years ended June 30, 2012 and 2011, the Organization distributed \$22,000 and \$20,000, respectively, to the Station for both restricted and unrestricted purposes.

Separate financial statements for the Organization are not available.

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.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

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 nonoperating revenue as defined by GASB Statement No. 34. Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions, such as support from the University, permanent endowment contributions, capital contributions, and investment income.

Cash and Cash Equivalents – The Station participated in the University's pooled cash accounts for fiscal 2012 and 2011 and pooled investment accounts for fiscal years 2012 and 2011. For fiscal years 2012 and 2011 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 2012, 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 \$5,229 and \$8,766 as of June 30, 2012 and 2011, 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.

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. An allowance of \$30,477 and \$20,807 as of June 30, 2012 and 2011, respectively, was made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and that Station's historical collection experience.

Prepaid Lease Expense – The Station has expended funds relating to the upcoming lease of the facility noted below. These expended funds will be recognized as expenses upon occupancy and through the term of the lease of the facility.

Note Receivable – On September 24, 2010, the University of Missouri Board of Curators agreed to enter into a lease/purchase agreement for the lease and acquisition of a facility to be constructed that will become the new office of the Station and provide available space for the use of the University. The lease payments begin upon occupancy and continue up to seven years after occupancy, at which point the purchase option can first be exercised. As of June 30, 2012, the Station had made payments in the amount of \$3,712,084 which are recorded as a note receivable from the University. When the purchase option is exercised, the building will be purchased through the release of the note 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 ten to forty years for buildings improvements and five to fifteen years for transmission, antenna, tower, studio and broadcast equipment and furniture and fixtures. 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, 2012 and 2011 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.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

Net Assets – The Station’s net assets are classified for financial reporting in the following net asset categories:

- **Invested in Capital Assets, Net of Related Debt:** Property and equipment, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted Nonexpendable – Endowment:** Station net assets in the University’s permanent endowment funds are subject to externally imposed stipulations that the principal be maintained in perpetuity.
- **Restricted Expendable – Capital:** Net assets whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time.
- **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 time of gift.

Donated Facilities and Administrative Support – Donated facilities from the University consist of office and studio space. The cost of these facilities, together with the related occupancy costs, 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 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. 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.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

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.

The GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, effective for fiscal years beginning after June 15, 2011. The statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain derivative instruments. Adoption of GASB Statement No. 64 had no effect on the Project's financial statements.

Discretely Presented Component Unit – Friends of KWMU

Operating Revenue – Operating revenue consists of grants awarded to and special fundraising events provided by the Organization for the Station's benefit. Grant revenues are recognized as eligibility requirements are met.

2. CASH AND CASH EQUIVALENTS RISKS

Custodial Credit Risk – Deposits – KWMU – 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, 2012 and 2011, respectively.

3. INVESTMENTS

Investments – The Station participates in the University's pooled investment accounts, which are stated at fair value, and holds an equity investment in the pool. The investment policies of the University are established by the Board. The policies are established to ensure that the University funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment. The University's investment securities are held in book-entry form in brokerage, custody, and safe keeping accounts in the University's name. The general investment pools, managed by the University, averaged a total return of (0.09%) and 21.5%, including unrealized gains and losses, for the years ended June 30, 2012 and 2011, respectively.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

At June 30, 2012 and 2011, the Station held investments, by investment type, as follows:

	Carrying Value as of <u>June 30, 2012</u>	Carrying Value as of <u>June 30, 2011</u>
Debt Securities	\$ 132,200	\$ 126,765
Corporate Stocks	212,312	229,229
Cash and Cash Equivalents held by the University	4,026,651	1,999,509
Real Estate	16,959	14,018
Absolute Return	18,691	19,358
Money Market Funds	19,647	8,562
Other Cash Equivalents	<u>21,217</u>	<u>6,840</u>
Total Investments and Cash Equivalents	<u>\$ 4,447,677</u>	<u>\$ 2,404,281</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.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

At June 30, 2012 and 2011, the Station's portion of the University's debt securities matures as follows:

	As of June 30, 2012					
	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>	<u>No Maturity</u>	<u>Carrying Value</u>
U.S. Treasury Obligations	\$ 451	\$ 8,213	\$ 7,140	\$ 7,896	\$ -	\$ 23,700
U.S. Agency Obligations	205	554	120	65	-	944
Commingled Debt Securities	-	-	-	-	35,900	35,900
Asset Backed Securities	-	9	1,152	13,768	-	14,929
Foreign Government Obligations	642	7,162	11,566	5,304	-	24,674
U.S. Corporate Bonds & Notes	560	3,967	10,036	2,155	-	16,718
Foreign Corporate Bonds & Notes	1,008	9,376	2,251	2,700	-	15,335
Total	\$ 2,866	\$ 29,281	\$ 32,265	\$ 31,888	\$ 35,900	\$ 132,200
	As of June 30, 2011					
	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>	<u>No Maturity</u>	<u>Carrying Value</u>
U.S. Treasury Obligations	\$ -	\$ 684	\$ 85	\$ 35	\$ -	\$ 804
U.S. Agency Obligations	1,035	10,565	8,183	10,107	-	29,890
Commingled Debt Securities	-	-	-	-	30,269	30,269
Asset Backed Securities	7	76	1,088	9,533	-	10,704
Foreign Government Obligations	534	6,767	8,357	2,986	-	18,644
U.S. Corporate Bonds & Notes	31	4,501	8,717	2,511	-	15,760
Foreign Corporate Bonds & Notes	3,130	11,414	3,822	2,328	-	20,694
Total	\$ 4,737	\$ 34,007	\$ 30,252	\$ 27,500	\$ 30,269	\$ 126,765

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, 2012 and 2011, respectively. All holdings of money market funds were rated AAA at June 30, 2012 and 2011, respectively.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

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, 2012 and 2011, is as follows:

	As of June 30, 2012						Total
	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Commingled Debt Securities	
U.S. Agency Obligations	\$ -	\$ 944	\$ -	\$ -	\$ -	\$ -	\$ 944
U.S. Treasury Obligations	23,700	-	-	-	-	-	23,700
Mortgage-Backed Securities	-	-	-	-	-	-	-
Guaranteed by U.S. Agencies	-	13,165	-	-	-	-	13,165
Debt Securities in Commingled Funds	-	-	-	-	-	35,900	35,900
Aaa/AAA	-	164	8,150	344	7,500	-	16,158
Aa/AA	-	603	4,044	851	1,932	-	7,430
A/A	-	225	2,931	2,410	2,958	-	8,524
Baa/BBB	-	188	1,241	1,292	866	-	3,587
Less than Baa/BBB	-	378	-	10,680	640	-	11,698
Unrated	-	206	8,308	1,141	1,439	-	11,094
Total	\$ 23,700	\$ 15,873	\$ 24,674	\$ 16,718	\$ 15,335	\$ 35,900	\$ 132,200

	As of June 30, 2011						Total
	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Commingled Debt Securities	
U.S. Agency Obligations	\$ -	\$ 804	\$ -	\$ -	\$ -	\$ -	\$ 804
U.S. Treasury Obligations	29,890	-	-	-	-	-	29,890
Mortgage-Backed Securities	-	-	-	-	-	-	-
Guaranteed by U.S. Agencies	-	7,815	-	-	-	-	7,815
Debt Securities in Commingled Funds	-	-	-	-	-	30,269	30,269
Aaa/AAA	-	1,189	5,436	682	9,977	-	17,284
Aa/AA	-	165	2,772	793	2,630	-	6,360
A/A	-	506	2,938	3,665	4,701	-	11,810
Baa/BBB	-	176	966	326	826	-	2,294
Less than Baa/BBB	-	302	-	9,882	851	-	11,035
Unrated	-	551	6,532	412	1,709	-	9,204
Total	\$ 29,890	\$ 11,508	\$ 18,644	\$ 15,760	\$ 20,694	\$ 30,269	\$ 126,765

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 securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. At June 30, 2012 and 2011, 3.4% and 6.4%, respectively, of the Station's total investments and cash and cash equivalents were denominated in foreign currencies.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

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 Equivalents	2012 Total	2011 Total
Euro	\$ 21,700	\$ 3,663	\$ 227	\$ 25,590	\$ 33,540
Japanese Yen	3,355	4,814	31	8,200	12,729
British Pound Sterling	8,351	5,495	28	13,874	14,190
Australian Dollar	3,432	1,320	-	4,752	4,997
Canadian Dollar	3,601	316	-	3,917	3,944
Swiss Franc	-	3,835	-	3,835	4,623
Hong Kong Dollar	-	1,974	78	2,052	2,116
Mexican New Peso	-	-	2,381	2,381	-
Swedish Krona	870	1,224	-	2,094	1,414
Other	28,265	54,741	128	83,134	77,541
Total	\$ 69,574	\$ 77,382	\$ 2,873	\$ 149,829	\$ 155,094

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, 2012 and 2011, for the Station is as follows:

	Unexpended Grants	
	2012	2011
Balance, Beginning of Year	\$ 111,117	\$ 202,884
Grants	440,134	398,450
Deductions, Amount Expended	(534,535)	(490,217)
Balance, End of Year	\$ 16,716	\$ 111,117

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2012 and 2011, is summarized as follows:

2012	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital Assets, Depreciable:				
Buildings and Improvements	\$ 154,119	\$ -	\$ -	\$ 154,119
Transmission, Antenna and Tower	173,149	-	-	173,149
Studio and Other Broadcast Equipment	253,895	191,826	-	445,721
Furniture and Fixtures	131,617	-	-	131,617
Total Capital Assets, Depreciable	<u>712,780</u>	<u>191,826</u>	<u>-</u>	<u>904,606</u>
Accumulated Depreciation:				
Buildings and Improvements	27,049	-	-	27,049
Transmission, Antenna and Tower	173,149	-	-	173,149
Studio and Other Broadcast Equipment	148,781	85,068	-	233,849
Furniture and Fixtures	118,617	-	-	118,617
Total Accumulated Depreciation	<u>467,596</u>	<u>85,068</u>	<u>-</u>	<u>552,664</u>
Total Capital Assets, Depreciable, Net	<u>\$ 245,184</u>	<u>\$ 106,758</u>	<u>\$ -</u>	<u>\$ 351,942</u>
Total Capital Assets, Non-Depreciable, Net	<u>\$ 74,948</u>	<u>\$ (74,948)</u>	<u>\$ -</u>	<u>\$ -</u>
2011	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital Assets, Depreciable:				
Buildings and Improvements	\$ 154,119	\$ -	\$ -	\$ 154,119
Transmission, Antenna and Tower	173,149	-	-	173,149
Studio and Other Broadcast Equipment	344,784	-	(90,889)	253,895
Furniture and Fixtures	126,117	5,500	-	131,617
Total Capital Assets, Depreciable	<u>798,169</u>	<u>5,500</u>	<u>(90,889)</u>	<u>712,780</u>
Accumulated Depreciation:				
Buildings and Improvements	27,049	-	-	27,049
Transmission, Antenna and Tower	173,149	-	-	173,149
Studio and Other Broadcast Equipment	175,114	64,556	(90,889)	148,781
Furniture and Fixtures	118,617	-	-	118,617
Total Accumulated Depreciation	<u>493,929</u>	<u>64,556</u>	<u>(90,889)</u>	<u>467,596</u>
Total Capital Assets, Depreciable, Net	<u>\$ 304,240</u>	<u>\$ (59,056)</u>	<u>\$ -</u>	<u>\$ 245,184</u>
Total Capital Assets, Non-Depreciable, Net	<u>\$ -</u>	<u>\$ 74,948</u>	<u>\$ -</u>	<u>\$ 74,948</u>

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

6. NOTE PAYABLE – ADMINISTRATIVE SERVICES

At June 30, 2012 and 2011, two notes payable agreements were in existence to borrow funds from the Administrative Services department of the University of Missouri-St. Louis.

A 7 year note dated June 25, 2008 for \$200,000 was used to renovate the building in which the Station operates. The interest rate is 4.5%. Principal and interest of \$2,780 are due monthly. The note matures on June 24, 2015.

A 7 year note dated June 25, 2008 for \$145,000 was used to replace a transmitter. The interest rate is 3.75%. Principal and interest of \$1,965 are due monthly. The note matures on June 24, 2015.

Note payable activity for the year ended June 30, 2012 and 2011, is as follows:

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Proceeds</u>	<u>Payments</u>	<u>End of Year</u>	<u>Current Portion</u>
2012	\$209,387	\$ -	\$ (49,112)	\$160,275	\$ 51,208
2011	256,491	-	(47,104)	209,387	49,112

As of June 30, 2012, the total of principal and interest due on the notes by year is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	51,208	2,140
2014	53,394	1,322
2015	55,673	472

7. OPERATING LEASE OBLIGATIONS

The Station leases an above-ground, multi-unit broadcast tower from Sinclair Media 1, Inc. The lease expires February 2017. The Station also leases the new building as described in Note 1. The lease expires in May 2017. Future minimum payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 677,225
2014	680,599
2015	666,074
2016	677,654
2017	601,247
Total Future Mimimum Payments	<u>\$ 3,302,799</u>

Total lease payments for the years ended June 30, 2012 and 2011, were \$344,508 and \$102,964, respectively.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

8. DONOR-DESIGNATED ENDOWMENT

The Station's endowment consists of three funds, the Donald H. Driemeier Endowment for KWMU, the Irvin Dagen and Margaret W. Dagen Fund for the Support of KWMU, and St. Louis Public Radio Classical Music Endowment. Distributions from the Donald H. Driemeier Endowment for KWMU are based on earnings on the original corpus along with any subsequent contributions to the endowment and are to be used to support continuing operations of the Station to fund local programming for regional and national distribution for such expense as salaries, equipment and other related expenses to serve the purpose of the endowment. Distributions from the Irvin Dagen and Margaret W. Dagen Fund for the Support of KWMU are based on earnings on the original corpus along with any subsequent contributions to the endowment and are to be used to provide in-depth news and discussion programs on KWMU radio. Distributions from the St. Louis Public Radio Classical Music Endowment are based on earnings on the original corpus along with any subsequent contributions to the endowment and are to be used to support classical music radio programming on St. Louis Public Radio. Should St. Louis Public Radio cease to exist or cease to broadcast classical music, endowment funds will be transferred to create an endowment fund at the Whitney R. Harris World Ecology Center at the University of Missouri – St. Louis. The balance of the endowments as of June 30, 2012 and 2011 is \$403,099 and \$406,301, respectively.

9. 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.

10. 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 7.2% and 5.7% for the years ended June 30, 2012 and 2011, 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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2012 and 2011

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, 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 2012 and 2011, the University contributed 50.0% and 45.3% of the actuarially determined annual required contribution. The fiscal years 2012 and 2011 annual required contribution represented 6.0% 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.

University of Missouri
KWMU-FM Radio

SUPPLEMENTAL SCHEDULE OF NON-FEDERAL FINANCIAL SUPPORT
For The Year Ended June 30, 2012

Summary of Non-Federal Financial Support

1. Direct Revenue	\$ 8,070,228
2. Indirect Administrative Support	916,348
3. In-Kind Contributions:	
a. Services and Other Assets	21,870
b. Property and Equipment	-
Total In-Kind Contributions	<u>21,870</u>
4. Total Non-Federal Financial Support	<u>\$ 9,008,446</u>

See accompanying Independent Auditors' Report.