

University of Missouri
KUMR-FM Radio

***Financial Statements as of and for the Years Ended
June 30, 2006 and 2005, Supplemental Schedule for
the Year Ended June 30, 2006, and Independent
Auditors' Report***

University of Missouri
KUMR-FM RADIO

TABLE OF CONTENTS

| | Page |
|--|------|
| Management's Discussion and Analysis | 1 |
| Independent Auditors' Report | 7 |
| Basic Financial Statements as of and for the Years Ended June 30, 2006 and 2005: | |
| Statements of Net Assets | 9 |
| Statements of Revenues, Expenses and Changes in Net Assets | 10 |
| Statements of Cash Flows | 11 |
| Notes to Basic Financial Statements | 12 |
| Supplemental Information for the Year Ended June 30, 2006: | |
| Supplemental Schedule of Non-Federal Financial Support | 22 |

University of Missouri
KUMR-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2006 and 2005

This management's discussion and analysis (MD&A) of KUMR-FM Radio (the "Station") provides an overview of the Station's financial performance for the fiscal years ended June 30, 2006 and 2005. Please read it in conjunction with the basic financial statements for the period and the annual report to the Corporation for Public Broadcasting ("CPB").

OVERVIEW OF THE OPERATIONS

The Station is a department of the 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.

KUMR 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 U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

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

The Station's annual basic financial statements and reports to CPB are available for public inspection during business hours in the Station's public file located at 1870 Miner Circle, Rolla, MO.

STATEMENTS OF NET ASSETS

The Statements of Net Assets present the financial position of the Station as of June 30, 2006 and 2005 and include 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. A summary of the Station's assets, liabilities and net assets at June 30, 2006, 2005 and 2004, is as follows:

University of Missouri
KUMR-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2006 and 2005

| | Fiscal Year 2006 | Fiscal Year 2005 | Fiscal Year 2004 |
|-----------------------------------|---------------------|---------------------|---------------------|
| Assets | | | |
| Current Assets | \$ 125,009 | \$ 122,163 | \$ 81,783 |
| Long-Term Investments | 355,457 | 234,295 | 269,837 |
| Capital Assets, Net | 85,475 | 100,562 | 34,212 |
| Total Assets | <u>\$ 565,941</u> | <u>\$ 457,020</u> | <u>\$ 385,832</u> |
| Liabilities and Net Assets | | | |
| Current Liabilities | \$ 215,276 | \$ 110,174 | \$ 111,197 |
| Noncurrent Liabilities | 5,404 | 6,347 | 5,701 |
| Total Liabilities | <u>220,680</u> | <u>116,521</u> | <u>116,898</u> |
| Net Assets: | | | |
| Invested in Capital Assets | 85,475 | 100,562 | 34,212 |
| Unrestricted - | | | |
| Other | 70,379 | 68,009 | 71,113 |
| Board Designated | 189,407 | 171,928 | 163,609 |
| Total Net Assets | <u>345,261</u> | <u>340,499</u> | <u>268,934</u> |
| Total Liabilities and Net Assets | <u>\$ 565,941</u> | <u>\$ 457,020</u> | <u>\$ 385,832</u> |

Fiscal Year 2006 Compared to Fiscal Year 2005

Total assets increased by \$108,921 to \$565,941 which reflects the Station's continued efforts to strengthen its capital position. The increase is due primarily to an increase in long-term investments.

Capital assets for year ended June 30, 2006 decreased by \$15,087. Depreciation expense increased \$1,319 from \$13,768 to \$15,087.

Total liabilities increased \$104,159 over the prior year due to unexpended grants.

Net assets increased by \$4,762 mainly due to the increase in long-term investments for the year ended June 30, 2006.

Fiscal Year 2005 Compared to Fiscal Year 2004

Total assets increased by \$71,188 to \$457,020 which reflects the Station's continued efforts to strengthen its capital position. The increase is due primarily to an increase in grant funding, an increase in private gifts, and an increase in capital assets.

Capital assets for year ended June 30, 2005 increased by \$66,350. Depreciation expense increased \$10,717 from \$3,051 to \$13,768.

Total liabilities decreased \$377 over the prior year due primarily to a decrease in deferred revenue.

Net assets increased by \$71,565 mainly because of the increase in capital assets in the year ended June 30, 2005.

University of Missouri
KUMR-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2006 and 2005

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 provide a view of the Station's operating margin.

| | Fiscal Year 2006 | Fiscal Year 2005 | Fiscal Year 2004 |
|---|---------------------|---------------------|---------------------|
| Operating Revenues: | | | |
| Underwriting Income | \$ 59,673 | \$ 62,913 | \$ 56,980 |
| Grants from Corporation for Public Broadcasting | 101,942 | 130,833 | 89,505 |
| Other | 5,623 | 3,242 | 4,763 |
| Total Operating Revenues | <u>167,238</u> | <u>196,988</u> | <u>151,248</u> |
| Operating Expenses: | | | |
| Program Services - | | | |
| Programming and Production | 183,568 | 187,393 | 185,768 |
| Broadcasting | 115,589 | 114,005 | 115,959 |
| Program Information | 17,889 | 24,469 | 21,323 |
| Total Program Services | <u>317,046</u> | <u>325,867</u> | <u>323,050</u> |
| Support Services - | | | |
| Grant Solicitation and Underwriting | 30,060 | 27,312 | 21,485 |
| Fundraising and Membership Development | 58,092 | 69,561 | 53,337 |
| Management and General | 263,467 | 279,336 | 271,366 |
| Total Support Services | <u>351,619</u> | <u>376,209</u> | <u>346,188</u> |
| Depreciation Expense | <u>15,087</u> | <u>13,768</u> | <u>3,051</u> |
| Total Operating Expenses | <u>683,752</u> | <u>715,844</u> | <u>672,289</u> |
| Operating Loss Before Nonoperating Revenues | <u>(516,514)</u> | <u>(518,856)</u> | <u>(521,041)</u> |
| Nonoperating Revenues: | | | |
| Support from the University of Missouri | 271,981 | 266,827 | 278,337 |
| Donated Facilities and Administrative Support | 92,293 | 124,602 | 100,642 |
| Investment Income | 21,645 | 14,591 | 24,950 |
| Private Gifts | 135,357 | 148,266 | 160,505 |
| Total Nonoperating Revenues | <u>521,276</u> | <u>554,286</u> | <u>564,434</u> |
| Income before Capital Contributions | 4,762 | 35,430 | 43,393 |
| Capital grant from Department of Commerce | - | 36,135 | - |
| Increase in Net Assets | 4,762 | 71,565 | 43,393 |
| Net Assets, Beginning of Year | <u>340,499</u> | <u>268,934</u> | <u>225,541</u> |
| Net Assets, End of Year | <u>\$ 345,261</u> | <u>\$ 340,499</u> | <u>\$ 268,934</u> |

University of Missouri
KUMR-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2006 and 2005

Fiscal Year 2006 Compared to Fiscal Year 2005

Total **Operating Revenues** for fiscal year 2006 decreased \$29,750 from fiscal year 2005. This fluctuation is mainly due to decreases in Grants from the Corporation for Public Broadcasting. 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 CPB.

Underwriting Income for fiscal year 2006 decreased \$3,240 over fiscal year 2005. Because of the uncertain economic outlook for support from the University due to the State of Missouri's cuts to the University, the Station continues to make a conscientious effort to increase underwriting revenue.

Community Service and Other Grants from the Corporation for Public Broadcasting for fiscal year 2006 decreased by 22.1% or \$28,891 over fiscal year 2005 due to an equipment grant not received in fiscal year 2006.

Total **Non-operating Revenues** for fiscal year 2006 decreased by \$33,010 from fiscal year 2005. The decreases were in Private Gifts and Donated Facilities and Administrative Support. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including private gifts, investment income, and donated facilities and administrative support from the University.

Support from the University of Missouri experienced an increase of 1.9% in fiscal year 2006 to \$271,981 from \$266,827 in fiscal year 2005.

Donated facilities and administrative support from the University of Missouri decreased \$32,309 or 25.9% in fiscal year 2006 from fiscal year 2005. This change is due primarily to a change in Institutional Support expenditures.

Investment Income in fiscal year 2006 increased \$7,054 or 48.3% from fiscal year 2005. The difference is the fluctuation in the market from year to year and new endowment gifts.

Private Gifts decreased \$12,909 to \$135,357 for fiscal year ended June 30, 2006, as compared to \$148,266 for fiscal year 2005. The decrease is related to the conclusion of the capital campaign for a new transmitter that began in fiscal year 2004.

Total **Operating expenses** decreased \$32,092 to \$683,752 as of June 30, 2006, compared to \$715,844 as of June 30, 2005. Operating expenses fall into two categories: 1) Program services representing 46.4% and 45.4% of total operating expenses for fiscal years ended June 30, 2006 and 2005, respectively; and 2) Support services representing 51.4% and 52.7% of total operating expenses for fiscal years ended June 30, 2006 and 2005, respectively. The decrease is primarily due to staff vacancies at the Station.

Program Information expenses decreased \$6,580 to \$17,889 for the fiscal year ended June 30, 2006, compared to \$24,469 for fiscal year ended June 30, 2005, due to a vacancy in the underwriting coordinator position. **Management and General** expenses decreased \$15,869 to \$263,467 for the fiscal year ended June 30, 2006, compared to \$279,336 for fiscal year ended June 30, 2005, due to a vacancy in an administrative assistant position.

Fiscal Year 2005 Compared to Fiscal Year 2004

Total **Operating Revenues** for fiscal year 2005 increased \$45,740 from fiscal year 2004. This fluctuation is mainly due to increases in Community service Grants from the Corporation for Public Broadcasting. The Station's operating revenues fall into two categories: 1) Listener sensitive income including contributions from

University of Missouri
KUMR-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2006 and 2005

listeners through special events and program support from area businesses in exchange for on-air recognition; and 2) operating grants from CPB.

Underwriting Income for fiscal year 2005 increased by 10.4% or \$5,933 over fiscal year 2004. Because of the uncertain economic outlook for support from the University due to the State of Missouri's cuts to the University, the Station has made a conscientious effort to increase underwriting revenue.

Community Service and Other Grants from the Corporation for Public Broadcasting for fiscal year 2005 increased by 46.2% or \$41,328 over fiscal year 2004 due to a reclassification by CPB which provided more funding for rural stations.

Total **Non-operating Revenues** for fiscal year 2005 decreased by \$10,148 from fiscal year 2004. The decreases were in Private Gifts, Support from the University of Missouri and Investment Income. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including private gifts, investment income, and donated facilities and administrative support from the University.

Support from the University of Missouri decreased 4.1% in fiscal year 2005 to \$266,827 from \$278,337 in fiscal year 2004. This was primarily due to cuts at the University by the State of Missouri.

Donated facilities and administrative support from the University of Missouri increased \$23,960 or 23.8% in fiscal year 2005 from fiscal year 2004. This change is due primarily to a change in Institutional Support expenditures.

Investment Income in fiscal year 2005 decreased \$10,359 or 41.5% from fiscal year 2004. The difference is the fluctuation in the market from year to year.

Private Gifts decreased \$12,239 to \$148,266 for fiscal year ended June 30, 2005, as compared to \$160,505 for fiscal year 2004. The decrease is related to the conclusion of the capital campaign for a new transmitter that began in fiscal year 2004.

Total **Operating expenses** increased \$43,555 to \$715,844 as of June 30, 2005, compared to \$672,289 as of June 30, 2004. Operating expenses fall into two categories: 1) Program services representing 45.4% and 48.1% of total operating expenses for fiscal years ended June 30, 2005, and 2004, respectively; and 2) Support services representing 52.7% and 51.5% of total operating expenses for fiscal years ended June 30, 2005, and 2004, respectively.

The increase is primarily due to increases in **Programming and Production** expenses of \$1,625 to \$187,393 for the fiscal year ended June 30, 2005, compared to \$185,768 for fiscal year ended June 30, 2004, increase of \$16,224 to \$69,561 in Fund-raising and Membership Development in fiscal year ended June 30, 2005 compared to \$53,337 in fiscal year ended June 30, 2004 and an increase in Management and General expenses of \$7,970 to \$279,336 for the fiscal year ended June 30, 2005, compared to \$271,366 for fiscal year ended June 30, 2004.

ECONOMIC OUTLOOK

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

- **Corporation for Public Broadcasting:** The fiscal year 2006 CPB appropriation from the federal government was \$400.0 million. CPB is funded two years in advance. CPB appropriation for fiscal years 2007 and 2008, each respectively, is \$400 million. For fiscal year 2009, the CPB request for funding is \$430 million. Thus the stability of CPB funding will remain steady for the next year. CPB has approved new funding guidelines effective fiscal year 2007. The core amount of the Community Service Grant will be smaller, but dependent on stations meeting certain community service goals, the overall grant will either increase or decrease.

University of Missouri
KUMR-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2006 and 2005

- Underwriting support: The Station has worked for a number of years to increase private business funding and will continue towards an annual increase in underwriting because an increase will increase CPB funding.
- Special event funding: The Station does not rely on special event funding, but if a situation presents itself, the Station will evaluate if it is to the Station's advantage.
- Support from the University of Missouri: The Station does not foresee a dramatic change in funding for future years. Indirect funding is dependent on Institutional Support expenditures.
- Investment income: The Station's investments are directed by the University. Investment income is dependent on market viability.
- Private donations: KUMR relies on certain significant revenue streams, including private gifts, for operations even though they are recorded as non-operating revenues, as defined by GASB Statement No. 35.
- Other funding such as gains on assets and miscellaneous revenue: The Station does not plan to sell any equipment in the near future.



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Independent Auditors' Report

To the Board of Curators
University of Missouri:

We have audited the accompanying basic financial statements of the University of Missouri KUMR-FM Radio as of and for the years ended June 30, 2006 and 2005, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the University of Missouri's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Missouri KUMR-FM Radio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and the 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 opinion.

As discussed in note 1, the basic financial statements of the University of Missouri KUMR-FM Radio are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the University of Missouri that is attributable to the transactions of the University of Missouri KUMR-FM Radio. They do not purport to, and do not, present fairly the financial position of the University of Missouri as of June 30, 2006 and 2005, the changes in its financial position or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University of Missouri KUMR-FM Radio as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, on pages 1 through 6, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of non-federal financial support for the year ended June 30, 2006, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

St. Louis, Missouri
November 28, 2006

University of Missouri
KUMR-FM RADIO

STATEMENTS OF NET ASSETS
As of June 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 62,417 | \$ 56,031 |
| Short-Term Investments | 34,137 | 40,552 |
| Accounts Receivable | 6,705 | 3,781 |
| Pledges Receivable, Net | 7,661 | 4,562 |
| Prepaid Expense | 14,089 | 17,237 |
| Total Current Assets | <u>125,009</u> | <u>122,163</u> |
| Noncurrent Assets: | | |
| Long-Term Investments | 355,457 | 234,295 |
| Capital Assets, Depreciable, Net | 85,475 | 100,562 |
| Total Noncurrent Assets | <u>440,932</u> | <u>334,857</u> |
| Total Assets | <u>\$ 565,941</u> | <u>\$ 457,020</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accrued Vacation | \$ 19,662 | \$ 22,636 |
| Accounts Payable and Other Accrued Expenses | 2,295 | 6,677 |
| Unexpended Grants | 190,485 | 76,613 |
| Deferred Revenue | 2,834 | 4,248 |
| Total Current Liabilities | <u>215,276</u> | <u>110,174</u> |
| Noncurrent Liabilities: | | |
| Accrued Vacation | 5,404 | 6,347 |
| Total Noncurrent Liabilities | <u>5,404</u> | <u>6,347</u> |
| Total Liabilities | <u>220,680</u> | <u>116,521</u> |
| Net Assets: | | |
| Unrestricted - | | |
| Other | 70,379 | 68,009 |
| Board Designated | 189,407 | 171,928 |
| Invested in Capital Assets | 85,475 | 100,562 |
| Total Net Assets | <u>345,261</u> | <u>340,499</u> |
| Total Liabilities and Net Assets | <u>\$ 565,941</u> | <u>\$ 457,020</u> |

See accompanying notes to the basic financial statements.

University of Missouri
KUMR-FM RADIO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For The Years Ended June 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|---|--------------------------|--------------------------|
| Operating Revenues: | | |
| Underwriting Income | \$ 59,673 | \$ 62,913 |
| Community Service Grants from Corporation for Public Broadcasting | 101,942 | 130,833 |
| Other | 5,623 | 3,242 |
| Total Operating Revenues | <u>167,238</u> | <u>196,988</u> |
| Operating Expenses: | | |
| Program Services - | | |
| Programming and Production | 183,568 | 187,393 |
| Broadcasting | 115,589 | 114,005 |
| Program Information | 17,889 | 24,469 |
| Total Program Services | <u>317,046</u> | <u>325,867</u> |
| Supporting Services - | | |
| Grant Solicitation and Underwriting | 30,060 | 27,312 |
| Fund-raising and Membership Development | 58,092 | 69,561 |
| Management and General | 263,467 | 279,336 |
| Total Supporting Services | <u>351,619</u> | <u>376,209</u> |
| Depreciation expense | 15,087 | 13,768 |
| Total Operating Expenses | <u>683,752</u> | <u>715,844</u> |
| Operating Loss Before Nonoperating Revenue | <u>(516,514)</u> | <u>(518,856)</u> |
| Nonoperating Revenues: | | |
| Support from the University of Missouri | 271,981 | 266,827 |
| Donated Facilities and Administrative Support from University of Missouri | 92,293 | 124,602 |
| Investment Income | 21,645 | 14,591 |
| Private Gifts | 135,357 | 148,266 |
| Total Nonoperating Revenues | <u>521,276</u> | <u>554,286</u> |
| Income before Capital Contributions | 4,762 | 35,430 |
| Capital Grant from Department of Commerce | - | 36,135 |
| Increase in Net Assets | <u>4,762</u> | <u>71,565</u> |
| Net Assets, Beginning of Year | <u>340,499</u> | <u>268,934</u> |
| Net Assets, End of Year | <u>\$ 345,261</u> | <u>\$ 340,499</u> |

See accompanying notes to the basic financial statements.

University of Missouri
KUMR-FM RADIO

STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2006 and 2005

| | 2006 | 2005 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Underwriting Income | \$ 59,583 | \$ 61,456 |
| Corporation for Public Broadcasting Grant | 211,566 | 124,394 |
| Payments to Suppliers and Employees | (580,097) | (581,256) |
| Other Receipts | 5,623 | 3,242 |
| Net Cash Used in Operating Activities | (303,325) | (392,164) |
| Cash Flows from Noncapital Financing Activities: | | |
| Private Gifts | 130,831 | 143,704 |
| Payments and Contributions from University of Missouri | 271,981 | 266,827 |
| Net Cash Provided by Noncapital Financing Activities | 402,812 | 410,531 |
| Cash Flows from Capital Financing Activities: | | |
| Capital Grants | - | 45,960 |
| Purchase of Capital Assets | - | (80,118) |
| Net Cash Used In Capital Financing Activities | - | (34,158) |
| Cash Flows from Investing Activities: | | |
| (Purchase) Sale of Investments, Net | (114,746) | 20,123 |
| Investment Income | 21,645 | 14,591 |
| Net Cash Provided by (Used in) Investing Activities | (93,101) | 34,714 |
| Net Increase in Cash and Cash Equivalents | 6,386 | 18,923 |
| Cash and Cash Equivalents, Beginning of Year | 56,031 | 37,108 |
| Cash and Cash Equivalents, End of Year | \$ 62,417 | \$ 56,031 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | | |
| Operating Loss | \$ (516,514) | \$ (518,856) |
| Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities - | | |
| Depreciation Expense | 15,087 | 13,768 |
| Donated Facilities and Administrative Support | 92,293 | 124,602 |
| Non-Cash Contributions of Services and Other Assets | 1,426 | - |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (2,924) | (696) |
| Prepaid Expense | 3,148 | (779) |
| Accrued Vacation | (3,917) | 2,953 |
| Accounts Payable and Other Accrued Expenses | (4,382) | (5,954) |
| Unexpended Grants and Deferred Revenue | 112,458 | (7,202) |
| Net Cash Used in Operating Activities | \$ (303,325) | \$ (392,164) |
| Noncash Activity: | | |
| Administrative Support from the University of Missouri | \$ 92,293 | \$ 124,602 |
| Non-Cash Contributions of Services and Other Assets | 1,426 | 4,966 |

See accompanying notes to the basic financial statements.

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation – In accordance with GASB Statement No. 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. 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, private gifts and investment income.

Cash and Cash Equivalents – The Station participates in the University's pooled cash and investment accounts. For purposes of the basic financial statements, cash and cash equivalents consist of cash and short-term investments, with original purchased maturities of three months or less. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment income in the Statements of Revenues, Expenses and Changes in Net Assets.

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

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

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 private gifts on the Statements of Revenues, Expenses and Changes in Net Assets, at the present value of the estimated future cash flows. An allowance of \$851 and \$4,001 as of June 30, 2006 and 2005, has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the Station's historical collection experience.

Capital Assets – These assets are carried, if purchased, at cost, or if donated, at fair value at date of gift. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets – generally ten to forty years for buildings and improvements and seven to fifteen years for transmission, antenna, tower, studio and broadcast equipment. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

Deferred Revenue and Unexpended Grants – Amounts reflected in the Statements of Net Assets as of June 30, 2006 and 2005 represent cash the Station has received under contracts that have services to be performed by the Station in fiscal years 2007 and 2006, respectively. 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 management or may otherwise be limited by contractual agreements with outside parties.

Underwriting Income – Underwriting income consists of advertising spots, purchased by corporate sponsors, and is recognized when the spot is aired by the Station.

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 cost are 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 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 GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. The statement establishes criteria that will be used to determine whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that entities should not revalue assets that are transferred between the financial reporting

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

entity components. The Station has not yet determined the effect that adoption of GASB Statement No. 48 may have on the basic financial statements.

Reclassifications – Certain reclassifications to the prior year’s financial information have been made to conform to the current year presentation. Included within these reclassifications were significant changes to the classifications of net assets.

2. CASH AND CASH EQUIVALENTS

Cash & Cash Equivalents – The Station participates in the University’s pooled cash and investment accounts, stated at fair value, and holds an equity investment in the pool. The University’s cash and cash equivalents include bank deposits, repurchase agreements and investments with maturities of three months or less.

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 following chart presents the Station’s cash and cash equivalent deposit balances as of June 30, 2006 and 2005:

| <u>2006</u> | <u>Uninsured and Uncollateralized</u> | <u>Unsecured and Collateralized with Securities held by Pledging Institution's Trust Department Not in the University's Name</u> | <u>Collateralized and Fully Insured Bank Balances</u> | <u>Total Carrying Value</u> |
|---------------------------------|---|--|---|---------------------------------|
| Cash & Cash Equivalent Deposits | \$ - | \$ - | \$ 6,530 | \$ 6,530 |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,530</u> | <u>\$ 6,530</u> |

| <u>2005</u> | <u>Uninsured and Uncollateralized</u> | <u>Unsecured and Collateralized with Securities held by Pledging Institution's Trust Department Not in the University's Name</u> | <u>Collateralized and Fully Insured Bank Balances</u> | <u>Total Carrying Value</u> |
|---------------------------------|---|--|---|---------------------------------|
| Cash & Cash Equivalent Deposits | \$ 121 | \$ - | \$ 12,493 | \$ 12,614 |
| Total | <u>\$ 121</u> | <u>\$ -</u> | <u>\$ 12,493</u> | <u>\$ 12,614</u> |

3. INVESTMENTS

Investments - The Station participates in the University’s pooled investment accounts, stated at fair value, and holds an equity investment in the pool. The investment policies of the University are established by its governing board, the Board of Curators. The policies are established to ensure that the University funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri. The University’s security investments are held in book-entry form in brokerage, custody and safe keeping accounts in the University’s name.

At June 30, 2006 and 2005 the Station held investments, by investment type, as follows:

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

| | Carrying Value as of June 30, 2006 | Carrying Value as of June 30, 2005 |
|--|--|--|
| Government Obligations | \$ 202,991 | \$ 116,122 |
| Corporate Bonds and Notes | 44,436 | 31,606 |
| Corporate Stocks | 142,167 | 127,119 |
| Total Short-Term and Long-Term Investments | <u>389,594</u> | <u>274,847</u> |
| Government Obligations | 8,862 | - |
| Corporate Bonds and Notes | 4,406 | - |
| Commercial Paper | 42,336 | 40,718 |
| Repurchase Agreements | 283 | 2,699 |
| Invested Cash and Cash Equivalents | <u>55,887</u> | <u>43,417</u> |
| Total Investments | <u>\$ 445,481</u> | <u>\$ 318,264</u> |

Custodial Credit Risk – Investments - The custodial credit risk for investments 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. In accordance with University policy, the University minimizes its custodial credit risk on deposits by establishing limitations on the types of investments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. Certificates of deposit must be collateralized and held at a bank with which the University has a depository agreement. The Station's investment of \$42,336 and \$40,718 in commercial paper are uninsured and uncollateralized at June 30, 2006 and 2005, respectively. At June 30, 2006 and 2005, the Station's investment of \$283 and \$2,699, respectively, in repurchase agreements are held by the investment's counterparty, not in the name of the University. All of the remaining University investments are insured and registered and are held by the University or an agent in its name.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's Pooled General Investments consist of primarily fixed income securities, with a specific limitation that no more than 15% of the pool consists of variable rate securities. As a means of ensuring the safety of principal invested in the Pooled Endowment Investments, the University's investment policy requires diversification of the investment portfolio.

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

At June 30, 2006 and 2005, the maturities of the Station's portion of the University's debt investments are as follows:

| As of June 30, 2006 | | | | | |
|---------------------------------|---------------------|-------------------|------------------|-----------------------|-------------------|
| | Less than 1 Year | 1-5 Years | 6-10 Years | More than 10 Years | Carrying Value |
| U.S. Agency Obligations | \$ 24,312 | \$ 131,854 | \$ 11,351 | \$ 2,549 | \$ 170,066 |
| U.S. Treasury Obligations | - | 9,453 | 2,586 | 1,487 | 13,526 |
| Foreign Government Obligations | 226 | 10,787 | 3,267 | 5,119 | 19,399 |
| U.S. Corporate Bonds & Notes | 9,444 | 25,503 | 3,785 | 2,173 | 40,905 |
| Foreign Corporate Bonds & Notes | 155 | 1,180 | 865 | 1,331 | 3,531 |
| Total | \$ 34,137 | \$ 178,777 | \$ 21,854 | \$ 12,659 | \$ 247,427 |

| As of June 30, 2005 | | | | | |
|---------------------------------|---------------------|------------------|------------------|-----------------------|-------------------|
| | Less than 1 Year | 1-5 Years | 6-10 Years | More than 10 Years | Carrying Value |
| U.S. Agency Obligations | \$ 30,421 | \$ 51,341 | \$ 6,577 | \$ 2,522 | \$ 90,861 |
| U.S. Treasury Obligations | 1,400 | 5,327 | 1,593 | 1,614 | 9,934 |
| Foreign Government Obligations | 147 | 7,117 | 5,313 | 2,750 | 15,327 |
| U.S. Corporate Bonds & Notes | 8,133 | 15,955 | 1,547 | 1,096 | 26,731 |
| Foreign Corporate Bonds & Notes | 451 | 1,612 | 1,629 | 1,183 | 4,875 |
| Total | \$ 40,552 | \$ 81,352 | \$ 16,659 | \$ 9,165 | \$ 147,728 |

Credit Risk— The credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality ratings of investments in debt securities as described by a national recognized statistical rating organization such as Standard and Poor's (S&P) and Moody's. University policy provides that investments in corporate bonds and other fixed income securities must have a rating of A or better.

However, the University has elected to use Moody's Investors Service investment ratings in the following Credit Risk report. Several securities within the Pooled Endowment have Moody's ratings of Baa and Standard and Poor's ratings in the A range (A-, A, & A+), which places those bonds within the parameters specified in the University's policy.

The following represents the Station's portion of the University's investment exposure to credit risk, based on Moody's investment ratings:

| As of June 30, 2006 | | | | | | |
|---------------------------------|-------------------|------------------|------------------|---------------|------------------|-------------------|
| | Aaa | Aa | A | Baa | Unrated | Total |
| U.S. Agency Obligations | \$ 144,835 | \$ 17,351 | \$ - | \$ - | \$ 7,880 | \$ 170,066 |
| U.S. Treasury Obligations | 13,526 | - | - | - | - | 13,526 |
| Foreign Government Obligations | 14,358 | 65 | 4,283 | 274 | 419 | 19,399 |
| U.S. Corporate Bonds & Notes | 5,508 | 14,140 | 19,837 | 165 | 1,255 | 40,905 |
| Foreign Corporate Bonds & Notes | 1,336 | 610 | 815 | 228 | 542 | 3,531 |
| Total | \$ 179,563 | \$ 32,166 | \$ 24,935 | \$ 667 | \$ 10,096 | \$ 247,427 |

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

| As of June 30, 2005 | | | | | | |
|---------------------------------|-----------|-----------|-----------|--------|-----------|------------|
| | Aaa | Aa | A | Baa | Unrated | Total |
| U.S. Agency Obligations | \$ 75,596 | \$ 10,994 | \$ 7 | \$ - | \$ 4,264 | \$ 90,861 |
| U.S. Treasury Obligations | - | - | - | - | 9,934 | 9,934 |
| Foreign Government Obligations | 11,571 | 308 | 2,676 | - | 772 | 15,327 |
| U.S. Corporate Bonds & Notes | 2,768 | 11,069 | 12,228 | 56 | 610 | 26,731 |
| Foreign Corporate Bonds & Notes | 2,614 | 665 | 737 | 157 | 702 | 4,875 |
| Total | \$ 92,549 | \$ 23,036 | \$ 15,648 | \$ 213 | \$ 16,282 | \$ 147,728 |

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a foreign investment. University policy allows 15-25% of the investment portfolio to be invested in international investments (13.2% and 12.1% denominated in foreign currency in fiscal year 2006 and 2005, respectively). To reduce the risk related to fluctuations in currency exchange rates, the University has entered into forward foreign currency contracts throughout the year. As of June 30, 2006 and 2005, 3.6% or \$13,165 and 4.7% or \$14,958, respectively, of the Station's total investment portfolio is invested in forward foreign currency contracts. These contracts are marked to market and the changes in their market value are recorded in investment income on the Statements of Revenues, Expenses and Changes in Net Assets. The following represents the Station's portion of the University's exposure to foreign currency risk as of June 30, 2006 and 2005:

| Foreign Currency Risk | | | | | | |
|---|---------------------------|--------------------------------|-----------------------------------|------------------|------------|------------|
| International Investment Securities at Fair Value | | | | | | |
| Currency | Cash and Cash Equivalents | Foreign Government Obligations | Foreign Corporate Bonds and Notes | Corporate Stocks | 2006 Total | 2005 Total |
| Australian Dollar | \$ - | \$ 114 | \$ - | \$ 711 | \$ 825 | \$ 675 |
| British Pound Sterling | 66 | 5,046 | 315 | 2,153 | 7,580 | 6,406 |
| Canadian Dollar | - | 327 | - | 1,302 | 1,629 | 665 |
| Chilean Peso | - | - | - | 8 | 8 | 5 |
| Chinese Yan Renminbi | - | - | - | 178 | 178 | - |
| Danish Krone | 3 | - | 61 | 65 | 129 | 215 |
| Euro | 786 | 8,686 | 2,529 | 6,568 | 18,569 | 15,407 |
| Hong Kong Dollar | 9 | - | - | 1,021 | 1,030 | 704 |
| Israeli Shekel | - | 75 | - | - | 75 | 39 |
| Japanese Yen | 47 | 3,889 | - | 10,083 | 14,019 | 9,939 |
| Mexican New Peso | 13 | 274 | 582 | - | 869 | 71 |
| New Taiwan Dollar | - | - | - | 43 | 43 | 10 |
| New Zealand Dollar | 1 | - | - | - | 1 | 16 |
| Norwegian Krone | - | 39 | - | 142 | 181 | 139 |
| Polish Zloty | - | 125 | - | - | 125 | 32 |
| South African Comm Rand | - | - | - | 327 | 327 | 100 |
| Singapore Dollar | - | 34 | - | 279 | 313 | 212 |
| South Korean Won | - | 273 | - | 54 | 327 | 23 |
| Swedish Krona | - | 517 | 44 | 747 | 1,308 | 1,070 |
| Swiss Franc | 12 | - | - | 3,455 | 3,467 | 2,865 |
| Total | \$ 937 | \$ 19,399 | \$ 3,531 | \$ 27,136 | \$ 51,003 | \$ 38,593 |

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools).

For University funds invested through the Pooled General Investments category the following restrictions apply: 1) Corporate Bonds should not exceed 20% of the portfolio; 2) Variable Rate securities should not exceed 15% of the portfolio; and 3) Investments in obligations of the U.S. Government, U.S. Government Agency issues or U.S. Government guaranteed securities is unlimited.

For University funds invested through the Pooled Endowment Investments category, target asset mixes are assessed and evaluated to ensure diversification. The investment policy allows for a portfolio consisting of no more than 47.5% U.S. equity, 25% international equity, 10% emerging markets equity, 10% alternative investments (maximum of 5.0% in hedge funds), 10% real estate and 27.5% global fixed income.

Portions of the Pooled Endowment Investments are invested in a fixed income fund, called the Fixed Income Pool, which, due to donor restrictions, can only be invested in fixed income securities. Investments in this portfolio consist of U.S. Government, U.S. Government Agency issues, corporate fixed income, commercial paper and repurchase agreements.

As of June 30, 2006, of the Station's total investments, 14.9% are issues of the Federal Home Loan Bank (FHLB), 8.7% are issues of the Federal National Mortgage Association (FNMA) and 6.2% are issues of the Federal Home Loan Mortgage Corporation (FHLMC).

As of June 30, 2005, of the Station's total investments, 19.1% are issues of the Federal Home Loan Bank (FHLB), 9.5% are issues of the Federal National Mortgage Association (FNMA) and 5.2% are issues of the Federal Home Loan Mortgage Corporation (FHLMC).

4. CHANGES IN UNEXPENDED GRANTS

The balance of unexpended grants at June 30, 2006 and 2005, represents unexpended Corporation for Public Broadcasting Community Service Grants and Department of Commerce.

| | Unexpended Grants | |
|-----------------------------|-------------------|------------------|
| | 2006 | 2005 |
| Balance, Beginning of Year | \$ 76,613 | \$ 73,228 |
| Grants | 215,814 | 134,218 |
| Deductions, Amount Expended | (101,942) | (130,833) |
| Balance, End of Year | <u>\$ 190,485</u> | <u>\$ 76,613</u> |

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2006 and 2005 is summarized as follows:

| 2006 | Beginning Balance | Additions | Retirements | Ending Balance |
|--|----------------------|-------------|-------------|-------------------|
| Capital Assets, Depreciable: | | | | |
| Buildings | \$ 88,504 | \$ - | \$ - | \$ 88,504 |
| Transmission, Antenna and Tower | 77,056 | - | - | 77,056 |
| Studio and Other Broadcast Equipment | 177,505 | - | - | 177,505 |
| Total Capital Assets, Depreciable | 343,065 | - | - | 343,065 |
| Accumulated Depreciation: | | | | |
| Buildings | 59,546 | 2,435 | - | 61,981 |
| Transmission, Antenna and Tower | 75,395 | 1,097 | - | 76,492 |
| Studio and Other Broadcast Equipment | 107,562 | 11,555 | - | 119,117 |
| Total Accumulated Depreciation | 242,503 | 15,087 | - | 257,590 |
| Total Capital Assets, Depreciable, Net | \$ 100,562 | \$ (15,087) | \$ - | \$ 85,475 |
| 2005 | Beginning Balance | Additions | Retirements | Ending Balance |
| Capital Assets, Depreciable: | | | | |
| Buildings | \$ 73,662 | \$ 14,842 | \$ - | \$ 88,504 |
| Transmission, Antenna and Tower | 77,056 | - | - | 77,056 |
| Studio and Other Broadcast Equipment | 112,229 | 65,276 | - | 177,505 |
| Total Capital Assets, Depreciable | 262,947 | 80,118 | - | 343,065 |
| Accumulated Depreciation: | | | | |
| Buildings | 57,703 | 1,843 | - | 59,546 |
| Transmission, Antenna and Tower | 74,298 | 1,097 | - | 75,395 |
| Studio and Other Broadcast Equipment | 96,734 | 10,828 | - | 107,562 |
| Total Accumulated Depreciation | 228,735 | 13,768 | - | 242,503 |
| Total Capital Assets, Depreciable, Net | \$ 34,212 | \$ 66,350 | \$ - | \$ 100,562 |

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

6. NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2006 and 2005, are summarized as follows:

| | 2006 Beginning of Year | Additions | Payments | 2006 End of Year | Current Portion |
|------------------|------------------------------|------------------|--------------------|------------------------|--------------------|
| Accrued Vacation | <u>\$ 28,983</u> | <u>\$ 18,719</u> | <u>\$ (22,636)</u> | <u>\$ 25,066</u> | <u>\$ 19,662</u> |
| | 2005 Beginning of Year | Additions | Payments | 2005 End of Year | Current Portion |
| Accrued Vacation | <u>\$ 26,030</u> | <u>\$ 23,282</u> | <u>\$ (20,329)</u> | <u>\$ 28,983</u> | <u>\$ 22,636</u> |

7. RISK MANAGEMENT

The Station is a part of the University's overall risk management program. 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 for claims relating to the Station. The Station is charged a premium annually from the University for such coverage.

8. RETIREMENT PLAN

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

All full-time employees of the University are eligible for benefits after five years of service. The annual lifetime pension of a member is calculated by multiplying the number of years of service by 2.2% of the compensation base. 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 age 65 or thereafter. 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 contribution requirement, as a percent of payroll, which averaged 7.9% and 6.4% for the years ended June 30, 2006 and 2005, respectively. The Plan is funded 100% by University contributions and does not require employee contributions.

Additional Information – Historical trend information and funding status information 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 when due is presented in the University's annual report, which can be obtained at the University of Missouri, 118 University Hall, Columbia, MO 65211.

University of Missouri
KUMR-FM RADIO

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2006 and 2005

9. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Station provides postretirement medical, dental and life insurance benefits to 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.

For employees retiring prior to September 1, 1990, the Fund contributes toward premiums at the same rate as for active employees: 2/3 of the premium for medical benefits and 1/2 of the dental plan premium. For employees who retired under the terms of the Retirement and Death Benefit Plan on September 1, 1990 or thereafter, the Fund contributes toward premiums on the basis of the employee's length of service and age at retirement.

The terms and conditions governing the postemployment benefits to which employees are entitled are at the sole authority and discretion of the University's Board of Curators. Postemployment benefit costs, other than long-term disability, are funded on a current basis and amounts recorded as an expense on a pay-as-you-go basis. Long-term disability costs are recognized during the period in which the employee becomes eligible to receive disability benefits.

University of Missouri
KUMR-FM RADIO

SUPPLEMENTAL SCHEDULE OF NON-FEDERAL FINANCIAL SUPPORT
For The Year Ended June 30, 2006

Summary of Non-Federal Financial Support

| | | |
|--|----|----------------|
| 1. Direct Revenue | \$ | 471,921 |
| 2. Indirect Administrative Support | | 92,293 |
| 3. Total Non-Federal Financial Support | \$ | <u>564,214</u> |

See Accompanying Independent Auditors' Report.