

University of Missouri
KWMU-FM Radio

***Financial Statements as of and for the Years Ended
June 30, 2008, and 2007, Supplemental Schedule for
the Year Ended June 30, 2008, and Independent
Auditors' Report***

University of Missouri
KWMU-FM RADIO

TABLE OF CONTENTS

	Page
Management's Discussion and Analysis	1
Independent Auditors' Report	6
Basic Financial Statements as of and for the Years Ended June 30, 2008, and 2007	
Statements of Net Assets	8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Basic Financial Statements	11
Supplemental Information for the Year Ended June 30, 2008:	
Supplemental Schedule of Non-Federal Financial Support	23

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2008 and 2007

This management's discussion and analysis ("MD&A") of KWMU-FM Radio (the "Station") provides an overview of the Station's financial performance for the fiscal years ended June 30, 2008 and 2007. Please read it in conjunction with the basic financial statements for the period and the annual report to the Corporation for Public Broadcasting ("CPB") that accompanies the basic financial statements.

OVERVIEW OF THE OPERATIONS

The Station is a department of the University of Missouri (the "University") and operates under FCC license issued to the Curators of the University of Missouri. The University provides on-going, line item funding as well as indirect institutional support (e.g. studio and office space, custodial and human resource support). The University's indirect institutional support to the Station is significant to the Station's financial activities and is fully described in the annual report to CPB.

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

KWMU ACCOUNTING AND FINANCIAL REPORTING

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

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

The Station's annual basic financial statements and reports to CPB are available for public inspection during business hours in the Station's public file located at One University Blvd., 104 Lucas Hall, St. Louis, MO.

STATEMENTS OF NET ASSETS

The Statements of Net Assets present the financial position of the Station at the end of the fiscal year and include all assets and liabilities of the Station. The Net Assets present the current financial condition of the University. Assets and liabilities are generally measured using current values, with certain exceptions, such as capital assets, which are stated at cost, less accumulated depreciation, and long-term debt, which is stated at cost.

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2008 and 2007

A summary of the Station's assets, liabilities, and net assets at June 30, 2008, 2007, and 2006, is as follows:

	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
Assets			
Current Assets	\$ 1,007,307	\$ 725,688	\$ 389,070
Noncurrent Assets	3,041,502	1,516,947	1,132,306
Total Assets	<u>\$ 4,048,809</u>	<u>\$ 2,242,635</u>	<u>\$ 1,521,376</u>
Liabilities and Net Assets			
Current Liabilities	\$ 313,231	\$ 371,885	\$ 341,693
Noncurrent Liabilities	93,992	143,513	203,716
Total Liabilities	<u>407,223</u>	<u>515,398</u>	<u>545,409</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	559,374	336,332	222,639
Restricted Expendable-Capital	2,535,199	972,292	433,141
Unrestricted -			
Other	188,857	27,917	(26,365)
Board Designated	358,156	390,696	346,552
Total Net Assets	<u>3,641,586</u>	<u>1,727,237</u>	<u>975,967</u>
Total Liabilities and Net Assets	<u>\$ 4,048,809</u>	<u>\$ 2,242,635</u>	<u>\$ 1,521,376</u>

Fiscal Year 2008 Compared to Fiscal Year 2007

Total assets increased \$1,806,174 to \$4,048,809 reflecting the Station's continued efforts to strengthen its capital position. In particular, a \$500,880 increase in Long-Term Investments primarily related to the Station receiving additional Capital Campaign gifts during fiscal year 2008. Additionally, Current and Noncurrent Asset together reflect \$1,045,664 in additional short- and long-term pledges toward the Capital Campaign. The Capital Campaign goal is to raise sufficient funds to construct a new Station building.

Total liabilities decreased \$108,175 over the prior year primarily due to decreases in accrued expenses and the Station's Note Payable balance due to Administrative Services.

Net assets increased by \$1,914,349 primarily as a reflection of the Capital Campaign gifts received and pledged.

Fiscal Year 2007 Compared to Fiscal Year 2006

The restated **Total assets** increased by \$721,259 to \$2,242,635, which reflects the Station's continued efforts to strengthen its capital position. The increase is primarily due to recognizing Capital Campaign pledges previously not recorded in addition to an increase in capital assets. Short- and long-term **Pledges Receivable, net** for the Capital Campaign added \$529,015 in fiscal year 2007, an increase over fiscal year 2006's pledged capital gifts of \$156,518. At June 30, 2007, **Capital assets** increased by \$59,566. The Station is renovating its existing facilities and upgrading air conditioning at its transmitter site. Depreciation expense increased \$17,117 from \$35,819 to \$52,936.

Total liabilities decreased \$30,011 over the prior year due primarily to the decreasing Note Payable to Administrative Services.

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2008 and 2007

Net assets increased by \$751,270 due to increased capital campaign gifts and pledges and capital asset additions.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses and Changes in Net Assets present the Station's results of operations. The Statements distinguish revenues and expenses between operating and non-operating categories, and provides a view of the Station's operating margin.

	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
Operating Revenues:			
Underwriting Income	\$ 1,087,006	\$ 964,039	\$ 865,099
Community Service Grants from Corporation for Public Broadcasting	286,729	374,602	388,851
Other Grants	91,817	39,953	10,300
Special Events & Other Operating Revenue	115,065	84,201	73,508
Total Operating Revenues	1,580,617	1,462,795	1,337,758
Operating Expenses:			
Program Services -			
Programming and Production	1,914,335	1,546,473	1,503,858
Broadcasting	270,354	306,679	272,831
Program Information	383,240	304,766	337,775
Total Program Services	2,567,929	2,157,918	2,114,464
Support Services	2,662,688	2,378,359	2,025,783
Depreciation Expense	49,028	52,936	35,819
Total Operating Expenses	5,279,645	4,589,213	4,176,066
Operating Loss Before Nonoperating Revenues	(3,699,028)	(3,126,418)	(2,838,308)
Nonoperating Revenues (Expenses):			
Support from the University of Missouri	624,599	600,546	493,381
Donated Facilities and Administrative Support from University of Missouri	795,866	509,146	479,578
Other In-Kind Nonoperating Revenue	120,250	102,115	129,781
Investment Income	16,262	69,721	43,279
Interest Expense	(5,606)	(7,671)	(9,661)
Payments from Friends of KWMU	2,076,000	1,670,000	1,515,500
Private Gifts	19,495	33,602	-
Total Nonoperating Revenues	3,646,866	2,977,459	2,651,858
Income (Loss) before Capital Contributions & Additions to Endowments	(52,162)	(148,959)	(186,450)
Capital Gifts and Grants	1,966,511	900,229	784,501
Increase in Net Assets	1,914,349	751,270	598,051
Net Assets, Beginning of Year	1,727,237	975,967	377,916
Net Assets, End of Year	\$ 3,641,586	\$ 1,727,237	\$ 975,967

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2008 and 2007

Fiscal Year 2008 Compared to Fiscal Year 2007

Total **Operating Revenues** for fiscal year 2008 increased \$117,822 over fiscal year 2007 largely due to increases in Underwriting Income, Grants other than CPB, and Special Events. The Station's operating revenues fall into two categories: 1) Listener sensitive income including contributions from listeners through special events and program support from area businesses in exchange for on-air recognition; and 2) operating grants from Corporation for Public Broadcasting. **Underwriting Income** for fiscal year 2008 increased \$122,967, or 12.8%, over fiscal year 2007. The Station has made a conscientious effort to sustain current underwriting and secure new businesses. For fiscal year 2008, **Community Service Grants** from the CPB decreased by \$87,873 over fiscal year 2007. However, **Other Grants** revenues increased by 51,864, or 130%, over the prior fiscal year due to additional funding from Missouri Public Broadcasting and SoundVision Productions. The Station has made a conscientious effort to increase grants revenue. Fiscal year 2008 **Special Events Revenues** increased by 36.7% or \$30,864 over fiscal year 2007.

Total **Non-operating Revenues** for fiscal year 2008 increased \$669,407, or 22.5%, over fiscal year 2007. This increase is mainly due to higher levels of support from the University of Missouri, the Friends of KWMU, Inc. and capital donors. **Donated facilities and administrative support from the University of Missouri** increased by \$286,720 in fiscal year 2008, or 56.3% higher than fiscal year 2007. This change is due primarily to higher Institutional Support expenditures related to the University funding the actuarially determined annual contribution for other post-employment benefits. **Investment Income** for fiscal year 2008 decreased by 76.7% or \$53,459 over fiscal year 2007 due to market fluctuations from year to year.

Payments from Friends of KWMU-FM for fiscal year 2008 increased \$406,000 or 24.3% over fiscal year 2007. The increase was due to the Friends of KWMU covering more Station expenses in fiscal year 2008. **Capital Gifts & Grants** for fiscal year 2008 increased \$1,066,282, or 118.4%, over fiscal year 2007 due to large gifts received and pledged for the Station's Capital Campaign.

Fiscal year 2008 **Operating expenses** increased \$690,432, or 15.0%, over fiscal year 2007. Operating expenses fall into two categories: 1) **Program services**, which represented 48.6% and 47.0% of total operating expenses for fiscal years ended June 30, 2008, and 2007, and 2) **Support services**, which represented 50.4% and 51.8% of total operating expenses for fiscal years ended June 30, 2008, and 2007. Program service costs for **Programming and Production** increased \$367,862 to \$1,914,335 for fiscal year 2008 compared to \$1,546,473 the prior year. Costs for **Program Information** increased by \$78,474 to \$383,240 for fiscal year 2008 compared to \$304,766 the prior year. **Support Services** costs increased for both **Fundraising** and **Administration** by a total of \$284,329 to \$2,662,688 compared to \$2,378,359 for fiscal year 2007 due to costs related to the Capital Campaign.

Fiscal Year 2007 Compared to Fiscal Year 2006

Total **Operating Revenues** for fiscal year 2007 increased \$125,037 over fiscal year 2006. This fluctuation is mainly due to increases in Underwriting Income and Other Grants revenue. **Underwriting Income** for fiscal year 2007 increased \$98,940, or 11.4%, over fiscal year 2006. The Station made a conscientious effort to sustain current underwriting and secure new businesses. **Community Service Grants** from the CPB for fiscal year 2007 decreased by 3.7% or \$14,249 over fiscal year 2006. **Other Grants** revenues for fiscal year 2007 increased by 287.9% or \$29,653 over the prior year as the Station made a conscientious effort to increase grants revenue. **Special Events Revenues** for fiscal year 2007 increased by 14.5% or \$10,693 over fiscal year 2006.

Total **Non-operating Revenues** for fiscal year 2007 increased by \$325,601, or 12.3%, over fiscal year 2006. This increase is mainly due to increased support from the Friends of KWMU, Inc. and support from the University of Missouri. **Support from the University of Missouri** for fiscal year 2007 increased by \$107,165, or 21.7%, over fiscal year 2006, primarily due to increased support from the University of Missouri – St. Louis. Fiscal year 2007 **Donated facilities and administrative support from the University of Missouri** increased by 14.7% or \$29,568 over fiscal year 2006, primarily for Institutional Support expenditures. **Investment Income** for fiscal year 2007 increased by 61.1% or \$26,442 over fiscal year 2006 due to strong investment returns.

University of Missouri
KWMU-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2008 and 2007

Payments from Friends of KWMU-FM for fiscal year 2007 increased by 10.2% or \$154,500 over fiscal year 2006. The increase was due to increased expenditures. **Private Gifts** for fiscal year 2007 increased by 100.0% or 33,602 over fiscal year 2006. The increase is due to additional gifts from individual members. Fiscal year 2007 **Capital Gifts and Grants**, after recognizing capital campaign pledges previously not recorded, increased by \$115,728, or 14.8%.

Total **Operating expenses** for fiscal year 2007 increased by 9.9% or \$413,147 over fiscal year 2006. Program services represented 47.0% and 50.6% of total operating expenses for fiscal years ended June 30, 2007, and 2006, Support services represented 51.8% and 48.5% of total operating expenses for fiscal years ended June 30, 2007, and 2006. Increases in **Support Services** of \$352,576 to \$2,378,359 for the fiscal year ended June 30, 2007, compared to \$2,025,783 for fiscal year ended June 30, 2006 related to Capital Campaign support services.

ECONOMIC OUTLOOK

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

- **Corporation for Public Broadcasting:** The CPB is funded two years in advance. The federal government's fiscal year 2008 appropriation for CPB was \$393 million, and the CPB appropriation for fiscal years 2009 and 2010 is \$400 and \$420 million respectively. Thus, the CPB funding source will remain stable during the coming year. Additionally, for fiscal year 2011, the CPB request for funding is \$483 million. CPB approved new funding guidelines that became effective in fiscal year 2007. The core amount of the Community Service Grant will be smaller, but dependent on stations meeting certain community service goals, the overall grant can either increase or decrease.
- **Underwriting Support:** KWMU-FM projects an increase in corporate support from businesses and will continue to develop this support in the foreseeable future.
- **Special Events:** Special Events revenue is largely dependent on the number and magnitude of special events for the year. KWMU-FM is focusing on cost efficiencies and increased income for Special Events.
- **Support from the University of Missouri:** KWMU does not foresee a large change in funding for future years although indirect funding is largely dependent on the Station's share of Institutional Support expenditures.
- **Investment Income:** KWMU-FM investments are directed by the University, which has a conservative approach to investing. Investment income is dependent on market viability, and current market conditions are turbulent.
- **Private Gifts:** KWMU will continue to focus on cultivating major gifts from individual donors through the Friends of KWMU. In this regard, KWMU-FM will work to raise funds for its Capital Campaign for a new building and to increase its Endowment assets for the Station's future.
- **Other Funding:** KWMU-FM will continue to apply for funding from the local, state and national funding organizations in fiscal year 2009.



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Marberry, Miller & Bales PC

Certified Public Accountants

414 East Broadway, Suite 200 Columbia, Missouri 65201
Phone: 573-875-8777 1-800-324-4823 Fax: 573-442-1050

Report of Independent Auditor

To the Board of Curators
University of Missouri:

We have audited the accompanying basic financial statements of the University of Missouri KWMU-FM Radio, as of and for the years ended June 30, 2008 and 2007, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the University of Missouri's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Missouri KWMU-FM Radio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University of Missouri KWMU-FM Radio, are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the University of Missouri that is attributable to the transactions of the University KWMU-FM Radio. They do not purport to, and do not, present fairly the financial position of the University of Missouri, as of June 30, 2008 and 2007, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University of Missouri KWMU-FM Radio, as of June 30, 2008 and 2007, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, on pages 1 through 5 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University of Missouri KWMU-FM Radio's basic financial statements. The supplemental schedule of non-federal financial support for the year ended June 30, 2008, required by the Public Telecommunication Financing Act of 1978, is presented for the purpose of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marberry Miller and Bales, P.C.

Marberry, Miller & Bales, P.C.
Certified Public Accountants
Columbia, Missouri
December 31, 2008

University of Missouri
KWMU-FM Radio

STATEMENTS OF NET ASSETS
As of June 30, 2008 and 2007

	2008		2007	
	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 61,365	\$ 194,756	\$ 74,515	\$ 353,327
Cash and Cash Equivalents - Restricted	117,149	-	124,867	-
Short-Term Investments	73,372	-	50,268	-
Short-Term Investments - Restricted	146,541	-	83,809	-
Accounts Receivable	197,249	-	146,757	-
Due from (to) Component Unit	-	-	200	(200)
Grants Receivable	10,250	-	32,733	-
Pledges Receivable, Net	401,381	37,843	212,539	45,182
Total Current Assets	1,007,307	232,599	725,688	398,309
Noncurrent Assets:				
Pledges Receivable, Net	1,173,298	-	316,476	-
Depreciable Capital Assets, Net	215,614	-	264,641	-
Nondepreciable Capital Assets	462,656	-	246,777	-
Long-Term Investments	406,205	-	468,322	-
Long-Term Investments - Restricted	783,729	-	220,732	-
Total Noncurrent Assets	3,041,502	-	1,516,948	-
Total Assets	\$ 4,048,809	\$ 232,599	\$ 2,242,636	\$ 398,309
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accrued Vacation	\$ 102,358	\$ -	\$ 109,615	\$ -
Accounts Payable and Other Accrued Expenses	95,547	-	206,079	14,680
Deferred Revenue	34,278	-	-	-
Unexpended Grants	22,713	56,540	-	103,053
Note Payable - Administrative Services	58,335	-	56,191	-
Total Current Liabilities	313,231	56,540	371,885	117,733
Noncurrent Liabilities:				
Accrued Vacation	33,431	-	24,618	-
Note Payable - Administrative Services	60,561	-	118,895	-
Total Noncurrent liabilities	93,992	-	143,513	-
Total Liabilities	407,223	56,540	515,398	117,733
Net Assets:				
Restricted Expendable - Capital	2,535,199	-	972,292	-
Unrestricted -				
Other	188,857	176,059	27,917	280,576
Board Designated	358,156	-	390,696	-
Invested in Capital Assets, Net of Related Debt	559,374	-	336,332	-
Total Net Assets	3,641,586	176,059	1,727,237	280,576
Total Liabilities and Net Assets	\$ 4,048,809	\$ 232,599	\$ 2,242,635	\$ 398,309

See accompanying notes to the basic financial statements.

University of Missouri
KWMU-FM Radio

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For The Years Ended June 30, 2008 and 2007

	2008		2007	
	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit	University Fund Business Type Activity	KWMU Discretely Presented Component Unit
Operating Revenues:				
Underwriting Income	\$ 1,087,006	\$ -	\$ 964,039	\$ -
Community Service Grants from Corporation for Public Broadcasting	286,729	-	374,602	-
Other Grants	91,817	45,000	39,953	34,484
Special Events & Other Operating Revenue	115,065	37,598	84,201	50,246
Total Operating Revenues	1,580,617	82,598	1,462,795	84,730
Operating Expenses:				
Program Services:				
Programming and Production	1,914,335	-	1,546,473	-
Broadcasting	270,354	-	306,679	-
Program Information	383,240	-	304,766	-
Total Program Services	2,567,929	-	2,157,918	-
Supporting Services:				
Fundraising	1,269,791	-	1,067,549	-
Administration	1,392,897	100,589	1,310,810	141,171
Total Supporting Services	2,662,688	100,589	2,378,359	141,171
Depreciation Expense	49,028	-	52,936	-
Total Operating Expenses	5,279,645	100,589	4,589,213	141,171
Operating Loss Before Nonoperating Revenues	(3,699,028)	(17,991)	(3,126,418)	(56,441)
Nonoperating Revenues (Expenses):				
Support from the University of Missouri	624,599	-	600,546	-
Donated facilities and Administrative Support from University of Missouri	795,866	-	509,146	-
Other In-Kind Nonoperating Revenue	120,250	-	102,115	-
Investment Income	16,262	11,588	69,721	17,802
Interest Expense	(5,606)	-	(7,671)	-
Payments to (from) Friends of KWMU	2,076,000	(2,076,000)	1,670,000	(1,670,000)
Private Gifts	19,495	1,977,886	33,602	1,731,461
Total Nonoperating Revenues (Expenses)	3,646,866	(86,526)	2,977,459	79,263
Income (Loss) before Capital Gifts and Additions to Endowments	(52,162)	(104,517)	(148,959)	22,822
Capital Gifts and Grants	1,966,511	-	900,229	-
Increase in Net Assets	1,914,349	(104,517)	751,270	22,822
Net Assets, Beginning of Year	1,727,237	280,576	819,449	257,754
Cumulative Effect of Recognition of Capital Pledges	-	-	156,518	-
Net Assets, Beginning of Year, as Adjusted	1,727,237	280,576	975,967	257,754
Net Assets, End of Year	\$ 3,641,586	\$ 176,059	\$ 1,727,237	\$ 280,576

See accompanying notes to the basic financial statements.

University of Missouri
KWMU-FM Radio

STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2008 and 2007

	2008		2007	
	University Fund Business Type Activity	KWMU Discretely Presented Component Unit	University Fund Business Type Activity	KWMU Discretely Presented Component Unit
Cash Flows from Operating Activities:				
Underwriting Income	\$ 1,070,992	\$ -	\$ 970,162	\$ -
Corporation for Public Broadcasting Grant	309,442	-	373,893	-
Payments to Suppliers and Employees	(4,543,727)	(115,469)	(4,002,306)	(152,205)
Other Receipts	229,365	36,085	96,223	120,246
Net Cash Used in Operating Activities	(2,933,928)	(79,384)	(2,562,028)	(31,959)
Cash Flows from Noncapital Financing Activities:				
Private Gifts	19,495	1,985,225	33,602	1,724,128
Contributions from University of Missouri & Other Sources	744,849	-	702,659	-
Payments to/from Friends of KWMU	2,076,000	(2,076,000)	1,670,000	(1,670,000)
Net Cash Provided by Noncapital Financing Activities	2,840,344	(90,775)	2,406,261	54,128
Cash Flows from Capital and Related Financing Activities:				
Capital Gifts	920,847	-	527,732	-
Proceeds from Note Payable	-	-	-	-
Principal Payments on Note Payable	(56,190)	-	(54,127)	-
Interest Payments on Note Payable	(5,606)	-	(7,671)	-
Purchase of Capital Assets	(215,880)	-	(112,502)	-
Net Cash Provided by Capital and Related Financing Activities	643,171	-	353,432	-
Cash Flows from Investing Activities:				
Purchase of Investments, Net	(586,716)	-	(144,198)	-
Investment Income	16,262	11,588	69,721	17,802
Net Cash Provided by (Used in) Investing Activities	(570,454)	11,588	(74,477)	17,802
Net Increase (Decrease) in Cash and Cash Equivalents	(20,867)	(158,571)	123,188	39,971
Cash and Cash Equivalents, Beginning of Year	199,381	353,327	76,193	313,356
Cash and Cash Equivalents, End of Year	\$ 178,514	\$ 194,756	\$ 199,381	\$ 353,327
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:				
Operating Loss	\$ (3,699,028)	\$ (17,991)	\$ (3,126,418)	\$ (56,441)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities -				
Depreciation Expense	49,028	-	52,936	-
Donated Facilities and Administrative Support	795,866	-	509,146	-
Changes in Assets and Liabilities:				
Accounts, Grants and Pledges Receivable	(27,809)	(200)	(21,810)	(7,315)
Accrued Vacation	1,556	-	1,438	-
Accounts Payable and Other Accrued Expenses	(110,532)	(14,680)	23,389	(3,719)
Deferred Revenue	56,991	-	(709)	-
Unexpended Grants	-	(46,513)	-	35,516
Net Cash Used in Operating Activities	\$ (2,933,928)	\$ (79,384)	\$ (2,562,028)	\$ (31,959)
Noncash Activity:				
Administrative Support from the University of Missouri	\$ 795,866	\$ -	\$ 509,146	\$ -
Non-Cash Contributions of Services and Other Assets	120,250	-	102,115	-

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

KWMU-FM Radio

Organization – KWMU-FM Radio (the “Station”) is operated as a department by the University of Missouri (the “University”) on its St. Louis campus in St. Louis, Missouri. The financial activity of the Station is included in the financial statements of the University. The accompanying basic financial statements were prepared based on the combination of various accounts associated with the Station and its related operations and do not present the financial position or changes in financial position or cash flows of the University. The Station is dependent upon support from the Corporation for Public Broadcasting, the University and the public.

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

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

During the year ended June 30, 2008, and 2007, the Friends of KWMU distributed \$2,076,000 and \$1,670,000, respectively, to the Station for both restricted and unrestricted purposes.

Separate financial statements for the Friends of KWMU are not available.

Financial Statement Presentation – In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Station is required to follow all applicable GASB pronouncements. In addition, the Station applies all applicable FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The Station has elected not to apply FASB pronouncements issued after November 30, 1989.

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

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

The Station’s policy for defining operating activities as reported on the Statements of Revenues, Expenses and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue as defined by GASB Statement No. 34.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions, such as support from the University, private gifts and investment income.

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

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

Pledges Receivable – The Station receives unconditional promises to give (pledges) through private donations from corporations, alumni and various other supporters of the Station. The pledges receivable, which are reflected on the Statement of Net Assets and as a portion of private gifts on the Statement of Revenues, Expenses, and Changes in Net Assets, include promises for the Station’s Capital Campaign. An allowance of \$212,698 and \$16,361 has been made for uncollectible pledges as of June 30, 2008, and 2007, based upon management’s expectations regarding the collectability of the pledges. In addition, the Station’s beginning Net Assets have been increased for pledges received in fiscal years 2006 and prior that were not previously recognized based on the net amounts expected to be collected in future years.

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

Unexpended Grants – Amounts reflected in the Statements of Net Assets as of June 30, 2008 and 2007, include unexpended grant awards from Corporation for Public Broadcasting. Grant revenues are recognized as eligibility requirements are met.

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

- **Invested in Capital Assets, Net of Related Debt:** Property and equipment, net of accumulated depreciation and outstanding principal balances of debt, if any, attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - **Expendable** – Net assets whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specified purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

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

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

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

Donated Facilities and Administrative Support – Donated facilities from the University consist of office and studio space. The cost of these facilities, together with the related occupancy costs, is recorded in revenues and expenses at depreciable value in accordance with valuation guidelines established by the Corporation for Public Broadcasting. Indirect administrative support from the University is included as donated facilities and administrative support revenues. Support from the University consists of allocated general and administrative expenses incurred by the institution on the Station's behalf.

Use of Estimates – The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements - The GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. The statement addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address current and potential effects of existing pollution through pollution remediation activities such as site assessments and cleanups. The statement requires disclosures about the nature of the remediation, size of the obligation, and the methods and assumptions used in evaluating the potential obligation. The Station does not anticipate any material effect on its financial statements with the adoption of GASB Statement No. 49.

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

The GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, effective for fiscal years beginning after June 15, 2008. The statement establishes accounting and financial reporting standards for land and other real estate held as investments by endowments. These assets are to be reported at fair value at the reporting date, with changes in fair value being reported as investment gains or losses. The Station does not anticipate any material effect on its financial statements.

The GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. The statement requires derivative instruments to be measured at fair value at the reporting date, with changes in fair value generally being reported as investment gains or losses. However, changes in fair value of hedging derivative instruments would be deferred until the related instrument ends or ceases to significantly reduce risk. The Station has not yet determined the effect that adoption of GASB Statement No. 53 may have on its financial statements.

Reclassifications – Certain reclassifications to the prior year's financial information have been made to conform to the current year presentation. As of June 30, 2007, the University presented certain investments as cash equivalents, which it has subsequently reclassified as short-term investments based on their original maturities. The Station has accordingly reclassified these amounts in the accompanying Statement of Net Assets and as investing activities in the accompanying Statement of Cash Flows.

Prior Period Adjustment – During the audit of the fiscal year ended June 30, 2008, it was determined that Capital Campaign pledges receivable had not been recorded in prior periods, which understated revenues and restricted net assets by \$529,015 for those periods. Accordingly, KWMU restated its financial statements for the year ended June 30, 2007. The effect of the correction was to increase fiscal year 2007 net assets by \$529,015, of which \$156,518 related to prior years and \$372,477 related to fiscal year 2007. Restricted net assets at the beginning of the audited fiscal year have been adjusted for the effects of this restatement.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

Discretely Presented Component Unit – Friends of KWMU

Pledges Receivable – The Friends of KWMU receive unconditional promises to give (pledges) through private donations from corporations, alumni and various other supporters of the Station. These pledges have been recorded as pledges receivable on the Statements of Net Assets and as a portion of private gifts on the Statements of Revenues, Expenses and Changes in Net Assets. An allowance of \$28,548 and \$13,435 as of June 30, 2008, and 2007, has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the Friends of KWMU's historical collection experience. All pledges are collectible within the next fiscal year.

Unexpended Grants – Amounts reflected in the Statements of Net Assets as of June 30, 2008, and 2007, include unexpended grant awards from Monsanto and the Simon Foundation. Grant revenues are recognized as eligibility requirements are met.

Operating Revenue – Operating revenue consists of grants awarded to and special fundraising events provided by the Friends of KWMU for the Station's benefit.

2. CASH AND CASH EQUIVALENTS

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

Custodial Credit Risk – Deposits – KWMU – 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 Station's cash deposit balances as of June 30, 2008, and 2007, of \$31,166 and \$17,723, respectively, were fully insured and collateralized and not exposed to custodial credit risk.

Custodial Credit Risk – Deposits – Friends of KWMU – The Friends of KWMU held cash and cash equivalent deposits totaling \$194,756 and \$353,327 as of June 30, 2008 and 2007.

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 its governing board, the Board of Curators. The policies are established to ensure that the University funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment. The University's security investments are held in book-entry form in brokerage, custody, and safe keeping accounts in the University's name.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

At June 30, 2008 and 2007, the Station held investments, by investment type, as follows:

	Carrying Value as of June 30, 2008	Carrying Value as of June 30, 2007
Government Obligations	\$ 882,960	\$ 435,812
Corporate Bonds and Notes	304,477	96,429
Corporate Stocks	220,937	286,301
Commercial Paper	-	1,243
Other	1,474	3,346
Short-Term and Long-Term Investments	<u>1,409,848</u>	<u>823,131</u>
Government Obligations	-	79
Commercial Paper	144,920	181,453
Repurchase Agreements	2,426	127
Invested Cash Equivalents	<u>147,346</u>	<u>181,659</u>
Total Investments	<u>\$ 1,557,194</u>	<u>\$ 1,004,790</u>

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

At June 30, 2008, and 2007, the Station’s portion of the University’s debt investments matures as follows:

	As of June 30, 2008				
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Fair Value
U.S. Agency Obligations	\$ 159,721	\$ 516,442	\$ 123,792	\$ 17,177	\$ 817,132
U.S. Treasury Obligations	1,895	8,179	15,571	9,157	34,802
Foreign Government Obligations	1,208	8,738	13,409	7,670	31,025
U.S. Corporate Bonds & Notes	56,877	125,442	105,892	8,202	296,413
Foreign Corporate Bonds & Notes	211	2,876	1,799	3,178	8,064
Total	<u>\$ 219,912</u>	<u>\$ 661,677</u>	<u>\$ 260,463</u>	<u>\$ 45,384</u>	<u>\$ 1,187,436</u>
	As of June 30, 2007				
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Fair Value
U.S. Agency Obligations	\$ 107,484	\$ 243,294	\$ 15,859	\$ 13,108	\$ 379,745
U.S. Treasury Obligations	6,836	5,947	2,777	1,490	17,050
Foreign Government Obligations	1,049	13,929	11,617	12,421	39,016
U.S. Corporate Bonds & Notes	13,839	63,829	5,107	8,354	91,129
Foreign Corporate Bonds & Notes	279	836	869	3,316	5,300
Total	<u>\$ 129,487</u>	<u>\$ 327,835</u>	<u>\$ 36,229</u>	<u>\$ 38,689</u>	<u>\$ 532,240</u>

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

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

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

Based on Moody’s investment ratings, the Station’s portion of the University’s investment exposure to credit risk at June 30, 2008, and 2007, is as follows:

	As of June 30, 2008					Total
	Aaa	Aa	A	Baa	Unrated	
U.S. Agency Obligations	\$ 636,120	\$ 3,880	\$ 135	\$ -	\$ 176,997	\$ 817,132
U.S. Treasury Obligations	34,802	-	-	-	-	34,802
Foreign Government Obligations	19,168	231	10,814	326	486	31,025
U.S. Corporate Bonds & Notes	44,684	92,485	151,888	6,076	1,280	296,413
Foreign Corporate Bonds & Notes	3,811	1,691	1,802	255	505	8,064
Total	\$ 738,585	\$ 98,287	\$ 164,639	\$ 6,657	\$ 179,268	\$ 1,187,436
	As of June 30, 2007					Total
	Aaa	Aa	A	Baa	Unrated	
U.S. Agency Obligations	\$ 365,170	\$ 50	\$ -	\$ -	\$ 14,605	\$ 379,825
U.S. Treasury Obligations	17,050	-	-	-	-	17,050
Foreign Government Obligations	25,379	54	9,433	692	3,458	39,016
U.S. Corporate Bonds & Notes	14,550	34,622	34,848	2,790	4,319	91,129
Foreign Corporate Bonds & Notes	1,080	329	1,276	146	2,469	5,300
Total	\$ 423,229	\$ 35,055	\$ 45,557	\$ 3,628	\$ 24,851	\$ 532,320

Custodial Credit Risk – Investments - Custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments. In accordance with University policy, the University minimizes its custodial credit risk on deposits by establishing limitations on the types of investments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. Certificates of deposit must be collateralized and held at a bank with which the University has a depository agreement. The Station’s investment of \$144,920 and \$181,453 in commercial paper is uninsured and uncollateralized at June 30, 2008, and 2007, respectively. At June 30, 2008, and 2007, the Station’s investment of \$2,426 and \$127, respectively, in repurchase agreements is held by the investment’s counterparty, not in the name of the University. All of the remaining University investments are insured and registered and are held by the University or an agent in its name.

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. University policy allows 15 to 25% of the investment portfolio to be invested in international investments; 13.8% and 14.8% were denominated in foreign currency in fiscal year 2008 and 2007, respectively. To reduce its foreign currency risk, the University has entered into forward foreign currency contracts throughout the year. As of June 30, 2008, and 2007, 6.0% and 5.1% of the University’s investment portfolio is invested in forward foreign currency contracts, with the Station’s share of

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

\$34,706 and \$37,290, respectively. These contracts are marked to market and the changes in their market value are recorded in investment income on the Statements of Revenues, Expenses, and Changes in Net Assets.

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

Foreign Currency Risk						
International Investment Securities at Fair Value						
Currency	Cash and Cash Equivalents	Foreign Government Obligations	Foreign Corporate Bonds and Notes	Corporate Stocks	2008 Total	2007 Total
Australian Dollar	\$ 33	\$ 747	\$ 318	\$ 1,286	\$ 2,384	\$ 2,628
Brazilian Real	-	-	27	27	54	
British Pound Sterling	(2,342)	2,638	40	7,537	7,873	16,022
Canadian Dollar	2,837	878	171	490	4,376	4,147
Chilean Peso	-	-	-	12	12	14
Chinese Yuan Renminbi	-	-	-	746	746	1,318
Danish Krone	3	-	193	88	284	321
Euro	3,674	12,368	5,911	17,475	39,428	41,761
Hong Kong Dollar	28	-	-	1,161	1,189	2,365
Hungarian Forint	-	-	-	-	-	467
Israeli Shekel	-	405	-	(137)	268	712
Japanese Yen	1	9,454	1,165	4,394	15,014	22,032
Malaysian Ringgit	-	836	-	597	1,433	761
Mexican New Peso	16	326	-	79	421	721
New Taiwan Dollar	-	-	-	69	69	72
New Zealand Dollar	10	-	-	(171)	(161)	(1,314)
Norwegian Krone	33	155	-	1,264	1,452	412
Polish Zloty	10	908	-	(87)	831	876
Russian Rubel	-	-	-	34	34	
South African Comm Rand	-	-	-	85	85	160
Singapore Dollar	6	1,325	-	475	1,806	1,648
South Korean Won	-	252	-	(46)	206	660
Swedish Krona	25	733	239	970	1,967	2,485
Swiss Franc	32	-	-	5,012	5,044	
UAE Dirham	-	-	-	114	114	7,059
Total	\$ 4,366	\$ 31,025	\$ 8,064	\$ 41,474	\$ 84,929	\$ 105,327

Concentration of Credit Risk – The risk of loss attributed to the magnitude of investments in a single issuer is known as 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.

For University funds invested in the Pooled General Investments category, the following restrictions apply: 1) Corporate Bonds should not exceed 20% of the portfolio; 2) Variable Rate securities should not exceed 15% of the portfolio; and 3) Investments in obligations of the U.S. Government, U.S. Government Agency issues or U.S. Government guaranteed securities are unlimited. On December 15, 2006, the Board of Curators amended the investment policy for short-term funds to permit the following new investment categories: the University's Balanced Pool and absolute return funds.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

For University funds invested in the Pooled Endowment Investments category, target asset mixes are evaluated to ensure appropriate diversification. The investment policy allows for a portfolio consisting of no more than 37% U.S. equity, 24% international equity, 12.5% emerging markets equity, 10.0% private equity, 10% absolute return funds, 12.5% real estate, 22% global fixed income, and 12% Treasury Inflation-Protected Securities (TIPS). However, within the Pooled Endowment Investments, due to donor restrictions certain monies can only be invested in fixed income securities. The Fixed Income Pool portfolio for these monies consists of U.S. Government securities, U.S. Government Agency issues, corporate fixed income, commercial paper, and repurchase agreements.

As of June 30, 2008, of the Station's total investments, 14.4% are issues of the Federal Home Loan Bank, 6.4% are issues of the Federal Home Loan Mortgage Corporation, and 5.9% are issues of the Federal National Mortgage Association (FNMA). As of June 30, 2007, of the Station's total investments, 7.4% are issues of the FNMA.

4. CHANGES IN UNEXPENDED GRANTS

The balance of unexpended grants at June 30, 2008, and 2007, for the Station is as follows:

	Unexpended Grants	
	2008	2007
Balance, Beginning of Year	\$ -	\$ 709
Grants	401,259	381,113
Deductions, Amount Expended	(378,546)	(381,822)
Balance, End of Year	<u>\$ 22,713</u>	<u>\$ -</u>

The balance of unexpended grants at June 30, 2008, and 2007, for the Friends of KWMU is as follows:

	Unexpended Grants	
	2008	2007
Balance, Beginning of Year	\$ 103,053	\$ 67,537
Grants	40,000	65,000
Deductions, Amount Expended	(86,513)	(29,484)
Balance, End of Year	<u>\$ 56,540</u>	<u>\$ 103,053</u>

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2008, and 2007, is summarized as follows:

2008	Beginning Balance	Additions	Retirements	Ending Balance
Construction in Progress	\$ 246,776	\$ 215,880	\$ -	\$ 462,656
Total Capital Assets, Nondepreciable	246,776	215,880	-	462,656
Capital Assets, Depreciable:				
Buildings and Improvements	15,983	-	-	15,983
Transmission, Antenna and Tower	173,149	-	-	173,149
Studio and Other Broadcast Equipment	379,868	-	-	379,868
Furniture and Fixtures	118,617	-	-	118,617
Total Capital Assets, Depreciable	687,617	-	-	687,617
Accumulated Depreciation:				
Buildings and Improvements	15,983	-	-	15,983
Transmission, Antenna and Tower	173,149	-	-	173,149
Studio and Other Broadcast Equipment	115,226	49,028	-	164,254
Furniture and Fixtures	118,617	-	-	118,617
Total Accumulated Depreciation	422,975	49,028	-	472,003
Total Capital Assets, Depreciable, Net	264,642	(49,028)	-	215,614
Total Capital Assets, Net	<u>\$ 511,418</u>	<u>\$ 166,852</u>	<u>\$ -</u>	<u>\$ 678,270</u>
2007	Beginning Balance	Additions	Retirements	Ending Balance
Construction in Progress	\$ 134,274	\$ 112,502	\$ -	\$ 246,776
Total Capital Assets, Nondepreciable	134,274	112,502	-	246,776
Capital Assets, Depreciable:				
Buildings and Improvements	15,983	-	-	15,983
Transmission, Antenna and Tower	173,149	-	-	173,149
Studio and Other Broadcast Equipment	379,868	-	-	379,868
Furniture and Fixtures	118,617	-	-	118,617
Total Capital Assets, Depreciable	687,617	-	-	687,617
Accumulated Depreciation:				
Buildings and Improvements	15,983	-	-	15,983
Transmission, Antenna and Tower	173,149	-	-	173,149
Studio and Other Broadcast Equipment	65,311	49,915	-	115,226
Furniture and Fixtures	115,596	3,021	-	118,617
Total Accumulated Depreciation	370,039	52,936	-	422,975
Total Capital Assets, Depreciable, Net	317,578	(52,936)	-	264,642
Total Capital Assets, Net	<u>\$ 451,852</u>	<u>\$ 59,566</u>	<u>\$ -</u>	<u>\$ 511,418</u>

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

The estimated cost to complete construction in progress at June 30, 2008, is \$11.8 million of which \$2.5 million is available from Restricted net assets.

6. NOTE PAYABLE – ADMINISTRATIVE SERVICES

During the year ended June 30, 2005, the Station entered into an agreement with the Administrative Services department of the University of Missouri-St. Louis to borrow funds at a non-interest bearing rate. The note payable was discounted utilizing an imputed interest rate of 3.75%.

Note payable activity for the year ended June 30, 2008, and 2007, is as follows:

Fiscal Year	Beginning of Year	Proceeds	Payments	Amortization	End of Year	Current Portion
2008	\$ 175,087	\$ -	\$ (56,191)	\$ -	\$ 118,896	\$ 58,335
2007	\$ 229,213	\$ -	\$ (54,126)	\$ -	\$ 175,087	\$ 56,191

As of June 30, 2008, the total of principal and interest due on the note during the next two years is as follows:

Fiscal Year	Principal	Interest
2009	\$ 58,335	\$ 3,463
2010	60,561	1,237

7. NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2008, and 2007, are summarized as follows:

	2008 Beginning of Year	Additions	Payments	2008 End of Year	Current Portion
Accrued Vacation	<u>\$ 134,233</u>	<u>\$ 99,361</u>	<u>\$ (97,804)</u>	<u>\$ 135,790</u>	<u>\$ 102,358</u>
	2007 Beginning of Year	Additions	Payments	2007 End of Year	Current Portion
Accrued Vacation	<u>\$ 132,785</u>	<u>\$ 86,502</u>	<u>\$ (85,054)</u>	<u>\$ 134,233</u>	<u>\$ 109,615</u>

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

8. OPERATING LEASE OBLIGATIONS

The Station leases an above-ground, multi-unit broadcast tower from Sinclair Media 1, Inc. Future minimum payments are as follows:

Fiscal Year	Amount
2009	\$ 93,391
2010	98,061
2011	102,964
2012	72,075
Total Future Mimimum Payments	<u>\$ 366,491</u>

Total lease payments for the years ended June 30, 2008, and 2007, were \$88,944 and \$62,780, respectively.

9. RISK MANAGEMENT

The Station is a part of the University's overall risk management program, for which it is charged an annual premium by the University. The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The University does not maintain a separate liability reserve for claims relating to the Station.

10. RETIREMENT PLAN

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

All full-time employees of the University are eligible for benefits after five years of service. The annual lifetime pension of a member is calculated by multiplying the number of years of service by 2.2% of the compensation base. The compensation base is the average regular annual salary of the member for the five consecutive highest salary years. Benefits to pensioners may be increased at certain times by the University's Board of Curators. Early retirement benefits are available at reduced rates to members age 55 to 60 with at least ten years of credited service and members age 60 to 65 with at least five years of credited service.

Contributions – The University's contributions to the Plan are equal to the actuarially determined rates, which as a percent of payroll, which averaged 8.0% and 8.7% for the years ended June 30, 2008, and 2007, respectively. The Plan is funded 100% by University contributions and does not require employee contributions.

Additional Information – Historical trend information and funding status information is designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits and disclose "actuarial accrued liability" and the funding excess or unfunded liability. This information is presented in the University's annual report, which can be obtained at the University of Missouri, 118 University Hall, Columbia, Missouri 65211.

University of Missouri
KWMU-FM Radio

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2008 and 2007

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the Station participates in the University's postemployment benefits plan. This Plan provides postretirement medical, dental, life insurance, and long-term disability benefits to claimants who were vested in the University's retirement plan at the time their disability began and vested employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or who retire after attaining age 60 with five or more years of service. Section 172.300 of the Revised Statutes of Missouri gives the University's Board of Curators sole authority and discretion to determine the terms and conditions governing the postemployment benefits to which employees are entitled.

In June 2008, the University established an Other Post-Employment Benefits Trust Fund, the assets of which are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. Postemployment benefits, other than long-term disability, were previously funded on a current basis and expenses were recorded on a pay-as-you-go basis. In fiscal year 2008, the University contributed 100.2% of the actuarially determined annual required contribution. The fiscal year 2008 annual required contribution represented 5.9% of annual covered payroll. The Station assumes no liability for postemployment benefits provided by the University other than its annual required contributions.

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

12. SUBSEQUENT EVENTS

As of October 1, 2008, the Friends of KWMU, Inc. transferred its remaining monies to KWMU. While no longer managing assets for the Station's benefit, Friends of KWMU remains active as a Station advisory group to assist in fundraising and special events.

University of Missouri
KWMU-FM Radio

SUPPLEMENTAL SCHEDULE OF NON-FEDERAL FINANCIAL SUPPORT
For The Year Ended June 30, 2008

Summary of Non-Federal Financial Support

1. Direct Revenue	\$ 5,903,651
2. Indirect Administrative Support	795,866
3. In-Kind Contributions:	
a. Services and Other Assets	<u>120,250</u>
4. Total Non-Federal Financial Support	<u>\$ 6,819,767</u>

See accompanying Independent Auditors' Report.