



***University of Missouri  
KCUR-FM Radio***

*Financial Statements as of and for the Years Ended  
June 30, 2018 and 2017, Supplemental Schedule for  
the Year Ended June 30, 2018, and Independent  
Auditors' Report*

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**KCUR-FM RADIO**

**MANAGEMENT’S DISCUSSION & ANALYSIS (Unaudited)**  
**As of and for the Years Ended June 30, 2018 and June 30, 2017**

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This management’s discussion and analysis (“MD&A”) of *KCUR-FM Radio* (the “Station”) provides an overview of the Station’s financial performance for the fiscal years ended June 30, 2018 and 2017. Please read it in conjunction with the audited financial statements for the period and the Annual Financial Report (“AFR”) to the Corporation for Public Broadcasting (“CPB”).

**OVERVIEW OF THE OPERATIONS**

The Station is a department of the Kansas City campus of the University of Missouri (the “University”) and operates under a FCC license issued to the Curators of the University of Missouri. The University provides on-going, line item funding as well as indirect institutional support (e.g. studio and office space, custodial services, and human resources 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 instrumentality 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, non-profit 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.

**KCUR ACCOUNTING AND FINANCIAL REPORTING**

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

The notes to the financial statements provide required disclosures and other information that are essential to 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 audited financial statements and reports to CPB are available for public inspection during business hours in the Station’s public file located at 4825 Troost, Suite 202, Kansas City, Missouri.

**UNFUNDED PENSION AND OTHER POSTEMPLOYMENT BENEFITS LIABILITIES**

In the financial statements for FY2015, KCUR was required to add significant amounts and lengthy disclosures related to unfunded pension liability. This was done to implement Statements #67 and #68 issued by the General Accounting Standards Board (“GASB”). KCUR is an editorially independent community service of the University of Missouri – Kansas City, and organizationally is a department of the University. The University of Missouri System implemented GASB #67 and #68 in FY2014. The GASB #68 Implementation Guide, dated January 2014, does not mention separately-issued financial statements of departments. However, in the AICPA’s State and Local Audit Guide, dated June 2015, the AICPA states that the pension liability of the University should be allocated to any department that issues financial

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statements, and the department should make all of the disclosures that are made by the University. For CPB filing purposes, all adjustments related to unfunded pension liability are eliminated from the Station's financial information. For more information on pension related liabilities see Note 11 to the financial statements.

KCUR has been contributing to the retirement plan for all of its employees in accordance with the direction of the University. KCUR will continue to make contributions. Any increased contributions will be current expenses of any future year and will be funded by KCUR in the same year. The obligation of the unfunded pension liability will be paid by the University and any payments are included in the support of the Station on the Statement of Cash Flows.

Similar to unfunded pension liability noted above, in the financial statements for FY2018, KCUR implemented GASB Statement #75. Implementation was retrospectively applied to FY2017 for comparability purposes within the financial statements herein. KCUR has been contributing to the benefit plans for all of its employees in accordance with the direction of the University. KCUR will continue to make contributions. The obligation of the other postemployment benefits liability will be paid by the University and any payments are included in the support of the Station on the Statement of Cash Flows. For CPB filing purposes, all adjustments related to other postemployment benefits are eliminated from the Station financial information. For more information on other postemployment benefit related liabilities and related 2017 restatement see Note 12 to the financial statements.

The following shows KCUR's fund balances before adjustments for unfunded pension and postemployment benefits liabilities.

	<u>Fiscal Year</u> 2018	<u>Fiscal Year</u> 2017
Fund balances before adjustments for unfunded pension liability and postemployment benefits	\$ 4,760,356	\$ 4,419,235
Capital assets	67,629	79,708
Net adjustments for unfunded pension and other postemployment benefits liabilities	<u>(1,178,176)</u>	<u>(1,072,304)</u>
Total net position on the statements of net position	<u>\$ 3,649,809</u>	<u>\$ 3,426,639</u>

**STATEMENTS OF NET POSITION**

The Statements of Net Position present the financial position of the Station at the end of the fiscal year and include all assets and deferred outflow of resources and all liabilities and deferred inflow of resources of the Station. The Net Position presents the current financial condition of the Station. Assets and liabilities are generally measured using current values, with certain exceptions, such as capital assets, which are stated at cost, less accumulated depreciation.

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**As of and for the Years Ended June 30, 2018 and June 30, 2017**

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A summary of the Station's assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position at June 30, 2018 and 2017, is as follows:

	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017 (Restated)</u>
<b>Assets and Deferred Outflows of Resources</b>		
Current Assets	\$ 3,284,825	\$ 2,569,026
Long-Term Investments	2,480,667	2,367,262
Capital Assets, Depreciable, Net	<u>67,629</u>	<u>79,708</u>
Total Assets	<u>5,833,121</u>	<u>5,015,996</u>
Deferred Outflows of Resources	<u>509,511</u>	<u>148,176</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,342,632</u>	<u>\$ 5,164,172</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Current Liabilities	\$ 937,674	\$ 453,172
Noncurrent Liabilities	<u>1,714,927</u>	<u>1,259,441</u>
Total Liabilities	<u>2,652,601</u>	<u>1,712,613</u>
Deferred Inflows of Resources	<u>40,222</u>	<u>24,920</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,692,823</u>	<u>\$ 1,737,533</u>
<b>Net Position</b>		
Invested in Capital Assets	\$ 67,629	\$ 79,708
Unrestricted	1,101,513	979,670
Unrestricted Board Designated Quasi-Endowment	1,701,524	1,619,443
Restricted Expendable-Endowment	<u>779,143</u>	<u>747,818</u>
Total Net Position	<u>3,649,809</u>	<u>3,426,639</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,342,632</u>	<u>\$ 5,164,172</u>

**Fiscal Year 2018 Compared to Fiscal Year 2017**

**Total assets and deferred outflow of resources** increased by \$1,178,460, or 22.8%, to \$6,342,632 due to 1) increase in number of grants, including several that paid in advance of related expenditures, 2) strong market returns, 3) continued growth in membership and contributions, and thus pledges receivable, and 4) \$361,335 increase in Deferred Outflow of Resources, all of which relates to unfunded pension liability calculations as of June 30, 2018, and offsets the following increase in the Pension Liability.

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**Total liabilities** increased \$939,988, or 54.9%, from the prior year, largely due to an increase in unexpended grants and deferred revenue. The Station also saw a \$474,966 increase in the Pension Liability as of June 30, 2018, which offsets the above increase in Deferred Outflow of Resources.

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

The Statements of Revenues, Expenses and Changes in Net Position present the Station's results of operations. The Statements distinguish revenues and expenses between operating and non-operating categories, and provide a view of the Station's operating margin for the years ended June 30, 2018 and 2017.

	Fiscal Year 2018	Fiscal Year 2017 (Restated)
Operating Revenues:		
Membership Contributions and Contributed Support	\$ 2,873,590	\$ 3,105,715
Grants from Corporation for Public Broadcasting	553,337	333,249
Grants from State Government	37,351	36,502
Underwriting Income	1,470,345	1,342,838
Grants from Foundations	301,742	209,388
Fundraising Event	362,668	322,756
Other Income	<u>132,796</u>	<u>126,649</u>
Total Operating Revenues	<u>5,731,829</u>	<u>5,477,097</u>
Operating Expenses:		
Program Services –		
Broadcasting	327,977	320,323
Programming and Production	4,507,051	4,126,416
Program Information	<u>40,084</u>	<u>35,378</u>
Total Program Services	<u>4,875,112</u>	<u>4,482,117</u>
Support Services –		
Management and General	478,247	475,315
Depreciation Expense	12,079	12,079
Fund Raising and Membership Development	<u>1,441,086</u>	<u>1,224,323</u>
Total Support Services	<u>1,931,412</u>	<u>1,711,717</u>
Total Operating Expenses	<u>6,806,524</u>	<u>6,193,834</u>
Operating Loss Before Non-operating Revenues	<u>(1,074,695)</u>	<u>(716,737)</u>
Non-operating Revenues:		
Support from the University of Missouri	60,696	63,701
Donated Facilities and Administrative Support from the University of Missouri	1,115,231	1,061,722
Net Other Postemployment Benefits	7,759	4,804
Net Pension	(113,632)	(28,619)
Investment Income (Loss)	<u>227,811</u>	<u>241,133</u>
Total Non-operating Revenues	<u>1,297,865</u>	<u>1,342,741</u>
Increase (Decrease) in Net Position	223,170	626,004
Net Position, Beginning of Year, as Previously Stated	<u>3,426,639</u>	<u>3,362,050</u>
Cumulative Effect of Change in Accounting Principle	-	(561,415)
Net Position, Beginning of Year, as Restated	<u>3,426,639</u>	<u>2,800,635</u>
Net Position, End of Year	<u><b>\$ 3,649,809</b></u>	<u><b>\$ 3,426,639</b></u>

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**Fiscal Year 2018 Compared to Fiscal Year 2017**

Total **Operating Revenues** for fiscal year 2018 increased by \$254,732 to \$5,731,829. This was primarily due to the following:

- KCUR's operating revenues are generated from: 1) Audience-driven income in the form of memberships and donations; 2) Major gifts from individuals and private and community foundations; 3) Operating grants from the CPB, the Missouri Arts Council, and private foundations; 4) Underwriting of programs by organizations in all sectors in exchange for on-air recognition; and 5) Increased revenues from a major fundraising event, RadioActive.
- The total increase in operating revenues is the net of: 1) In 2017 Membership Contributions and Contributed Support included a generous bequest of \$470,048. Separate from this, 2018 Membership & Support increased by \$237,875. Continued growth in membership, donations and major gifts are the result of several initiatives, including focused engagement, events, and marketing, 2) In addition to the annual Community Service Grant from the CPB, in 2018, KCUR is a part of three multi-station CPB grants to strengthen the Regional Journalism Center in Kansas; increase diversity in public radio; and strengthen investigative reporting., 3) Increase in foundation grants for reporting about health and race & culture, 4) Strong growth in underwriting revenue as a result of business development initiatives, 5) Continued growth in the third year for RadioActive, a major fundraising event that sold out with 900 in attendance.

Total **Non-operating Revenues** for the fiscal year 2018 decreased \$44,876, or 3.3% from fiscal year 2017. Certain significant revenue streams relied upon for operations are defined as non-exchange transactions by GASB Statement No. 35 and recorded as non-operating revenues.

Included are:

- Donated Facilities and Administrative ("F&A") Support from the University of Missouri ("UM"), increased from 2017 to 2018 by \$53,509 or 5%. F&A support includes treasury and financial management and systems, human resources, risk management, general counsel, and building maintenance. The amount of Donated F&A Support is calculated using a set of definitions and formulas set by the CPB. The calculations include UM's F&A Support of the University of Missouri-Kansas City ("UMKC"), UMKC's expenditures on F&A, and KCUR's size relative to UMKC. The amount is also allocated across the categories of Operating Expenses, resulting in no net effect on the Increase in Net Position.
- Net Pension (discussed above) is based upon complex calculations and fluctuations from year-to-year which are to be expected.

Total Operating Expenses increased \$612,690 or 9.9% from 2017 to 2018. Increases are due to:

- Programming and Production increased due to 1) Increase in net grant funding for all programming,, 2) Increase in purchased programming of \$13,000, and 3) Overall Station growth (increase in salaries and benefits, equipment, journalist outreach, etc.).
- Fund Raising increased due to 1) Addition of a second major gift officer in current year, costing \$86,000, 2) Payment for time and effort spent by UMKC Strategic Marketing on KCUR work (\$50,000 a year beginning in FY18), and 3) \$35,000 increase in overall credit card fees, member benefits, etc.

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**Total Program Services** are 71.6% of **Total Operating Expenses** in FY2018 compared to 72.4% in FY2017. **Total Support Services** are 28.4%, compared with 27.6% last year.

**ECONOMIC OUTLOOK**

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

- Corporation for Public Broadcasting: The CPB has requested a \$445 million advance appropriation for fiscal year 2021, which is the same amount that was provided by Congress for FY2019 and FY2020. As a result, KCUR expects the Community Service Grant from CPB to remain relatively flat. KCUR appreciates the funding provided by CPB, because it is a significant percentage of revenues. At the same time, KCUR recognizes the economic and political environment in which the CPB seeks funding, and the possibility of decreases in CPB funding beyond 2021.
- Other: KCUR is seeing opportunities to continue increasing revenues from other sources, including membership, underwriting, philanthropic and corporate foundations, and major gifts from individual donors. Nearly 50% of KCUR's members have elected to be sustaining members. The continuing economic recovery has resulted in increased underwriting interest from both for-profits and nonprofits. Kansas City area foundations are increasing their support of KCUR's local news reporting, focused on the arts, agriculture, health, education, entrepreneurship, and state and local government.
- Investment income: The Station's investments are directed by the University. Investment income is dependent on current market conditions.

## INDEPENDENT AUDITORS' REPORT

To the Board of Curators  
University of Missouri

We have audited the accompanying financial statements of the *University of Missouri KCUR-FM Radio* (the "Station"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station, as of June 30, 2018 and 2017, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Station and do not purport to, and do not present fairly the financial position of the University of Missouri, as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, in 2018 the Station adopted *Governmental Accounting Standards Board (GASB) Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and yearly comparison information on pages 1-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's basic financial statements. The Supplemental Schedule of Non-Federal Financial Support for the year ended June 30, 2018, required by the Public Telecommunication Financing Act of 1978, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

January 7, 2019  
St. Louis, Missouri

*Mueller Probst LC*  
Certified Public Accountants

**University of Missouri**  
**KCUR-FM RADIO**

**STATEMENTS OF NET POSITION**  
**As of June 30, 2018 and 2017**

	<b>2018</b>	<b>(Restated - Note 1) 2017</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 550,592	\$ 330,486
Short-Term Investments	1,553,690	1,161,013
Accounts Receivable, Net	290,044	250,165
Pledges Receivable, Net	740,200	679,769
Prepaid Expense	150,299	147,593
<b>Total Current Assets</b>	<b>3,284,825</b>	<b>2,569,026</b>
<b>Noncurrent Assets:</b>		
Long-Term Investments	2,480,667	2,367,262
Capital Assets, Depreciable, Net	67,629	79,708
<b>Total Noncurrent Assets</b>	<b>2,548,296</b>	<b>2,446,970</b>
<b>Deferred Outflows of Resources:</b>		
Deferred Outflows Related to Pensions	509,511	148,176
<b>Total Deferred Outflows of Resources</b>	<b>509,511</b>	<b>148,176</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 6,342,632</b>	<b>\$ 5,164,172</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Other Accrued Expenses	\$ 133,575	\$ 60,126
Accrued Vacation	153,942	137,066
Unearned Revenue	397,127	215,977
Unexpended Grants	253,030	40,003
<b>Total Current Liabilities</b>	<b>937,674</b>	<b>453,172</b>
<b>Non-Current Liabilities:</b>		
Accrued Vacation	67,462	63,881
Pension Liability	1,138,835	663,869
Other Postemployment Benefits Liability	508,630	531,691
<b>Total Noncurrent Liabilities</b>	<b>1,714,927</b>	<b>1,259,441</b>
<b>Deferred Inflows of Resources:</b>		
Deferred Inflows Related to Other Postemployment Benefits	40,222	24,920
<b>Total Deferred Inflows of Resources</b>	<b>40,222</b>	<b>24,920</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,692,823</b>	<b>1,737,533</b>
<b>Net Position:</b>		
Invested in Capital Assets	67,629	79,708
Unrestricted	1,101,513	979,670
Unrestricted Board Designated Quasi - Endowment	1,701,524	1,619,443
Restricted Expendable - Endowment	779,143	747,818
<b>Total Net Position</b>	<b>3,649,809</b>	<b>3,426,639</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 6,342,632</b>	<b>\$ 5,164,172</b>

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

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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For The Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>(Restated - Note 1) 2017</u>
<b>Operating Revenues:</b>		
Membership Contributions and Contributed Support	\$ 2,873,590	\$ 3,105,715
Grants from Corporation for Public Broadcasting	553,337	333,249
Grants from State Government	37,351	36,502
Underwriting Income	1,470,345	1,342,838
Grants from Foundations	301,742	209,388
Fundraising Event	362,668	322,756
Other Income	132,796	126,649
<b>Total Operating Revenues</b>	<u><b>5,731,829</b></u>	<u><b>5,477,097</b></u>
<b>Operating Expenses:</b>		
Program Services -		
Broadcasting	327,977	320,323
Programming and Production	4,507,051	4,126,416
Program Information	40,084	35,378
<b>Total Program Services</b>	<u><b>4,875,112</b></u>	<u><b>4,482,117</b></u>
Support Services -		
Management and General	478,247	475,315
Depreciation Expense	12,079	12,079
Fundraising and Membership Development	1,441,086	1,224,323
<b>Total Support Services</b>	<u><b>1,931,412</b></u>	<u><b>1,711,717</b></u>
<b>Total Operating Expenses</b>	<u><b>6,806,524</b></u>	<u><b>6,193,834</b></u>
<b>Operating Loss Before Non-operating Revenues (Expenses)</b>	<u><b>(1,074,695)</b></u>	<u><b>(716,737)</b></u>
<b>Non-Operating Revenues (Expenses):</b>		
Support from the University of Missouri	60,696	63,701
Donated Facilities and Administrative Support from University of Missouri	1,115,231	1,061,722
Net Other Postemployment Benefits	7,759	4,804
Net Pension	(113,632)	(28,619)
Investment Income	227,811	241,133
<b>Total Non-Operating Revenues (Expenses)</b>	<u><b>1,297,865</b></u>	<u><b>1,342,741</b></u>
<b>Increase in Net Position</b>	<u><b>223,170</b></u>	<u><b>626,004</b></u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	<b>3,426,639</b>	<b>3,362,050</b>
<b>Cummulative Effect of Change in Accounting Principle (Note 1)</b>	<u><b>-</b></u>	<u><b>(561,415)</b></u>
<b>Net Position, Beginning of Year, as Restated</b>	<u><b>3,426,639</b></u>	<u><b>2,800,635</b></u>
<b>Net Position, End of Year</b>	<u><u><b>\$ 3,649,809</b></u></u>	<u><u><b>\$ 3,426,639</b></u></u>

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

*University of Missouri***KCUR-FM RADIO****STATEMENTS OF CASH FLOWS****For The Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>(Restated - Note 1) 2017</b>
<b>Cash Flows from Operating Activities:</b>		
Membership Contributions and Contributed Support	\$ 2,813,159	\$ 3,133,157
Grants from Corporation for Public Broadcasting	766,364	348,233
Grants from State Government	37,351	36,502
Grants from Foundations	301,742	209,388
Fundraising Event	362,668	322,756
Underwriting Income	1,611,616	1,324,246
Payments to Suppliers and Employees	(5,588,014)	(5,255,573)
Other Receipts	132,796	126,649
<b>Net Cash Provided by Operating Activities</b>	<b>437,682</b>	<b>245,358</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Payments and Contributions from University of Missouri	60,696	63,701
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>60,696</b>	<b>63,701</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investments	(11,757,800)	(13,282,753)
Sale of Investments	11,251,717	12,787,420
Investment Income	227,811	241,133
<b>Net Cash Used by Investing Activities</b>	<b>(278,272)</b>	<b>(254,200)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>220,106</b>	<b>54,859</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>330,486</b>	<b>275,627</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 550,592</b>	<b>\$ 330,486</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>		
Operating Loss	\$ (1,074,695)	\$ (716,737)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities -		
Depreciation Expense	12,079	12,079
Donated Facilities and Administrative Support from the University	1,115,231	1,061,722
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(39,879)	(11,209)
Pledges Receivable, Net	(60,431)	(158,397)
Prepaid Expense	(2,706)	(114,286)
Accounts Payable and Other Accrued Expenses	73,449	(41,575)
Accrued Vacation	20,457	20,321
Unexpended Grants and Unearned Revenue	394,177	193,440
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 437,682</b>	<b>\$ 245,358</b>
<b>Non-cash Activity:</b>		
Donated Facilities and Administrative Support from the University	\$ 1,115,231	\$ 1,061,722
Change in other post employment benefits liability expected to be provided by the University	\$ 7,759	\$ 4,804
Change in pension liability expected to be provided by the University	\$ (113,632)	\$ (28,619)

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2018 and 2017**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization – The Station is a non-profit, non-commercial radio station operated by the University of Missouri (the “University”) on its Kansas City campus in Kansas City, Missouri. The Station operates with a power of 100,000 watts, reaching a potential audience of 2.02 million in an 80-mile radius. The financial activity of the Station is included in the financial statements of the University. The accompanying basic financial statements were prepared based on the combination of various accounts associated with the Station and its related operations and do not present the financial position or changes in financial position or cash flows of the University. The Station is dependent upon support from the Corporation for Public Broadcasting, the University, and the public.

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

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

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

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

Cash, Cash Equivalents and Investments – The Station participated in the University’s pooled cash accounts for fiscal years 2018 and 2017 and pooled investment accounts for fiscal years 2018 and 2017. For fiscal years 2018 and 2017, 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 years 2018 and 2017, cash and cash equivalents consist of the University’s bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. 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 settlements receivable and investment settlements payable represent investment transactions occurring on or before June 30, which settle after that date. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment and endowment income in the Statement of Revenues, Expenses and Changes in Net Position.

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Non-marketable alternative investments and certain commingled funds are recorded based on valuations provided by the general partners of the respective partnerships. The University believes that the carrying value of these investments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for investments existed.

Derivative instruments such as forward foreign currency contracts are recorded at fair value. The University enters into forward foreign currency contracts to reduce the foreign exchange rate exposure of its international investments. These contracts are marked to market, with the changes in market value being reported in investment and endowment income on the Statement of Revenues, Expenses, and Changes in Net Position.

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 \$5,577 and \$5,318 as of June 30, 2018 and 2017, 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 Position and as a portion of Membership Contributions and Contributed Support on the Statements of Revenues, Expenses, and Changes in Net Position, at the present value of the estimated future cash flows. An allowance of \$28,852 and \$26,866 as of June 30, 2018 and 2017, respectively, was made for uncollectible pledges based upon management’s expectations regarding the collection of the pledges and the Station’s historical collection experience.

Capital Assets – Capital assets represent building improvements and equipment acquired primarily for the use of the Station. Title of the building improvements and equipment rests in the name of the University, and therefore, such assets can be transferred to or from the Station at the discretion of the University. 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 building improvements and seven 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.

Unearned Revenue and Unexpended Grants – Amounts reflected in the Statements of Net Position as of June 30, 2018 and 2017 represent cash the Station has received under contracts that have services to be performed by the Station in future years. Grant revenues are recognized when eligibility requirements are met.

Pension and Other Postemployment Benefits - Pension and Other Postemployment (OPEB) related items, including: net pension and net OPEB liability, deferred outflow of resources, deferred inflow of resources, net pension expense and net OPEB expense, fiduciary net assets, and additions to and deductions from fiduciary net assets have been determined on the same basis as they are reported by the University of Missouri. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The obligation of the pension and OPEB will be paid by the University and any payments are included in the support of the Station. Likewise, net pension and net OPEB expense and income are reported as non-operating items.

Deferred Outflows of Resources –The Station reports the consumption of net position that relates to future reporting periods as deferred outflows of resources in a separate section of the Statements of Net Position.

Deferred Inflows of Resources –The Station reports the acquisition of net position that relates to future reporting periods as deferred inflows of resources in a separate section of the Statements of Net Position.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Net Position – For financial reporting, the Station’s net position is classified in the following 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 position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specified purposes by action of the Board of Curators (the “Board”) or may otherwise be limited by contractual agreements with outside parties.
- **Restricted Expendable – Endowment:** Distributions from the endowments shall be made at such times and in such amounts as are in accordance with the policy of The Curators of the University of Missouri.

Underwriting Income – Underwriting income consists of underwriting announcements purchased by sponsors and are recognized when the spots are aired by the Station. Included in underwriting revenue for the years ended June 30, 2018 and 2017 was 35,264 and \$54,832, respectively, in underwriting revenue from the University.

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

Donated Facilities and Administrative Support – Donated facilities from the University consist of office and studio space. The cost of these facilities, together with the related occupancy cost, is recorded in revenues and expenses at depreciable value in accordance with valuation guidelines established by the Corporation for Public Broadcasting. Indirect administrative support from the University is included in revenues under donated facilities and administrative support. Donated administrative support from the University consists of allocated general and administrative expenses incurred on behalf of the Station. These expenses are allocated by Station management pro rata amongst broadcasting, program and production, program information, management and general, and fund-raising and membership development.

Use of Estimates – The preparation of 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, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements – Effective for fiscal year 2018, the Station adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which intends to improve financial reporting by requiring recognition of the entire Other Postemployment Benefits (OPEB) liability and a more comprehensive measure of OPEB expense. GASB statement No. 74 was adopted during fiscal year 2017 resulting in additional note disclosures and required supplementary information regarding the Station’s OPEB plans. The adoption of Statement No. 75 required the Station to record a Net Postemployment Benefits Liability as well as Deferred Outflows/Inflows of Resources on its Statements of Net Position. The adoption of this statement reduced beginning unrestricted net position by \$561,415 for fiscal year 2017, which included an adjustment to other postemployment benefits liability. This statement increased the change in net position by \$4,804 for fiscal year 2017.

Effective for fiscal year 2018, the Station adopted GASB Statement No. 81, *Irrevocable Split-interest Agreements*, which intends to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for beneficiaries of these type of agreements. Adoption of this statement had no effect on the Station’s financial statements.

Effective for fiscal year 2018, the Station adopted GASB Statement No. 85, *Omnibus 2017*, which intends to enhance consistency in the application of certain accounting and financial reporting requirements. Adoption of this statement had no effect on the Station’s financial statements.

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Effective for fiscal year 2018, the Station adopted Statement No. 86, *Certain Debt Extinguishment Issues*, which intends to improve the consistency in accounting and reporting for in-substance defeasance of debt. Adoption of this statement had no effect on the Station's financial statements.

In November 2016, GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining recognition of a liability and corresponding deferred outflows of resources for legally enforceable liabilities associated with the retirement of certain intangible capital assets. The Station will adopt this statement in fiscal year 2019 and has not fully determined the effect that implementing GASB Statement No. 83 will have on its financial statements.

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*, which intends to enhance consistency and comparability on how fiduciary activities are reported. The Station will adopt this statement in fiscal year 2020 and has not fully determined the effect that implementing GASB Statement No. 84 will have on its financial statements.

In June 2017, GASB issued GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities that were previously classified as operating leases. The Station will adopt this statement in fiscal year 2022 and has not yet determined the effect that implementing GASB Statement No. 87 will have on its financial statements.

In April 2018, GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires additional disclosures regarding certain types of debt. The Station will adopt this statement in fiscal year 2019 and has not fully determined the effect that implementing GASB Statement No. 88 will have on its financial statements.

In June 2018, GASB issued GASB statement No. 89, *Accounting for the Interest Cost Incurred before the End of a Construction Period*, which requires interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred and thereby not capitalized as part of the historical cost of a capital asset. The Station will adopt this statement in fiscal year 2021 and has not fully determined the effect that implementing GASB Statement No. 89 will have on its financial statements.

Effective for fiscal year 2017, the Station adopted GASB Statement No. 77, *Tax Abatement Disclosures*, which intends to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. Adoption of this statement had no effect on the Station's financial statements.

Effective for fiscal year 2017, the Station adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which amends the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The scope was amended to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that is not a state or local government pension plan. Adoption of this statement had no effect on the Station's financial statements.

Effective for fiscal year 2017, the Station adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which intends to improve financial reporting by establishing an additional blending requirement for component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. Adoption of this statement had no effect on the Station's financial statements.

Effective for fiscal year 2017, the Station adopted GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues with regard to current GASB standards on pensions. Adoption of this statement had no effect on the Station's financial statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2018 and 2017**

2. CASH AND CASH EQUIVALENTS RISK

Custodial Credit Risk – Deposits – The custodial credit risk for deposits is the risk that in the event of bank failure, the University’s deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the State of Missouri; bonds of any city, county, school district or special road district of the State of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University’s cash deposits were fully insured or collateralized at June 30, 2018 and 2017.

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 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 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, including unrealized gains and losses, of 2.2% and 4.5% for the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, the Station held the following types of investments:

	Carrying Value As of <u>June 30, 2018</u>	Carrying Value as of <u>June 30, 2017</u>
Debt Securities	\$ 1,689,877	\$ 1,420,820
Corporate Stocks	944,311	989,162
Money Market Funds	485,097	163,289
Commercial Paper	481,141	342,743
Real Estate	200,396	203,686
Risk Parity	718,632	571,864
Other Cash Equivalents	<u>65,495</u>	<u>167,197</u>
Total Investments and Cash and Cash Equivalents	<b><u>\$ 4,584,949</u></b>	<b><u>\$ 3,858,761</u></b>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does not have a formal policy that addresses interest rate risk; rather, such risk is managed by each individual investment manager, as applicable. The University and Pension Trust Funds have investments in asset-backed securities, which consist primarily of mortgage-backed securities guaranteed by U.S. agencies and corporate collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2018 and 2017**

At June 30, 2018 and 2017, the Station's portion of the University's debt securities matures as follows:

	As of June 30, 2018					
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	No Maturity	Carrying Value
U.S. Treasury Obligations	\$ -	\$ -	\$ 793,878	\$ -	\$ -	\$ 793,878
U.S. Agency Obligations	30	-	-	-	-	30
Commingled Debt Securities	-	-	-	-	198,685	198,685
Asset-Backed Securities	-	-	482,815	-	-	482,815
Foreign Government Obligations	-	29,409	-	-	-	29,409
U.S. Corporate Bonds & Notes	-	100,874	-	-	-	100,874
Foreign Corporate Bonds and Notes	-	84,186	-	-	-	84,186
<b>Total</b>	<b>\$ 30</b>	<b>\$ 214,469</b>	<b>\$ 1,276,693</b>	<b>\$ -</b>	<b>\$ 198,685</b>	<b>\$ 1,689,877</b>

  

	As of June 30, 2017					
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	No Maturity	Carrying Value
U.S. Treasury Obligations	\$ -	\$ 442,474	\$ -	\$ -	\$ -	\$ 442,474
U.S. Agency Obligations	-	118,893	-	-	-	118,893
Commingled Debt Securities	-	-	-	-	245,040	245,040
Asset-Backed Securities	-	379,471	-	-	-	379,471
Foreign Government Obligations	-	-	12,043	-	-	12,043
U.S. Corporate Bonds & Notes	-	149,299	-	-	-	149,299
Foreign Corporate Bonds and Notes	-	73,600	-	-	-	73,600
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,163,737</b>	<b>\$ 12,043</b>	<b>\$ -</b>	<b>\$ 245,040</b>	<b>\$ 1,420,820</b>

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

All holdings of commercial paper and variable rate demand notes were rated A-1/P-1 or better at June 30, 2018 and 2017. All holdings of money market funds were rated AAA at June 30, 2018 and 2017.

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, 2018 and 2017, is as follows:

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	As of June 30, 2018						
	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Commingled Debt Securities	Total
U.S. Agency Obligations	\$ 793,878	\$ 29	\$ -	\$ -	\$ -	\$ -	\$ 793,907
Mortgage-Backed Securities							
Guaranteed by U.S. Agencies	-	172,751	-	-	-	-	172,751
Debt Securities in Commingled Funds	-	-	-	-	-	198,685	198,685
Aaa/AAA	-	30,791	757	-	-	-	31,548
Aa/AA	-	24,598	4,848	1,233	3,564	-	34,243
A/A	-	30,400	9,713	11,636	7,991	-	59,740
Baa/BBB	-	23,743	118	35,701	28,046	-	87,608
Less than Baa/BBB	-	162,162	11,692	38,477	37,667	-	249,998
Unrated	-	38,371	2,281	13,827	6,918	-	61,397
<b>Total</b>	<b>\$ 793,878</b>	<b>\$ 482,845</b>	<b>\$ 29,409</b>	<b>\$ 100,874</b>	<b>\$ 84,186</b>	<b>\$ 198,685</b>	<b>\$ 1,689,877</b>
	As of June 30, 2017						
	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Commingled Debt Securities	Total
U.S. Treasury Obligations	\$ 442,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 442,474
U.S. Agency Obligations	-	118,893	-	-	-	-	118,893
Mortgage-Backed Securities							
Guaranteed by U.S. Agencies	-	82,513	-	-	-	-	82,513
Debt Securities in Commingled Funds	-	-	-	-	-	245,040	245,040
Aaa/AAA	-	39,310	-	-	-	-	39,310
Aa/AA	-	11,485	1,374	487	796	-	14,142
A/A	-	17,829	1,422	5,796	10,102	-	35,149
Baa/BBB	-	16,199	902	25,413	12,780	-	55,294
Less than Baa/BBB	-	177,229	8,345	95,004	47,616	-	328,194
Unrated	-	34,906	-	22,599	2,306	-	59,811
<b>Total</b>	<b>\$ 442,474</b>	<b>\$ 498,364</b>	<b>\$ 12,043</b>	<b>\$ 149,299</b>	<b>\$ 73,600</b>	<b>\$ 245,040</b>	<b>\$ 1,420,820</b>

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

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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, 2018 and 2017, 12.4% and 18.2%, respectively, of the Station’s total investments and cash and cash equivalents were denominated in foreign currencies.

The Station’s portion of the University’s exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>Foreign Currency Risk</u> <u>International Investment Securities at Fair Value</u>				
	<u>Debt</u> <u>Securities</u>	<u>Equity</u> <u>Securities</u>	<u>Cash and</u> <u>Cash</u> <u>Equivalents</u>	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
Euro	\$ 22,574	\$ 14,980	\$ 1,957	\$ 39,511	\$ 31,594
Japanese Yen	-	13,998	2,056	16,054	15,021
British Pound Sterling	37,052	10,616	2,098	49,766	39,120
Australian Dollar	-	1,294	1,026	2,320	1,975
Canada Dollar	-	2,900	5,401	8,301	3,525
Danish Krone	8	1,737	10	1,755	2,898
New Zealand Dollar	-	-	13	13	(274)
Brazil Real	3,571	1,621	923	6,115	6,555
Polish Zloty	-	-	22	22	6
Swiss Franc	5	3,681	263	3,949	4,009
Hong Kong Dollar	-	5,924	2	5,926	3,893
Swedish Krona	-	2,479	115	2,594	3,038
Mexican New Peso	908	104	478	1,490	1,288
Other	31,247	393,732	5,250	430,229	589,507
Total	<u>\$ 95,365</u>	<u>\$453,066</u>	<u>\$ 19,614</u>	<u>\$568,045</u>	<u>\$ 702,155</u>

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

**4. FAIR VALUE OF ASSETS AND LIABILITIES**

The Station categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application*. The three-tiered hierarchy for fair value is as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are available at the measurement date.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Station’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumption about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Station’s own data.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The Station’s Level 1 investments primarily consist of investments in U.S. Treasury obligations, equity securities, and mutual funds. When quoted prices in active markets are not available, fair values are based on evaluated prices received from the Station’s custodian of investments in conjunction with a third party service provider and are reported within Level 2 of the fair value hierarchy. The inputs for Level 2 include, but are not limited to, pricing models such as benchmarking yields, reported trades, broker-dealer quotes, issuer spreads and benchmarking securities, among others. The Station’s Level 2 investments primarily consist of investments in U.S. government and agency obligations, and corporate debt securities that did not trade on the Station’s fiscal year end date.

At June 30, 2018 and 2017, the Station had the following recurring fair value measurements:

	2018	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level								
Debt Securities								
U.S. Treasury	\$ 793,878	\$ 793,878	\$ -	\$ -	\$ 442,474	\$ -	\$ 442,474	\$ -
U.S. Agency	30	-	30	-	118,893	-	118,893	-
Asset Backed	482,815	-	482,815	-	379,471	-	379,471	-
Government	29,409	-	29,409	-	12,043	-	12,043	-
Corporate	185,061	-	185,061	-	222,899	-	222,899	-
Equity Securities								
Domestic	73,490	73,490	-	-	53,631	53,631	-	-
Foreign	81,175	81,175	-	-	77,123	77,123	-	-
Investments Measured at the net asset value (NAV)								
Comingled Funds:								
Absolute Return	481,141	-	-	-	342,743	-	-	-
Risk Parity	718,632	-	-	-	571,864	-	-	-
Debt Securities	198,685	-	-	-	245,040	-	-	-
Equity Securities	408,442	-	-	-	573,163	-	-	-
Real Estate	33,778	-	-	-	38,618	-	-	-
Non-marketable Alternative Methods:								
Real Estate	166,618	-	-	-	165,068	-	-	-
Privacy Equity	381,203	-	-	-	285,245	-	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 4,034,357</b>	<b>\$ 948,543</b>	<b>\$ 697,315</b>	<b>\$ -</b>	<b>\$ 3,528,275</b>	<b>\$ 130,754</b>	<b>\$ 1,175,780</b>	<b>\$ -</b>

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The following table presents investments as of June 30, 2018 that have been valued using the NAV as a practical expedient, classified by major investment category:

	Fair Value	Investment Strategy and Structure	Unfunded Commitments	Fund Term	Redemption Terms
<b>Commingled Funds:</b>					
Absolute Return	481,141	Broadly diversified, traditional hedge fund and risk premia exposures obtained through long/short positions across global liquid markets, structured to achieve minimal equity beta with a lower level of volatility relative to the rest of the portfolio.	-	Open Ended	Semi-Monthly, Monthly, and Quarterly redemption with 1-45 days notice
Risk Parity	718,632	An asset allocation strategy which seeks to provide higher risk-adjusted returns by allocating risk, not capital, equally across a broadly diversified portfolio of global equities, global nominal bonds and inflation-sensitive assets.	-	Open Ended	Weekly, Monthly, and Quarterly redemption with 1-90 days notice
Debt Securities	198,685	Global fixed income exposures focused primarily on high yield, emerging markets debt and other unconstrained / opportunistic strategies.	-	Open Ended	Daily and Monthly redemption with 1-2 days notice
Equity Securities	408,442	Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1-15 days notice
Real Estate	33,778	Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 1-30 days notice
<b>Non-marketable Alternative Funds:</b>					
Real Estate	166,618	Diversified portfolio of longer-term private market funds focused on value-added and opportunistic real estate and/or real estate debt.	89,269	10 -12 years	Not applicable - no redemption ability
Private Equity	381,203	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies.	278,113	10 -12 years	Not applicable - no redemption ability

**5. CHANGES IN UNEXPENDED GRANTS**

The balance of unexpended grants at June 30, 2018 and 2017, is as follows:

	Fiscal Year	
	2018	2017
Balance, Beginning of Year	\$ 40,003	\$ 25,019
Grants	1,105,457	594,123
Deductions, Amount Expended	(892,430)	(579,139)
Balance, End of Year	<u>\$ 253,030</u>	<u>\$ 40,003</u>

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6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018 and 2017 is summarized as follows:

<u>2018</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets, Depreciable:				
Building Improvements	\$ 335,533	\$ -	\$ -	\$ 335,533
Transmission, Antenna and Tower	248,665	-	-	248,665
Studio and Other Broadcast Equipment	99,296	-	-	99,296
Furniture and Fixtures	<u>58,970</u>	<u>-</u>	<u>-</u>	<u>58,970</u>
Total Capital Assets, Depreciable	<u>742,464</u>	<u>-</u>	<u>-</u>	<u>742,464</u>
Accumulated Depreciation:				
Building Improvements	335,533	-	-	335,533
Transmissions, Antenna and Tower	240,797	1,574	-	242,371
Studio and Other Broadcast Equipment	43,664	7,995	-	51,659
Furniture and Fixtures	<u>42,762</u>	<u>2,510</u>	<u>-</u>	<u>45,272</u>
Total Accumulated Depreciation	<u>662,756</u>	<u>12,079</u>	<u>-</u>	<u>674,835</u>
Total Capital Assets, Depreciable, Net	<b><u>\$ 79,708</u></b>	<b><u>\$ 12,079</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 67,629</u></b>
<u>2017</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets, Depreciable:				
Building Improvements	\$ 335,533	\$ -	\$ -	\$ 335,533
Transmission, Antenna and Tower	248,665	-	-	248,665
Studio and Other Broadcast Equipment	99,296	-	-	99,296
Furniture and Fixtures	<u>58,970</u>	<u>-</u>	<u>-</u>	<u>58,970</u>
Total Capital Assets, Depreciable	<u>742,464</u>	<u>-</u>	<u>-</u>	<u>742,464</u>
Accumulated Depreciation:				
Building Improvements	335,533	-	-	335,533
Transmission, Antenna and Tower	239,223	1,574	-	240,797
Studio and Other Broadcast Equipment	35,669	7,995	-	43,664
Furniture and Fixtures	<u>40,252</u>	<u>2,510</u>	<u>-</u>	<u>42,762</u>
Total Accumulated Depreciation	<u>650,677</u>	<u>12,079</u>	<u>-</u>	<u>662,756</u>
Total Capital Assets, Depreciable, Net	<b><u>\$ 91,787</u></b>	<b><u>\$ 12,079</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 79,708</u></b>

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7. OPERATING LEASE OBLIGATIONS

The Station leases an above-ground, multi-unit broadcast tower from Public Television 19, Inc. Annually, the initial base rent is adjusted for the Consumer Price Index – Kansas City, All Items published by the Bureau of Labor Statistics. Such adjustment is limited to 0% to 2.5% from the preceding period. Future minimum payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	34,879
2020	35,385
2021	35,898
2022	36,419
2023	6,084
Total Future Minimum Payments	<u><b>\$ 148,665</b></u>

Total lease payments for the years ended June 30, 2018 and 2017 were \$33,693 and \$33,734, respectively.

8. BOARD-DESIGNATED QUASI-ENDOWMENT

The Station's quasi-endowment was established on March 29, 2000 by the University of Missouri – Kansas City as the UMKC KCUR Unrestricted Endowment Fund to provide unrestricted support to the Station. As of June 30, 2018 and 2017, the balance of the quasi-endowment was \$1,701,524 and \$1,619,443, respectively.

9. RESTRICTED EXPENDABLE-ENDOWMENT

The Station's restricted expendable endowment consists of six donor-named endowments at June 30, 2018 and 2017. Distributions from the endowments shall be made at such times and in such amounts as are in accordance with the policy of The Curators of the University of Missouri. The balance of the endowments at June 30, 2018 and 2017 is \$779,143 and \$747,818, respectively.

10. RISK MANAGEMENT

The Station is a part of the University's overall risk management program. The cost is part of the donated facilities and administrative support from 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.

11. RETIREMENT, DISABILITY, AND DEATH BENEFIT PLAN

Plan Description – The Station participates in a plan ("Retirement Plan") operated by the University. The Retirement Plan is a single-employer, defined benefit plan for all qualified employees. As authorized by Section 172.300, Revised Statutes of Missouri, the University's Board of Curators administers the Retirement Plan and establishes its terms.

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Benefits Provided – Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at a certain rate times the credited service years times the compensation base (average compensation for the five highest consecutive salary years). The rate is 2.2% if the employee was hired before October 1, 2012, or 1.0% if the employee was hired after September 30, 2012. Academic members who provide summer teaching and research service receive additional summer service credit. The Board of Curators may periodically approve increases to the benefits paid to existing pensioners. However, vested members who leave the University prior to eligibility for retirement are not eligible for these pension increases.

	<u>Retirement Plan Membership</u>	
	<u>2018</u>	<u>2017</u>
Active Vested Members	18,135	18,233
Inactive Vested members	4,659	4,215
Pensioners and Beneficiaries	<u>9,763</u>	<u>9,242</u>
Total Members	<u><b>32,557</b></u>	<u><b>31,690</b></u>

Vested employees who are at least age 55 and have ten years or more of credited service or age 60 with at least five years of service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be taken in a lump sum payment. In addition, the standard annuity can be exchanged for an actuarially-equivalent annuity selected from an array of options with joint and survivor, period certain, and guaranteed annual increase features.

Vested employees who terminate prior to retirement eligibility may elect to transfer the actuarial equivalent of their benefit to an Individual Retirement Account or into another employer’s qualified plan that accepts such rollovers. The actuarial equivalent may also be taken in the form of a lump sum payment.

In addition, the Retirement Plan allows vested employees who become disabled to continue accruing service credit until they retire. It also provides a pre-retirement death benefit for vested employees.

The Retirement Plan provides a minimum value feature for vested employees who terminate or retire. The minimum value is calculated as the actuarial equivalent of 5% of the employee’s eligible compensation invested at 7.5% per credited service year or the regular calculated benefit.

Basis of Accounting – The Retirement Plan’s accounting records are prepared using the accrual basis of accounting. Employer contributions to the Retirement Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Retirement Plan. The Retirement Plan does not issue a separate financial report.

Investment Valuation – Investments are reported at fair value.

Contributions – The University’s contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement (ADC). The ADC for those employees hired before October 1, 2012 averaged 9.4% and 9.5% of covered payroll for the years ending June 30, 2018 and 2017, respectively. The ADC for those employees hired after September 30, 2012 averaged 5.5% and 5.6% of covered payroll for the years ended June 30, 2018 and 2017, respectively. Employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. An actuarial valuation of the Plan is performed annually and the University’s contribution rate is updated at the beginning of the University’s fiscal year on July 1, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year. The University contributed \$92,200,000 and \$96,631,000 during the fiscal years ended June 30, 2018 and 2017, respectively.

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Net Pension Liability – the Retirement Plan’s net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017 and 2016, respectively. Roll-forward procedures were used to measure the Retirement Plan’s total pension liability as of June 30, 2018 and 2017. The following table outlines the Station’s portion of the changes in net pension liability for the years ended June 30, 2018 and 2017:

	<b>Total Pension Liability (TPL) (a)</b>	<b>Fiduciary Net Position (FNP) (b)</b>	<b>Net Pension Liability (NPL) (a) – (b)</b>
<b>Balances at June 30, 2017</b>	<b>\$ 4,570,949</b>	<b>\$ 3,907,080</b>	<b>\$ 663,869</b>
Changes for the year:			
Service cost	144,639	-	144,639
Interest	695,144	-	695,144
Differences between expected and actual experience	26,607	-	26,607
Contributions – employer	-	209,602	(209,602)
Contributions – employee	-	34,780	(34,780)
Net investment income	-	732,690	(732,690)
Benefit payments, including refunds of employee contributions	(529,876)	(529,876)	-
Other changes	585,648	-	585,648
Net changes	922,162	447,196	474,966
<b>Balances at June 30, 2018</b>	<b>\$ 5,493,111</b>	<b>\$ 4,354,276</b>	<b>\$ 1,138,835</b>
	<b>Total Pension Liability (TPL) (a)</b>	<b>Fiduciary Net Position (FNP) (b)</b>	<b>Net Pension Liability (NPL) (a) – (b)</b>
<b>Balances at June 30, 2016</b>	<b>\$ 4,397,194</b>	<b>\$ 3,550,780</b>	<b>\$ 846,414</b>
Changes for the year:			
Service cost	89,000	-	89,000
Interest	398,722	-	398,722
Differences between expected and actual experience	(30,542)	-	(30,542)
Contributions – employer	-	129,776	(129,776)
Contributions – employee	-	20,438	(20,438)
Net investment income	-	489,511	(489,511)
Benefit payments, including refunds of employee contributions	(283,425)	(283,425)	-
Net changes	173,755	356,300	(182,545)
<b>Balances at June 30, 2017</b>	<b>\$ 4,570,949</b>	<b>\$ 3,907,080</b>	<b>\$ 663,869</b>

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Actuarial Methods and Assumptions – The October 1, 2017 and 2016 actuarial valuations utilized the entry age actuarial cost method. During fiscal year 2018, the board of Curators approved a change in the discount rate from 7.75% to 7.20%. The change resulted in an increase in the Net Pension Liability of \$585,648 and will be recognized in pension expense over the average expected remaining service lives of employees. Actuarial assumptions for October 1, 2017 and 2016 included:

	<u>2017</u>	<u>2016</u>
Inflation	2.20%	2.75%
Rate of Investment Return net of Administrative expenses (Including inflation)	7.20%	7.75%
Projected salary increases (Including inflation)	3.6 – 4.5%	4.1 – 4.9%
Cost-of-living adjustments	0%	0%

For purposes of determining actuarially required contributions, the actuarial value of assets was determined using techniques that spread effects of short-term volatility in the market value of investments over a 5-year period. The underfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over 26 and 27 years from the October 1, 2017 and 2016 valuation dates, respectively. Mortality rates were based on the RP-2014 Combined Health Mortality Table projected using scale MP-2017 and RP-2000 using Combined Health Mortality Table projected to 2023 using Scale BB for October 1, 2017 and 2016 valuation dates, respectively.

The actuarial assumptions used in the October 1, 2017 valuation were based on the results the most recent quinquennial study of the University’s own experience covering 2012 to 2016. The actuarial assumptions used in the October 1, 2016 valuation were based on the results of the quinquennial study of the University’s own experience covering 2018 to 2012.

Discount Rate – The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2017 actuarial valuation, a 7.20% rate was used as the net long-term expected rate of return.

The following table shows the sensitivity of the Station’s portion of the net liability to changes in the discount rate:

<u>Sensitivity of the Net Liability to Changes in the Discount</u>		
	<u>Rate</u>	<u>2018 Net Pension Liability</u>
1% Decrease	6.20%	\$ 2,926,204
Current Rate	7.20%	1,138,835
1% Increase	8.20%	597,331
	<u>Rate</u>	<u>2017 Net Pension Liability</u>
1% Decrease	6.75%	\$ 1,342,445
Current Rate	7.75%	663,869
1% Increase	8.75%	115,690

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Rate of Return – The annual money-weighted rate of return is calculated as the internal rate of return on pension investments, net of pension plan investment expense. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments for the years ended June 30, 2018 and 2017 was 10.2% and 11%, respectively. The following table provides long-term expected rates of real return on a geometric basis:

<u>Asset Class</u>	<u>Asset Class Allocation</u>	
	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic large cap equity	14.5%	4.7%
International developed equity	14.5%	9.7%
Emerging markets equity	3%	8.6%
Private equity	10%	7.8%
Sovereign bonds	15%	3.1%
Domestic inflation linked bonds	10%	2.9%
Global inflation linked bonds	7%	2.6%
Private debt	3%	6.5%
Risk balanced	10%	9.7%
Commodities	5%	4.3%
Core private real estate	1.6%	4.6%
Value add private real estate	4.8%	6.6%
Opportunistic private real estate	1.6%	8.6%
	<b><u>100%</u></b>	

Pension Expense – For the years ended June 30, 2018 and 2017, the Station recognized a portion of the University’s pension expense in the amount of \$323,234 and \$158,396, respectively. Annual pension expense consists of service cost and interest on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources and recognized in pension expense over a five year period.

The Station’s portion of pension expense for the years ended June 30, is summarized as follows:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 144,639	\$ 89,000
Interest	695,144	398,721
Recognized portion of current-period difference between expected and actual experience	4,849	(5,051)
Recognized portion of current-period difference for changes in assumptions	106,754	-
Contributions – employee	(34,780)	(20,438)
Projected earnings on pension plan investments	(601,389)	(329,137)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(26,259)	(32,075)
Recognition of deferred outflows of resources	56,864	65,669
Recognition of deferred inflows of resources	(22,588)	(8,293)
<b>Pension expense for fiscal year ended June 30</b>	<b><u>\$ 323,234</u></b>	<b><u>\$ 158,396</u></b>

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Deferred Outflows/Inflows of Resources – In accordance with GASB Statements No. 68, the University recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and the difference between actual and expected investment returns as Deferred Outflows/Inflows of Resources. At June 30, 2018 and 2017, the Retirement Plan reported the Station’s portion of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b><u>Deferred Outflows/Inflows of Resources Related to Pensions</u></b>		
<b>As of June 30</b>	<b>Deferred Outflows of Resources 2018</b>	<b>Deferred Outflows of Resources 2017</b>
Differences between expected and actual experience	32,486	32,279
Changes of assumptions	421,496	-
Changes of benefit terms	-	-
Net difference between projected and actual earnings on pension plan investments	<u>55,529</u>	<u>115,897</u>
<b>Total</b>	<b><u>509,511</u></b>	<b><u>148,176</u></b>

The University recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the University’s employees. The following table summarizes the future recognition of these items:

<b><u>Projected Recognition of Deferred Outflows/(Inflows)</u></b>	
<b><u>Fiscal Year Ended</u></b>	<b><u>Recognition</u></b>
2019	235,251
2020	134,793
2021	11,510
2022	74,111
2023	<u>53,846</u>
Total	<b><u>509,511</u></b>

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12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – In addition to the pension benefits described in Note 11, the University operates a single-employer, defined benefit OPEB plan. The University's Other Postemployment Benefits (OPEB) Plan provides postemployment 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 after attaining age 60 with five or more years of service. As of January 1, 2018, employees must be 60 years old and have 20 years of service at the date of retirement to access the same percentage subsidy as retirees prior to January 1, 2018. Employees with age plus years of service less than 80 but with more than 5 years of service as of January 1, 2018 will receive a subsidy of \$100 per year of service up to a maximum of \$2,500 annually. Employees with less than 5 years of service as of January 1, 2018 will not receive an insurance subsidy or be eligible to participate in the University's plans.

As of June 30, 2018 and 2017, 8,603 and 7,517 retirees, respectively, were receiving benefits, and an estimated 10,649 active University employees may become eligible to receive future benefits under the plan. Postemployment medical, dental and life insurance benefits are also provided to long-term disability claimants who were vested in the University's Retirement Plan at the date the disability began, provided the onset date of the disability was on or after September 1, 1990. As of June 30, 2018 and 2017, 210 and 166 long-term disability claimants, respectively, met those eligibility requirements.

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.

Basis of Accounting – The OPEB Plan's financial statements are prepared using the accrual basis of accounting, in accordance with GASB Statement No. 74. Additionally, the requirements of GASB Statement No. 75 are followed by the University for reporting its OPEB obligations and related footnote and required supplementary information disclosures. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The OPEB Plan does not issue a separate financial report.

Contributions and Reserves – Contribution requirements of employees and the University are established and may be amended by the University's Board of Curators. For employees retiring prior to September 1, 1990, the University contributes 2/3 of the medical benefits premium and 1/2 of the dental plan premium. For employees who retired on or after September 1, 1990, the University contributes toward premiums based on the employee's length of service and age at retirement.

The University makes available two group term life insurance options. Option A coverage is equal to the retiree's salary at the date of retirement, while Option B is equal to two times that amount. For each Option, graded decreases in coverage are made when the retiree attains specific age levels. The University pays the full cost of Option A and approximately 91% of the cost of Option B coverage. Coverage for group term life insurance ends on January 1 following the retiree's 70th birthday.

For the years ended June 30, 2018 and 2017, all participants, including the Stations' participants, contributed \$16,480,000 and \$14,750,000, or approximately 49.9% and 47.5%, respectively, of total premiums through their required contributions, which vary depending on the plan and coverage selection. In fiscal years 2018 and 2017, the University contributed \$18,590,000 and \$21,394,000, respectively.

The University makes available two long-term disability options to its employees. Option A coverage is equal to 60% of the employee's salary on the date the disability began, when integrated with benefits from all other sources. Option B coverage is equal to 66-2/3% of the employee's salary, integrated so that benefits from all sources will not exceed 85% of the employee's salary. Both options have a 149-day waiting period and provide benefits until age 65. The University pays the full cost of the Option A premium, while employees enrolled in Option B pay the additional cost over the Optional A premium.

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**As of and for the Years Ended June 30, 2018 and 2017**

Net OPEB Liability – The University of Missouri began reporting a net OPEB liability in restated fiscal year 2017 financial statements in accordance with GASB Statement No. 75, which established requirements for financial reporting for postemployment benefits other than pension plans and replaces GASB Statement No. 45. The Station’s portion of the net OPEB liabilities as of June 30, 2018 and 2017 were measured as of June 30, 2018 and 2017, respectively, using actuarial valuations as of those dates.

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>
Net OPEB Liability Components:		
Total OPEB Liability	\$550,960	\$573,264
Plan Fiduciary Net Position	(42,329)	(41,573)
Net OPEB Liability	508,631	531,691
Plan Fiduciary Net position as a percentage of Total OPEB Liability	7.68%	7.25%

**Changes in the Net OPEB Liability:**

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a)– (b)
<b>Balances at July 1, 2017</b>	<b>\$573,264</b>	<b>\$41,573</b>	<b>\$531,691</b>
Changes for the year:			
Service Cost	5,741	-	5,741
Interest	20,052	-	20,052
Changes in Assumptions	(21,851)	-	(21,851)
Contributions - Employer	-	21,382	(21,382)
Contributions - Employee	-	18,956	(18,956)
Net Investment Income	-	909	(909)
Expected/Actual Benefit payments, including refunds of employee contribution	(26,246)	(40,292)	14,046
Administrative Expenses	-	(198)	198
Net Changes	(22,304)	757	(23,061)
<b>Balances at June 30, 2018</b>	<b>\$550,960</b>	<b>\$42,330</b>	<b>\$508,630</b>

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a)– (b)
<b>Balances at July 1, 2016</b>	<b>\$600,726</b>	<b>\$40,403</b>	<b>\$560,323</b>
Changes for the year:			
Service Cost	10,407	-	10,407
Interest	16,092	-	16,092
Changes in Assumptions	(26,398)	-	(26,398)
Contributions - Employer	-	25,055	(25,055)
Contributions - Employee	-	17,274	(17,274)
Net Investment Income	-	1,070	(1,070)
Expected/Actual Benefit payments, including refunds of employee contribution	(27,563)	(42,009)	14,446
Administrative Expenses	-	(220)	220
Net Changes	(27,462)	1,170	(28,632)
<b>Balances at June 30, 2017</b>	<b>\$573,264</b>	<b>\$41,573</b>	<b>\$531,691</b>

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2018 and 2017**

Actuarial Methods and Assumptions - Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The entry age normal, as a level percent of pay, actuarial cost method was used in the June 30, 2018 and June 30, 2017 actuarial valuations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision of actual results, are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the University and plan members in the future.

Total OPEB liability was determined using the following actuarial assumptions for all periods presented, unless otherwise specified:

<b>Total OPEB Liability Assumptions</b>	
Inflation	2.20%
Total Payroll Growth	Varies based on age: 0.5% to 4.6% (including inflation) for academic and administrative; 0.2% to 3.0% (including inflation) for clerical and service
Discount Rate	3.87% (3.58% in prior year)
Retiree Health PPO Plan, Healthy Savings, and Rx trend rate	8.75% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Pre-65 Rx trend rate	9.75% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Medicare Advantage Plans medical trend rate	4.6% and 37.5% for Base Plan; 5.6% and 24.2% for Buy-Up Plan; then 6.5% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
EGWP Rx trend rate	8.75% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Dental trend rates	3.0% all years
Administration expenses rate	3.0% all years
Healthy retiree mortality rates	RP-2014 Healthy Employee/Annuitant Mortality Table projected generationally using Scale MP-2017
Disabled retiree mortality rates	RP-2014 Disabled Annuitant Mortality Table projected generationally using Scale MP-2017

Development of Discount Rate – The discount rates used to measure the total OPEB liability were 3.87% and 3.58% as of fiscal year June 30, 2018 and June 30, 2017, respectively. The projection of cash flows used to determine the discount rate assumed that the University would not make additional contributions to the OPEB Trust and would continue to fund the plan on a pay-as-you-go basis. Based on those assumptions, the OPEB plan’s fiduciary net position was not projected to cover a full year of projected future benefit payments. Therefore, all future benefit payments are discounted at the current index rate for 20 year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2018 and 2017**

Sensitivity to Changes in Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the University as well as what the University’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate as well as the impact to the net OPEB liability if the healthcare cost trend rates were 1- percentage-point lower or 1-percentage-point higher.

**Sensitivity of the Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rates**

	<b>1% Decrease in Discount Rate (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase in Discount Rate (4.87%)</b>
Net OPEB Liability	\$590,381	\$508,631	\$445,324
	<b>1% Decrease in Trend Rates</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase in Trend Rates</b>
Net OPEB Liability	\$454,550	\$508,631	\$578,493

OPEB Expense - For the years ended June 30, 2018 and 2017, the OPEB Plan recognized an OPEB expense of \$18,335 and \$23,974, respectively. Annual OPEB expense consists of service cost, interest on the total OPEB liability and the recognition of deferred outflows/inflows.

The OPEB expense for the years ended June 30, 2018 and 2017 is summarized as follows:

	<b><u>OPEB Expense</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Service Cost		\$5,738	\$10,828
Interest		20,045	16,743
Recognized portion of current-period difference for changes to assumptions		(3,671)	(3,386)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments		(182)	(211)
Recognition of deferred inflows of resources		(3,595)	-
<b>OPEB expense for fiscal year ended June 30,</b>		<b>\$18,335</b>	<b>\$23,974</b>

Deferred Outflows/Inflows of Resources - In accordance with GASB Statement No. 75, the University recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and the difference between actual and expected investment returns as Deferred Outflows/Inflows of Resources. At June 30, 2018 and 2017, the OPEB Plan reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
<b>As of June 30,</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Changes in Assumptions	38,865	24,079
Net Difference between projected and actual earnings on plan investments	1,357	841
<b>Total</b>	<b>40,222</b>	<b>24,920</b>

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**As of and for the Years Ended June 30, 2018 and 2017**

The Station recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Station's employees. The following table summarizes the future recognition of these items:

<b>Future Recognition of deferred (inflows)</b>	
<b>Fiscal Year</b>	<b>Recognition</b>
2019	(7,450)
2020	(7,450)
2021	(7,450)
2022	(7,239)
2023	(6,875)
2024	(3,386)
2025	(372)
<b>Total</b>	<b>(40,222)</b>

13. RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation. There is no effect to total assets, liabilities, or change in net position from the reclassification.

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**SUPPLEMENTAL SCHEDULE OF NON-FEDERAL FINANCIAL SUPPORT**  
**For Year Ended June 30, 2018**

Summary of Non-Federal Financial Support

1.	Direct Revenue	\$ 4,983,138
2.	Indirect Administrative Support	1,115,231
3.	In-Kind Contributions:	
	a. Services and Other Assets	-
	b. Property and Equipment	-
	Total In-Kind Contributions	<u>-</u>
4.	Total Non-Federal Financial Support	<b><u>\$6,098,369</u></b>

*See Accompanying Independent Auditors' Report.*