

***University of Missouri
St. Louis Public Radio / KWMU-FM and Friends
of KWMU***

*Financial Statements as of and for the Years Ended
June 30, 2020 and 2019, Supplemental Schedule for
the Year Ended June 30, 2020, and Independent
Auditors' Report*



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University of Missouri
ST. LOUIS PUBLIC RADIO / KWMU-FM AND FRIENDS OF KWMU

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2020 and 2019

This Management's Discussion and Analysis (MD&A) of St. Louis Public Radio / KWMU-FM (the Station or KWMU) and Friends of KWMU, Inc. (Friends) provides an overview of the Station's financial performance for the fiscal years ended June 30, 2020 and 2019. It should be read in conjunction with the basic financial statements for the period and the Annual Financial Report (AFR) to the Corporation for Public Broadcasting (CPB), which is a requirement of the Community Service Grant agreement. CPB is a private, non-profit corporation created by Congress in 1967 to promote public media (television, radio and on-line) for the American people.

OVERVIEW OF THE OPERATIONS

The Station is a unit of the St. Louis campus of the University of Missouri (the University) and it broadcasts under Federal Communication Commission (FCC) licenses (call letters KWMU, WQUB, and KMST) issued to the Curators of the University of Missouri. The University provides on-going, line item funding as well as indirect institutional support to the Station. The University's indirect institutional support to the Station is significant to the Station's financial activities and is calculated in accordance with CPB requirements for the AFR and included in Non-Federal Financial Support used in determining the amount of the Community Service Grant.

The University is classified by the Internal Revenue Service (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 control and internal audit by the University. The University and the Station both receive annual external audits. For the Station, the external audit is a condition of the annual Community Service Grant from CPB.

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

The notes to the basic financial statements provide required disclosures and other information that are essential to fully understand the material data provided in the statements. They 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 to the public on the Station's website, which also contains a link to the FCC public files on the FCC website. In addition, these reports and files may be viewed on site during business hours at the Station offices located at 3651 Olive Street, St. Louis, MO 63108.

STATEMENTS OF NET POSITION – THE STATION

The Statements of Net Position present the financial position of the Station as of June 30, 2020 and 2019, including all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Station segregated into current and non-current components. 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.

University of Missouri
ST. LOUIS PUBLIC RADIO / KWMU-FM AND FRIENDS OF KWMU

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Years Ended June 30, 2020 and 2019

A summary of the Station’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020 and 2019, follows:

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Assets and Deferred Outflows of Resources		
Current Assets	\$ 3,369,337	\$ 4,094,644
Non-Current Assets	<u>7,924,110</u>	<u>7,119,164</u>
Total Assets	<u>11,293,447</u>	<u>11,213,808</u>
Deferred Outflows of Resources	<u>1,253,131</u>	<u>777,844</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,546,578</u>	<u>\$ 11,991,652</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities	\$ 594,777	\$ 569,340
Non-Current Liabilities	<u>3,821,980</u>	<u>3,087,669</u>
Total Liabilities	<u>4,416,757</u>	<u>3,657,009</u>
Deferred Inflows of Resources	<u>173,068</u>	<u>79,483</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,589,825</u>	<u>3,736,492</u>
Net Position		
Invested in Capital Assets	6,268,077	6,453,535
Restricted Nonexpendable - Endowment	1,656,033	665,629
Restricted Expendable - Capital	52,025	49,168
Unrestricted	<u>(19,382)</u>	<u>1,086,828</u>
Total Net Position	<u>7,956,753</u>	<u>8,255,160</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 12,546,578</u>	<u>\$ 11,991,652</u>

Fiscal Year 2020 Compared to Fiscal Year 2019

Total assets increased by a net of \$79,639 or 0.7%, to \$11,293,447, largely due to endowment gifts of more than \$1,000,000, offset by decreases in operating cash and investments as well as decreases in accounts and grants receivable.

Total liabilities increased by 759,748 or 20.8%, to \$4,416,757, primarily due to an increase in pension liability in the current year. The pension liability on the Station’s financial statements is under the University pension plan and obligations of the unfunded pension and post-retirement health benefit liabilities will be paid by the University. Current funding of these benefits under a calculation developed by the University is paid and expensed by the Station.

Net Position reflects a net decrease of \$298,407 or 3.6% due to the loss from operations offset by non-operating endowment gifts and other non-operating revenues and expenses.

STATEMENTS OF NET POSITION – FRIENDS

Cash decreased to \$36,784 at June 30, 2020, from \$65,674 at June 30, 2019, due to funds transferred to the Station during the current fiscal year in support of operations.

University of Missouri

ST. LOUIS PUBLIC RADIO / KWMU-FM AND FRIENDS OF KWMU

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As of and for the Years Ended June 30, 2020 and 2019

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – THE STATION

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 nonoperating categories.

	Fiscal Year 2020	Fiscal Year 2019
Operating Revenues:		
Individual and Foundation Support, Net	\$ 5,887,438	\$ 5,080,380
Grants from Corporation for Public Broadcasting	551,255	561,595
Other Grants	175,088	330,581
Corporate Sponsorship Support, Net	1,783,273	2,009,501
Special Events & Other Operating Revenue	<u>295,599</u>	<u>407,789</u>
Total Operating Revenues	<u>8,692,653</u>	<u>8,389,846</u>
Operating Expenses:		
Program Services –		
Broadcasting	444,094	494,902
Programming and Production	6,406,439	6,364,700
Program Information	<u>347,561</u>	<u>394,435</u>
Total Program Services	<u>7,198,094</u>	<u>7,254,037</u>
Support Services -		
Management and General	560,292	707,182
Depreciation Expense	185,458	207,909
Fundraising and Membership Development	<u>2,389,712</u>	<u>2,628,946</u>
Total Support Services	<u>3,135,462</u>	<u>3,544,037</u>
Total Operating Expenses	<u>10,333,556</u>	<u>10,798,074</u>
Operating Loss Before Nonoperating Revenues (Expenses)	<u>(1,640,903)</u>	<u>(2,408,228)</u>
Nonoperating Revenues (Expenses):		
Gifts to Endowment	1,025,248	12,636
Support from the University of Missouri	(103)	27,411
Indirect Institutional Support from the University of Missouri	382,983	1,404,776
Net Pension	(352,294)	(340,530)
Net Other Postemployment Benefits	30,056	10,497
Other In-Kind Non-Operating Revenue	45,980	18,170
Investment and Endowment Income	20,626	44,397
Transfers to (from) Friends of KWMU for Endowment	-	111,281
Transfers to (from) Friends of KWMU	<u>190,000</u>	<u>295,000</u>
Total Nonoperating Revenues (Expenses)	<u>1,342,496</u>	<u>1,583,638</u>
Decrease in Net Position	(298,407)	(824,590)
Net Position, Beginning of Year	<u>8,255,160</u>	<u>9,079,750</u>
Net Position, End of Year	<u>\$ 7,956,753</u>	<u>\$ 8,255,160</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As of and for the Years Ended June 30, 2020 and 2019

Fiscal Year 2020 Compared to Fiscal Year 2019

Total **Operating Revenues** increased by a net of \$302,807 or 3.6%, from fiscal year 2019. The increase of 16% in individual and foundation support, the largest source of gifts, is partially offset by decreases in corporate sponsorship support and special events and other operating revenue.

Total **Non-Operating Revenues (Expenses)** for fiscal year 2020 decreased \$241,142 or 15.2%, from fiscal year 2019. This was primarily driven by a decrease of \$1,021,793 in indirect institutional support from the University of Missouri (indirect support) which includes treasury and financial management and systems, human resources, risk management, general counsel, and building maintenance. This amount is calculated using a set of definitions and formulas set by the CPB, which was adjusted by the CPB in fiscal year 2020 resulting in the decrease. The amount is also allocated across the categories of operating expenses, resulting in no net effect on the change in net position. The decrease in indirect support was partially offset by a \$1,000,000 gift to endowment that was received during fiscal year 2020.

Total **Operating Expenses** for fiscal year 2020 decreased \$464,518 or 4.3%, from fiscal year 2019. This is primarily due to the decrease of \$1,021,793 in indirect support, as described above in Non-Operating Revenues (Expenses), which is allocated across all types of operating expenses. The decrease in indirect support was partially offset by increases in staffing. Program services decreased \$55,943, or 0.8%, over fiscal year 2019. Support services decreased \$408,575, or 11.5%, from fiscal year 2019. Program services expense comprised 70.9% and 68.5% of total operating expense (excluding depreciation) in 2020 and 2019, respectively. Support services expense comprised 29.1% and 31.5% of total operating expense (excluding depreciation) in 2020 and 2019, respectively. Support services decreased due to the decrease in indirect support as described above.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – FRIENDS

Operating revenues of Friends of KWMU in 2020 increased by \$55,174, from \$108,725 in fiscal year 2019 to \$163,899, in fiscal year 2020. The increase in 2020 is related to the increase in individual and foundation support received by Friends of KWMU in fiscal year 2020.

ECONOMIC OUTLOOK

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

- Corporation for Public Broadcasting: In December 2020 Congress approved and the President signed into law a \$1.4 trillion government funding package for federal fiscal year 21 that includes \$475 million in fiscal year 23 advance appropriation for public broadcasting through CPB – a \$10 million increase over fiscal year 22 advance funding and the second increase in a row after a decade with no increase in federal support for public media. In addition to the appropriations package, a \$900 billion COVID-relief bill approved by Congress was signed into law expanding the Payroll Protection Program (PPP) loan program to university licensee radio and tv stations.
- University of Missouri support: In fiscal year 21 the Station will assume certain related direct expenses previously paid by the University such as staff parking and professional fees and possibly others. Public higher education is faced with many challenges and university resources must be dedicated to academic units. Support of St. Louis Public Radio by the community, foundations and grants is restricted to the Station and not available to the University. The University and the Station experience a collegial and mutually beneficial relationship. Station management acknowledges the significant indirect administrative support provided to the Station by the University.
- Special event funding: The Station will continue to view events as a way to increase community awareness of the rich educational value of public media. As more American citizens are vaccinated and the pandemic comes to an end, in-person events will again be possible. While events are not a significant source of funding when costs are considered, they are an invaluable source of new listeners/viewers of public content who may become supporters of the Station in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As of and for the Years Ended June 30, 2020 and 2019

- Private Donations: Membership continues to be a strong source of Station funding and has experienced sustained growth. The acquisition of major gifts has slowed during the pandemic with the inability for in-person donor meetings. However, as the economy improves management expects continued stable growth in this area of support. Additionally, when the timing is right, a paused major capital campaign will resume to support strategic investments, future capital asset replacements and to augment endowment assets.
- COVID-19 global pandemic: The station has been impacted by the effects of the COVID-19 global pandemic. The extent and impact of COVID-19 on the Station's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Station's sponsors, employees, and vendors, all of which are uncertain and cannot be predicted.
- Investment and endowment income: The Station's investments are directed by the University. Investment and endowment 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 St. Louis Public Radio / KWMU-FM and Friends of KWMU* (collectively, the Station), as of and for the years ended June 30, 2020 and 2019, 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 audit. 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 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 opinions.

Opinions

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, 2020 and 2019, and the changes in 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, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and yearly comparison information on pages 1-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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, 2020, 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 13, 2021
St. Louis, Missouri

Mueller Prott LC
Certified Public Accountants

STATEMENTS OF NET POSITION
As of June 30, 2020 and 2019

	2020		2019	
	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 AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and Cash Equivalents	\$ 430,219	\$ 36,784	\$ 407,830	\$ 65,674
Short-Term Investments	1,648,514	-	2,160,648	-
Accounts Receivable, Net	147,088	-	304,445	-
Grants Receivable	-	-	135,848	-
Pledges Receivable, Net	1,068,317	-	1,001,564	-
Prepaid Expense	75,199	-	84,309	-
Total Current Assets	3,369,337	36,784	4,094,644	65,674
Noncurrent Assets:				
Long-Term Investments - Restricted	1,656,033	-	665,629	-
Capital Assets, Net	6,268,077	-	6,453,535	-
Total Noncurrent Assets	7,924,110	-	7,119,164	-
Deferred Outflows of Resources:				
Deferred Outflows Related to Pension	1,211,029	-	729,322	-
Deferred Outflows Related to Other Post Employment Benefits	42,102	-	48,522	-
Total Deferred Outflows of Resources	1,253,131	-	777,844	-
Total Assets and Deferred Outflows of Resources	\$ 12,546,578	\$ 36,784	\$ 11,991,652	\$ 65,674
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities:				
Accounts Payable and Other Accrued Expenses	\$ 159,118	\$ -	\$ 241,856	\$ -
Accrued Vacation	295,995	-	257,548	-
Unearned Revenue	55,386	-	22,782	-
Unexpended Grants	84,278	-	47,154	-
Total Current Liabilities	594,777	-	569,340	-
Noncurrent Liabilities:				
Accrued Vacation	151,736	-	121,365	-
Net Pension Liability	3,007,905	-	2,173,904	-
Net Other Postemployment Benefits Liability	662,339	-	792,400	-
Total Noncurrent Liabilities	3,821,980	-	3,087,669	-
Deferred Inflows of Resources:				
Deferred Inflows Related to Other Post Employment Benefits	173,068	-	79,483	-
Total Deferred Inflows of Resources	173,068	-	79,483	-
Total Liabilities and Deferred Inflows of Resources	4,589,825	-	3,736,492	-
Net Position:				
Invested in Capital Assets	6,268,077	-	6,453,535	-
Restricted Nonexpendable - Endowment	1,656,033	-	665,629	-
Restricted Expendable - Capital	52,025	-	49,168	-
Unrestricted	(19,382)	36,784	1,086,828	65,674
Total Net Position	7,956,753	36,784	8,255,160	65,674
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,546,578	\$ 36,784	\$ 11,991,652	\$ 65,674

The notes to basic financial statements are an integral part of these statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended June 30, 2020 and 2019

	2020		2019	
	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit
Operating Revenues:				
Individual and Foundation Support, Net	\$ 5,887,438	\$ 163,899	\$ 5,080,380	\$ 108,725
Grants from Corporation for Public Broadcasting	551,255	-	561,595	-
Other Grants	175,088	-	330,581	-
Corporate Sponsorship Support, Net	1,783,273	-	2,009,501	-
Special Events & Other Operating Revenue	295,599	-	407,789	-
Total Operating Revenues	8,692,653	163,899	8,389,846	108,725
Operating Expenses:				
Program Services -				
Broadcasting	444,094	-	494,902	-
Programming and Production - Local	6,406,439	-	6,364,700	-
Program Information	347,561	-	394,435	-
Total Program Services	7,198,094	-	7,254,037	-
Supporting Services -				
Management and General	560,292	2,789	707,182	4,953
Depreciation	185,458	-	207,909	-
Fundraising	2,389,712	-	2,628,946	-
Total Supporting Services	3,135,462	2,789	3,544,037	4,953
Total Operating Expenses	10,333,556	2,789	10,798,074	4,953
Operating Income (Loss) Before Nonoperating Revenues (Expenses)	(1,640,903)	161,110	(2,408,228)	103,772
Nonoperating Revenues (Expenses):				
Gifts to Endowment	1,025,248	-	12,636	-
Support (to) from the University of Missouri	(103)	-	27,411	-
Indirect Institutional Support from University of Missouri	382,983	-	1,404,776	-
Net Pension	(352,294)	-	(340,530)	-
Net Other Postemployment Benefits	30,056	-	10,497	-
In-Kind Contributions	45,980	-	18,170	-
Investment and Endowment Income	20,626	-	44,397	-
Transfers to (from) Friends of KWMU for Endowment	-	-	111,281	(111,281)
Transfers to (from) Friends of KWMU	190,000	(190,000)	295,000	(295,000)
Total Nonoperating Revenues (Expenses)	1,342,496	(190,000)	1,583,638	(406,281)
Decrease in Net Position	(298,407)	(28,890)	(824,590)	(302,509)
Net Position, Beginning of Year	8,255,160	65,674	9,079,750	368,183
Net Position, End of Year	\$ 7,956,753	\$ 36,784	\$ 8,255,160	\$ 65,674

The notes to basic financial statements are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2020 and 2019

	2020		2019	
	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit	University Fund Business Type Activity	Friends of KWMU Discretely Presented Component Unit
Cash Flows from Operating Activities:				
Individual and Foundation Support	\$ 5,820,685	\$ 163,899	\$ 5,294,939	\$ 218,725
Grants from Corporation for Public Broadcasting	588,379	-	582,186	-
Other Grants	310,936	-	197,602	-
Corporate Sponsorship Support	1,973,234	-	1,874,489	-
Payments to Suppliers and Employees	(9,723,945)	(2,789)	(9,083,492)	(4,953)
Other Receipts	295,599	-	407,789	-
Net Cash Provided (Used) by Operating Activities	(735,112)	161,110	(726,487)	213,772
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	-	-	(5,706)	-
Net Cash Used by Capital and Related Financing Activities	-	-	(5,706)	-
Cash Flows from Non-capital Financing Activities:				
Endowment Campaign	1,025,248	-	12,636	-
Payments and Contributions (to) from University of Missouri & Other Sources	(103)	-	27,411	-
Transfers to/from Friends of KWMU	190,000	(190,000)	406,281	(406,281)
Net Cash Provided (Used) by Non-capital Financing Activities	1,215,145	(190,000)	446,328	(406,281)
Cash Flows from Investing Activities:				
Sale of Investments	14,685,197	-	7,541,954	-
Purchase of Investments	(15,163,467)	-	(7,318,916)	-
Investment Income	20,626	-	44,397	-
Net Cash Provided (Used) by Investing Activities	(457,644)	-	267,435	-
Net Increase (Decrease) in Cash and Cash Equivalents	22,389	(28,890)	(18,430)	(192,509)
Cash and Cash Equivalents, Beginning of Year	407,830	65,674	426,260	258,183
Cash and Cash Equivalents, End of Year	\$ 430,219	\$ 36,784	\$ 407,830	\$ 65,674
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,640,903)	\$ 161,110	\$ (2,408,228)	\$ 103,772
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities -				
Depreciation Expense	185,458	-	207,909	-
Indirect Institutional Support from the University	382,983	-	1,404,776	-
Other In-Kind Nonoperating Revenue	45,980	-	18,170	-
Changes in Assets and Liabilities:				
Accounts, Grants and Pledges Receivable, Net	226,452	-	53,936	110,000
Prepaid Expense	9,110	-	(8,423)	-
Accounts Payable and Other Accrued Expenses	(82,738)	-	27,159	-
Accrued Vacation	68,818	-	64,991	-
Unexpended Grants and Unearned Revenue	69,728	-	(86,777)	-
Net Cash Provided by (Used in) Operating Activities	\$ (735,112)	\$ 161,110	\$ (726,487)	\$ 213,772
Non-cash Activity:				
Administrative Support from the University of Missouri	\$ 382,983	\$ -	\$ 1,404,776	\$ -
Change in Pension Liability Expected to be Received from the University	\$ (352,294)	\$ -	\$ (340,530)	\$ -
Change in Other Post Employment Benefits Liability Expected to be Received by the University	\$ 30,056	\$ -	\$ 10,497	\$ -
Non-Cash Contributions of Services and Other Assets	\$ 45,980	\$ -	\$ 18,170	\$ -

The notes to basic financial statements are an integral part of these statements.

University of Missouri
ST. LOUIS PUBLIC RADIO / KWMU-FM AND FRIENDS OF KWMU

NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major policies followed by *University of Missouri St. Louis Public Radio / KWMU-FM and Friends of KWMU* (the Station) are presented below to assist the reader and to enhance the usefulness of the basic financial statements.

Organization – The Station is a non-profit, public radio and media unit of the University of Missouri (the University) through 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 public, the Corporation for Public Broadcasting, and the University.

Reporting Entity – 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, Inc. (Friends), a Missouri non-profit corporation, meets the criteria set forth for discretely presented component units under GASB Statement No. 39, and its accounts are included in the Station's financial statements. Exempt from taxation under Section 501(c)(3) of the internal revenue code, the Friends follows, generally accepted accounting principles in the United States of America (U.S. GAAP) under the Financial Accounting Standards Board (FASB). It provides financial support for the objectives, purposes, and programs of the Station and solicits funds for the benefit of and with approval of the Station. Although the Station does not control the timing, purpose, or amount of receipts from the Friends, the resources which it holds and invests are restricted to the activities of the Station.

Distributions made by Friends of KWMU to the Station for unrestricted support during the fiscal years ended June 30, 2020 and 2019, totaled \$190,000 and \$295,000, respectively. Additionally, Friends made distributions to the Station for endowment totaling \$0 and \$111,281 for the years ended June 30, 2020 and 2019, respectively.

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

Financial Statement Presentation – This is 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, and which does not conflict or contradict 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 GASB pronouncements.

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 and changes in net position and cash flows replacing the fund-group perspective previously required.

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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 Position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Individual and Foundation 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, capital contributions, and investment income.

Cash, Cash Equivalents and Investments – The Station participated in the University’s pooled cash accounts for fiscal years 2020 and 2019 and pooled investment accounts for fiscal years 2020 and 2019. For fiscal years 2020 and 2019, 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 2020 and 2019, 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 and 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.

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 corporate sponsorship contracts and other miscellaneous revenue sources. For each of the years ended June 30, 2020 and 2019, no allowance 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 Individual and Foundation 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 \$549,986 and \$477,164 as of June 30, 2020 and 2019, respectively, was made for uncollectible pledges based upon management’s expectations regarding the collectability of the pledges considering the Station’s historical collection experience.

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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 and twenty years for library materials. 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, 2020 and 2019 represent cash the Station has received under contracts that have services to be performed by the Station in future years. Grant revenues are recognized as eligibility requirements are met.

Pension and Other Postemployment Benefits - Pension and Other Postemployment Benefits (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. 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.

Net Position – The Station’s net position is classified for financial reporting in the following net position 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.
- **Restricted Nonexpendable – Endowment:** Station net position in the University’s permanent endowment funds, which are subject to externally imposed stipulations that the principal be maintained in perpetuity.
- **Restricted Expendable – Capital:** Net position 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 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.

Corporate Sponsorship Support – Corporate sponsorship support consists of on-air or digital sponsorships and are recognized when the spots are aired or digitally placed by the Station.

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

Indirect Institutional Support – Calculated in accordance with CPB financial reporting guidelines, Indirect Institutional 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 to broadcasting, program and production - local, program information, management and general, and fundraising cost areas.

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Use of Estimates – The preparation of financial statements, in conformity with U.S. GAAP, 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 – The Station adopted GASB statement No. 84, *Fiduciary Activities*, for fiscal year 2020. GASB No. 84 intends to enhance consistency and comparability on how fiduciary activities are reported by providing additional guidance on what qualifies as a fiduciary activity. The adoption of this statement had no effect on the Station’s financial statements.

Effective Fiscal year 2020, the Station adopted paragraphs 11 and 13 of GASB Statement No. 92, *Omnibus*, which had effective dates that were due immediately upon issuance. Paragraph 11 allows for insurance recoveries for risk financing and insurance – related activities of public entity risk pools that are recoverable from reinsurers or excess insurers to be reported as a reduction of expense. The adoption of this statement had no effect on the Station’s financials. Paragraph 13 changes the term “derivative” to “derivative instruments” throughout GASB pronouncements. The station has made the same change in terminology within its statements.

Effective for fiscal year 2019, the Station adopted 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 tangible capital assets. The adoption of this statement had no effect on the Station’s financial statements.

Effective for fiscal year 2019, the Station adopted 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 adoption of this statement had no effect on the Station’s 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 fully determined the effect of implementing GASB Statement No. 87 will have on its financial statements.

In June 2018, GASB issued GASB Statement No. 89, *Accounting for 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 of implementing GASB Statement No. 89 will have on its financial statements.

In August 2018, GASB issued GASB Statement No. 90, *Majority Equity Interests*, which modifies guidance for reporting a legally separate organization in which the government has a majority equity interest to be reported as either an investment or component unit. The Station will adopt this statement in fiscal year 2021 and has not fully determined the effect of implementing GASB Statement No. 90 will have on its financial statements.

In May 2019, GASB issued GASB Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers. The Station will adopt this statement in fiscal year 2023 and has not fully determined the impact of implementing GASB Statement No. 91 will have on its financial statements.

In January 2020, GASB issued GASB No. 92, *Omnibus 2020*, which provides clarifying guidance for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The Station adopted paragraphs 11 and 13 in fiscal year 2020 and will adopt the rest of the statement in fiscal year 2022. The Station has not fully determined the impact of implementing GASB Statement No. 92 will have on its financial statements.

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In March 2020, GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which removes LIBOR as a benchmark for interest rates. This statement is in response to the global reference rate reform that is expected to cause LIBOR to cease to exist. The Station will adopt this statement in fiscal year 2024 and has not fully determined the impact of implementing GASB Statement No. 93 will have on its financial statements.

In March 2020, GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which addresses issues with public-private and public-public (PPP) arrangements. The Station will adopt this statement in fiscal year 2023 and has not fully determined the impact of implementing GASB Statement No. 93 will have on its financial statements.

In May 2020, GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides accounting and financial reporting guidance for subscription-based information technology arrangements. These arrangements would require the recognition of a right-to-use asset and corresponding subscription liability, which would be amortized as interest expense over the term of the arrangement. The Station will adopt this statement in fiscal year 2023 and has not fully determined the impact of implementing GASB Statement No. 96 will have on its financial statements.

In June 2020, GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which provides additional criteria for determining whether 457 plans without a governing board are component units. The Station will adopt this statement in fiscal year 2022 and has not fully determined the impact of implementing GASB Statement No. 97 will have on its financial statements.

Discretely Presented Component Unit – Friends of KWMU

Operating Revenue – Operating revenue consists of contributions to and special fundraising events provided by the Friends for the Station’s benefit.

2. CASH AND CASH EQUIVALENTS RISKS

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. All the Station’s cash deposits were fully insured or collateralized at June 30, 2020 and 2019, respectively.

3. INVESTMENTS

Investments – The Station participates in the University’s pooled investment accounts, which are stated at fair value, and holds an equity investment in the pool. The investment policies of the University are established by the Board of Curators (the Board). The policies 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 general pool contains short-term University funds, including but not limited to cash and reserves, operating funds, bond funds, and plant funds. Subject to various limitations contained within the corresponding investment policy, the University’s internally managed component of the General Pool may be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; money market funds; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. The externally managed component of the General Pool is allowed to invest in the following asset sectors: fixed income, private debt, absolute return and risk balanced strategies. The General Pool’s, managed by the University, total return, including unrealized gains and losses, was 0.2% and 3.3% for the years ended June 30, 2020 and 2019, respectively.

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At June 30, 2020 and 2019, the Station held the following types of investments:

	Carrying Value As of <u>June 30, 2020</u>	Carrying Value as of <u>June 30, 2019</u>
Debt Securities	\$ 1,545,182	\$ 1,657,373
Corporate Stocks	824,496	433,547
Real Estate	138,345	54,256
Absolute Return	428,637	123,436
Risk Parity	367,887	557,665
Money Market Funds	405,935	401,963
Other Cash Equivalents	<u>24,284</u>	<u>5,867</u>
Total Investments and Cash and Cash Equivalents	<u>\$ 3,734,766</u>	<u>\$ 3,234,107</u>

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.

Concentration of Credit Risk – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policies for the General Pool, Endowment Funds, and Retirement Trust all specify diversification requirements across asset sectors. Investments issued or guaranteed by the U.S. Government, as well as investments in mutual funds and other pooled investments are excluded from consideration when evaluating concentration risk.

Credit Risk – Debt securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain debt securities, primarily obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government, are not considered to have credit risk.

Nationally recognized statistical rating organization such as Moody’s and Standard & Poor’s (S&P) assign credit ratings to security issues and issuers that indicate a measure of potential credit risk to investors. Debt securities considered investment grade are those rated at least Baa by Moody’s and BBB by S&P. For General Pool investments, the following minimum credit ratings have been established to manage credit risk with minimum rating of A-1/P-1 for commercial paper and other short-term securities. For Endowment Funds and Retirement Trust investments, guidelines for respective investment managers allow for a blend of different credit ratings, subject to certain restrictions by asset sector. In all cases, disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the investment manager after consideration of individual facts and circumstances.

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All holdings of money market funds were rated AAA at June 30, 2020 and 2019.

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, 2020 and 2019, is as follows:

	As of June 30, 2020						Total
	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Commingled Debt Securities	
U.S. Treasury Obligations	\$ 625,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 625,786
U.S. Agency Obligations	-	7	-	-	-	-	7
Mortgage-Backed Securities Guaranteed by U.S. Agencies	-	305,791	-	-	-	-	305,791
Debt Securities in Commingled Funds	-	-	-	-	-	128,632	128,632
Aaa/AAA	-	57,244	(149)	-	-	-	57,095
Aa/AA	-	16,174	4,655	76	250	-	21,155
A/A	-	7,542	13,131	8,944	14,145	-	43,762
Baa/BBB	-	14,060	1,927	40,698	54,586	-	111,271
Less than Baa/BBB	-	114,483	8,586	37,995	23,550	-	184,614
Unrated	-	51,656	2,124	8,781	4,508	-	67,069
Total	\$ 625,786	\$ 566,957	\$ 30,274	\$ 96,494	\$ 97,039	\$ 128,632	\$ 1,545,182

	As of June 30, 2019						Total
	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Commingled Debt Securities	
U.S. Treasury Obligations	\$ 693,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 693,232
U.S. Agency Obligations	-	4	-	-	-	-	4
Mortgage-Backed Securities Guaranteed by U.S. Agencies	-	261,888	-	-	-	-	261,888
Debt Securities in Commingled Funds	-	-	-	-	-	126,516	126,516
Aaa/AAA	-	36,209	-	-	351	-	36,560
Aa/AA	-	24,759	3,976	1,244	1,501	-	31,480
A/A	-	34,548	10,746	11,533	16,558	-	73,385
Baa/BBB	-	20,706	417	39,896	50,542	-	111,561
Less than Baa/BBB	-	140,441	9,763	47,516	42,872	-	240,592
Unrated	-	63,074	6,791	5,227	7,063	-	82,155
Total	\$ 693,232	\$ 581,629	\$ 31,693	\$ 105,416	\$ 118,887	\$ 126,516	\$ 1,657,373

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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. Neither the University nor the Pension Trust Funds 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.

At June 30, 2020 and 2019, the Station’s portion of the University’s debt securities matures as follows:

	As of June 30, 2020					
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	No Maturity	Carrying Value
U.S. Treasury Obligations	\$ -	\$ 625,786	\$ -	\$ -	\$ -	\$ 625,786
U.S. Agency Obligations	7	-	-	-	-	7
Commingled Debt Securities	-	-	-	-	128,632	128,632
Asset-Backed Securities	-	566,950	-	-	-	566,950
Foreign Government Obligations	-	-	30,274	-	-	30,274
U.S. Corporate Bonds & Notes	-	96,494	-	-	-	96,494
Foreign Corporate Bonds and Notes	-	97,039	-	-	-	97,039
Total	\$ 7	\$ 1,386,269	\$ 30,274	\$ -	\$ 128,632	\$ 1,545,182

	As of June 30, 2019					
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	No Maturity	Carrying Value
U.S. Treasury Obligations	\$ -	\$ 693,232	\$ -	\$ -	\$ -	\$ 693,232
U.S. Agency Obligations	-	4	-	-	-	4
Commingled Debt Securities	-	-	-	-	126,516	126,516
Asset-Backed Securities	-	581,625	-	-	-	581,624
Foreign Government Obligations	-	31,693	-	-	-	31,693
U.S. Corporate Bonds & Notes	-	105,416	-	-	-	105,417
Foreign Corporate Bonds and Notes	-	118,887	-	-	-	118,887
Total	\$ -	\$ 1,530,857	\$ -	\$ -	\$ 126,516	\$ 1,657,373

Foreign Currency Risk – Foreign exchange risk is the risk that investment denominated in foreign currencies may lose value due to adverse fluctuation in the value of the U.S. dollar relative to foreign currencies. The University’s investment policy allows for exposure to non-U.S. dollar denominated equities and fixed income securities, which may be fully or partially hedged using forward foreign currency exchange contracts.

At June 30, 2020 and 2019, 8.2% and 7.3%, respectively, of the Station’s total investments and cash and cash equivalents were denominated in foreign currencies.

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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

<u>Currency</u>	<u>Debt Securities</u>	<u>Equity Securities</u>	<u>Cash and Cash Equivalents</u>	<u>2020 Total</u>	<u>2019 Total</u>
Euro	\$ 28,457	\$ 8,802	\$ (29,046)	\$ 8,213	\$ 33,801
Japanese Yen	2,184	10,607	818	13,609	4,204
British Pound Sterling	34,860	6,061	(32,518)	8,403	45,969
Australian Dollar	-	1,315	(1,614)	(299)	140
Canada Dollar	(570)	1,605	(1,497)	(462)	567
Swiss Franc	-	1,054	56	1,110	773
Hong Kong Dollar	-	6,848	-	6,848	2,150
Mexican New Peso	17	-	3,685	3,702	393
Swedish Krona	-	2,190	1	2,191	737
Danish Krone	3	966	15	984	329
Brazilian Real	-	807	1,080	1,887	1,269
Other	<u>7,077</u>	<u>241,924</u>	<u>12,721</u>	<u>261,722</u>	<u>146,737</u>
Total	<u>\$ 72,028</u>	<u>\$282,179</u>	<u>\$(46,299)</u>	<u>\$307,908</u>	<u>\$ 237,069</u>

Friends of KWMU – Friends of KWMU does not have any investments within the University's pooled investment accounts at June 30, 2020 and 2019.

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.

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.

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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, asset backed securities, and corporate debt securities that did not trade on the Station's fiscal year end date.

At June 30, 2020 and 2019, the Station had the following recurring fair value measurements:

	2020	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2019	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	\$ 625,786	\$ 625,786	\$ -	\$ -	\$ 693,232	\$ 693,232	\$ -	\$ -
U.S. Agency	7	-	7	-	4	-	4	-
Asset Backed	566,950	-	566,950	-	581,624	-	581,624	-
Government	30,274	-	30,274	-	31,693	-	31,693	-
Corporate	193,533	-	193,533	-	224,303	-	224,303	-
Equity Securities								
Domestic	52,006	52,006	-	-	22,352	22,352	-	-
Foreign	84,563	84,563	-	-	22,675	22,675	-	-
Investments Measured at the Net Asset Value (NAV)								
Comingled Funds:								
Absolute Return	428,637	-	-	-	123,436	-	-	-
Risk Parity	367,887	-	-	-	557,665	-	-	-
Debt Securities	128,632	-	-	-	126,516	-	-	-
Equity Securities	260,988	-	-	-	139,105	-	-	-
Real Estate	22,361	-	-	-	8,971	-	-	-
Non-marketable Alternative Methods:								
Real Estate	115,984	-	-	-	45,285	-	-	-
Private Equity	426,939	-	-	-	249,416	-	-	-
Total Investments by Fair Value Level	\$ 3,304,547	\$ 762,355	\$ 790,764	\$ -	\$ 2,826,277	\$ 738,259	\$ 837,624	\$ -

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The following table presents investments as of June 30, 2020, 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
Commingled Funds:					
Absolute Return	428,637	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	367,887	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	128,632	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	260,988	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	22,361	Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 1-30 days notice
Non-marketable Alternative Funds:					
Real Estate	115,984	Diversified portfolio of longer-term private market funds focused on value-added and opportunistic real estate and/or real estate debt.	66,939	10 -12 years	Not applicable - no redemption ability
Private Equity	426,939	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies.	131,437	8 -15 years	Not applicable - no redemption ability

5. CHANGES IN UNEXPENDED GRANTS

The balance of unexpended grants at June 30, 2020 and 2019, is as follows:

	Unexpended Grants	
	2020	2019
Balance, Beginning of Year	\$ 47,154	\$ 26,563
Grants	763,467	776,919
Deductions, Amount Expended	(726,343)	(892,176)
Grants Receivable	-	135,848
Balance, End of Year	<u>\$ 84,278</u>	<u>\$ 47,154</u>

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6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019, is summarized as follows:

<u>2020</u>	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets:				
Buildings and Improvements	\$ 6,828,129	\$ -	\$ -	\$ 6,828,129
Transmission, Antenna and Tower	212,711	-	-	212,711
Studio and Other Broadcast Equipment	695,495	-	-	695,495
Furniture and Fixtures	<u>184,710</u>	<u>-</u>	<u>-</u>	<u>184,710</u>
Total Capital Assets	7,921,045	-	-	7,921,045
Accumulated Depreciation:				
Buildings and Improvements	395,551	172,969	-	568,520
Transmission, Antenna and Tower	212,711	-	-	212,711
Studio and Other Broadcast Equipment	674,538	12,489	-	687,027
Furniture and Fixtures	<u>184,710</u>	<u>-</u>	<u>-</u>	<u>184,710</u>
Total Accumulated Depreciation	<u>1,467,510</u>	<u>185,458</u>	<u>-</u>	<u>1,652,968</u>
Total Capital Assets, Net	<u>\$ 6,453,535</u>	<u>\$ (185,458)</u>	<u>\$ -</u>	<u>\$ 6,268,077</u>

<u>2019</u>	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets:				
Buildings and Improvements	\$6,828,129	\$ -	\$ -	\$ 6,828,129
Transmission, Antenna and Tower	212,711	-	-	212,711
Studio and Other Broadcast Equipment	784,177	5,706	(94,388)	695,495
Furniture and Fixtures	<u>184,710</u>	<u>-</u>	<u>-</u>	<u>184,710</u>
Total Capital Assets	8,009,727	5,706	(94,388)	7,921,045
Accumulated Depreciation:				
Buildings and Improvements	222,581	172,970	-	395,551
Transmission, Antenna and Tower	212,711	-	-	212,711
Studio and Other Broadcast Equipment	739,119	29,807	(94,388)	674,538
Furniture and Fixtures	<u>179,578</u>	<u>5,132</u>	<u>-</u>	<u>184,710</u>
Total Accumulated Depreciation	<u>1,353,989</u>	<u>207,909</u>	<u>(94,388)</u>	<u>1,467,510</u>
Total Capital Assets, Net	<u>\$ 6,655,738</u>	<u>\$ (202,203)</u>	<u>\$ -</u>	<u>\$ 6,453,535</u>

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7. OPERATING LEASE OBLIGATIONS

The Station leases a portion of a multi-unit broadcast tower from Sinclair Media 1, Inc. The lease expires February 2022. The Station also leases a tower in Quincy, IL from American Tower Corporation for broadcasting WQUB. The lease renews automatically on an annual basis for twenty-eight years. Obligations also include an agreement for parking rights in a garage near the Station building. Future minimum payments are as follows as of June 30, 2020:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 204,019
2022	152,939
Total Future Minimum Payments	<u><u>\$ 356,958</u></u>

Total lease payments for the years ended June 30, 2020 and 2019, were \$220,948 and \$207,085 respectively.

8. DONOR-DESIGNATED ENDOWMENT

The Station's endowment consists of four and three funds at June 30, 2020 and 2019, respectively. These include the Donald H. Driemeier Endowment for KWMU-FM, the Irvin Dagen and Margaret W. Dagen Fund for the Support of KWMU-FM, St. Louis Public Radio Classical Music Endowment, and the Emily Rauh Pulitzer Endowment for the St. Louis Public Radio. Distributions from the Donald H. Driemeier Endowment for KWMU-FM are based on earnings on the original corpus along with any subsequent contributions to the endowment and are to be used to support continuing operations of the Station to fund local programming for regional and national distribution for such expense as salaries, equipment and other related expenses to serve the purpose of the endowment. Distributions from the Irvin Dagen and Margaret W. Dagen Fund for the Support of KWMU-FM are based on earnings on the original corpus along with any subsequent contributions to the endowment and are to be used to provide in-depth news and discussion programs on KWMU-FM radio. Distributions from the St. Louis Public Radio Classical Music Endowment are based on earnings on the original corpus along with any subsequent contributions to the endowment and are to be used to support classical music radio programming on St. Louis Public Radio. Should St. Louis Public Radio cease to exist or cease to broadcast classical music, endowment funds will be transferred to create an endowment fund at the Whitney R. Harris World Ecology Center at the University of Missouri – St. Louis. Distributions from the Emily Rauh Pulitzer Endowment are based on earnings on the original corpus along with any subsequent contributions to the endowment and are to be used to support the local news and all programming at St. Louis Public Radio.

The balance of the endowments as of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Balance, Beginning of Year	\$ 665,629	\$ 535,471
Gifts to Endowment	1,025,248	12,636
Transfer from Friends of KWMU for Endowment	-	111,281
Net Appreciation (Depreciation)	<u>(34,844)</u>	<u>6,241</u>
Balance, End of Year	<u><u>\$ 1,656,033</u></u>	<u><u>\$ 665,629</u></u>

9. 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.

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10. RETIREMENT 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.

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>2020</u>	<u>2019</u>
Active Vested Members	18,352	18,102
Inactive Vested members	5,046	4,817
Pensioners and Beneficiaries	<u>10,836</u>	<u>10,316</u>
Total Members	<u>34,234</u>	<u>33,235</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.

Plan Change in Fiscal Year 2020 – In April 2019, the University’s Board of Curators approved a new retirement plan for newly hired or rehired employees starting October 1, 2019. Employees starting on or after that date, will be enrolled in a defined contribution plan and the defined benefit plan of the University will be closed to new entrants. Rehires on or after October 1, 2019 will also be enrolled into the new defined contribution plan regardless of their vested status in the defined benefit plan. Vested defined benefit employees that are rehired on or after October 1, 2019, will no longer receive creditable service credit within the defined benefit plan.

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.

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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 11.4% and 11.2% of covered payroll for the years ending June 30, 2020 and 2019, respectively. The ADC for those employees hired after September 30, 2012, averaged 7.8% and 7.5% of covered payroll for the years ended June 30, 2020 and 2019, 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 \$118,234,000 and \$115,980,000 during the fiscal years ended June 30, 2020 and 2019, respectively.

Net Pension Liability – the Retirement Plan’s net pension liability was measured as of June 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2019 and 2018, respectively. Roll-forward procedures were used to measure the Retirement Plan’s total pension liability as of June 30, 2020 and 2019.

The following table outlines the Station’s portion of the changes in net pension liability for the years ended June 30, 2020 and 2019:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) – (b)
Balances at July 1, 2019	\$ 10,239,763	\$ 8,065,859	\$ 2,173,904
Changes for the year:			
Service cost	187,004	-	187,004
Interest	913,444	-	913,444
Differences between expected and actual experience	194,638	-	194,638
Contributions – employer	-	333,794	(333,794)
Contributions – employee	-	46,537	(46,537)
Net investment income	-	80,754	(80,754)
Benefit payments, including refunds of employee Contributions	<u>(750,937)</u>	<u>(750,937)</u>	<u>-</u>
Net changes	<u>544,149</u>	<u>(289,852)</u>	<u>834,001</u>
Balances at June 30, 2020	<u>\$ 10,783,912</u>	<u>\$ 7,776,007</u>	<u>\$ 3,007,905</u>

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	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) – (b)
Balances at July 1, 2018	\$ 9,712,874	\$ 7,816,176	\$ 1,896,698
Changes for the year:			
Service cost	209,848	-	209,848
Interest	1,044,887	-	1,044,887
Differences between expected and actual experience	76,954	-	76,954
Contributions – employer	-	387,274	(387,274)
Contributions – employee	-	53,390	(53,390)
Net investment income	-	613,819	(613,819)
Benefit payments, including refunds of employee Contributions	(804,800)	(804,800)	-
Net changes	526,889	249,683	277,206
Balances at June 30, 2019	<u>\$ 10,239,763</u>	<u>\$ 8,065,859</u>	<u>\$ 2,173,904</u>

Actuarial Methods and Assumptions – The October 1, 2019 and 2018 actuarial valuations utilized the entry age actuarial cost method.

Actuarial assumptions for October 1, 2019 and 2018, included:

Inflation	2.20%
Rate of Investment Return net of Administrative expenses (Including inflation)	7.20%
Projected salary increases (Including inflation)	3.6 – 4.5%
Cost-of-living adjustments	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 five-year period. The underfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over 24 and 25 years from the October 1, 2019 and 2018, 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, 2019 and 2018 valuation dates, respectively.

The actuarial assumptions used in the October 1, 2019 and 2018, valuation was based on the results of the most recent quinquennial study of the University’s own experience covering 2012 to 2016.

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.

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

	Rate	2020 Net Pension Liability	2019 Net Pension Liability
1% Decrease	6.20%	\$ 4,812,040	\$ 4,631,816
Current Rate	7.20%	3,007,905	2,173,904
1% Increase	8.20%	1,713,995	1,104,381

Annual 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, 2020 and 2019 was 0.6% and 5.2%, respectively. The following table provides long-term expected rates of real return on a geometric basis:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public equity	32%	5.2%
Private equity	10%	5.7%
Sovereign bonds	15%	1.0%
Inflation linked bonds	17%	0.8%
Private debt	3%	4.4%
Risk balanced	10%	7.6%
Commodities	5%	2.2%
Real estate	8%	4.5%
	<u>100%</u>	

Pension Expense – For the years ended June 30, 2020 and 2019, the Station recognized a portion of the University's pension expense in the amount of \$686,088 and \$727,803, 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.

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

	<u>2020</u>	<u>2019</u>
Service cost	\$ 187,004	\$ 209,848
Interest	913,444	1,044,887
Recognized portion of current-period difference between expected and actual experience	36,552	14,245
Contributions – employee	(46,537)	(53,390)
Projected earnings on pension plan investments	(748,167)	(869,849)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	133,482	51,206
Recognition of deferred outflows of resources	338,397	364,034
Recognition of deferred inflows of resources	(128,087)	(33,178)
Pension expense for fiscal year ended June 30,	<u>\$ 686,088</u>	<u>\$ 727,803</u>

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, 2020 and 2019, 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:

Deferred Outflows/Inflows of Resources Related to Pensions

<u>As of June 30</u>	<u>Deferred Outflows of Resources 2020</u>	<u>Deferred Outflows of Resources 2019</u>
Differences between expected and actual experience	257,837	179,629
Changes of assumptions	422,027	456,314
Net difference between projected and actual earnings on pension plan investments	<u>531,165</u>	<u>93,379</u>
Total	<u>1,211,029</u>	<u>729,322</u>

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:

<u>Projected Recognition of Deferred Outflows/(Inflows)</u>	
<u>Fiscal Year</u>	<u>Recognition</u>
2021	277,912
2022	371,897
2023	342,407
2024	204,895
2025	<u>13,918</u>
Total	<u>1,211,029</u>

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11. OTHER POST-EMPLOYMENT 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 five 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 five 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, 2020, and 2019, 8,309 and 9,208 retirees, respectively, were receiving benefits, and an estimated 8,907 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, 2020, and 2019, 119 and 123 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, 2020 and 2019, all participants, including the Stations' participants, contributed \$17,763,000 and \$17,378,000, or approximately 52.4% and 50.8%, respectively, of total premiums through their required contributions, which vary depending on the plan and coverage selection. In fiscal years 2020 and 2019, the University contributed \$23,672,000 and \$20,363,000, 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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Net OPEB Liability –The Station’s portion of the total and net OPEB liabilities as of June 30, 2020 and 2019, were measured as of June 30, 2020 and 2019, respectively, using actuarial valuations as of those dates.

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Net OPEB Liability Components:		
Total OPEB Liability	\$ 733,266	\$ 859,521
Plan Fiduciary Net Position	(70,927)	(67,121)
Net OPEB Liability	662,339	792,400
Plan Fiduciary Net position as a percentage of Total OPEB Liability	9.67%	7.81%

Changes in the Net OPEB Liability:

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a)– (b)
Balances at July 1, 2019	\$ 859,521	\$ 67,121	\$ 792,400
Changes for the year:			
Service cost	7,020	-	7,020
Interest	29,702	-	29,702
Difference between expected and actual experience	(7,729)	-	(7,729)
Changes in Assumptions	(141,543)	-	(141,543)
Contributions - employer	-	36,109	(36,109)
Contributions – employee	-	31,028	(31,028)
Net investment income	-	1,607	(1,607)
Expected/Actual benefit payments, including refunds of employee contribution	(13,705)	(64,935)	51,230
Administrative expenses	-	(3)	3
Net Changes	(126,255)	3,806	(130,061)
Balances at June 30, 2019	\$ 733,266	\$ 70,927	\$ 662,339

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a)– (b)
Balances at July 1, 2018	\$ 836,260	\$ 64,248	\$ 772,012
Changes for the year:			
Service cost	7,200	-	7,200
Interest	31,858	-	31,858
Difference between expected and actual experience	54,922	-	54,922
Changes in assumptions	(30,665)	-	(30,665)
Contributions - employer	-	40,788	(40,788)
Contributions – employee	-	30,339	(30,339)
Net investment income	-	2,565	(2,565)
Expected/Actual Benefit payments, including refunds of employee contribution	(40,054)	(70,817)	30,763
Administrative expenses	-	(2)	2
Net Changes	23,261	2,873	20,388
Balances at June 30, 2019	\$ 859,521	\$ 67,121	\$ 792,400

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NOTES TO BASIC FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

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, 2020 and June 30, 2019, 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.

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:

Total OPEB Liability Assumptions	
Inflation	2.20%
Total Payroll Growth	Varies based on age: 0.1% to 6.0% (including inflation) for academic and administrative; 0.1% to 3.0% (including inflation) for clerical and service
Discount Rate	2.21% for 2020 and 3.50% for 2019
Pre-65 Medical and HSP Plans trend rate	7.00% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Pre-65 Rx trend rate	7.53% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Post-65 Medical and Rx trend rate	5.00% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Dental trend rates	2.0% 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 2.21% and 3.50% as of fiscal year June 30, 2020 and June 30, 2019, 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.

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.

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

	1% Decrease in Discount Rate (1.21%)	Current Discount Rate (2.21%)	1% Increase in Discount Rate (3.21%)
Net OPEB Liability	\$775,700	\$662,339	\$570,154
	1% Decrease in Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$594,769	\$662,339	\$744,051

OPEB Expense - For the years ended June 30, 2020 and 2019, the OPEB Plan recognized an OPEB expense of \$1,197 and \$31,159, 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, 2020 and 2019, is summarized as follows:

<u>OPEB Expense</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 6,082	\$ 7,353
Interest	25,732	32,535
Recognized portion of current-period difference between expected and actual experience	(1,186)	7,570
Recognized portion of current-period difference for changes to assumptions	(21,744)	(4,225)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(278)	(524)
Recognition of deferred outflows of resources	6,425	-
Recognition of deferred inflows of resources	(13,834)	(11,550)
OPEB expense for fiscal year ended June 30,	\$ 1,197	\$ 31,159

Deferred Outflows/Inflows of Resources - In accordance with GASB Statement No. 75, the Station 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, 2020 and 2019, the OPEB Plan reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

As of June 30,	Deferred Outflows of Resources 2020	Deferred Inflows of Resources 2020	Deferred Outflows of Resources 2019	Deferred Inflows of Resources 2019
Changes in assumptions	-	163,736	-	75,915
Differences between expected and actual experience	42,102	5,902	48,522	-
Net difference between projected and actual earnings on plan investments	-	3,430	-	3,568
Total	42,102	173,068	48,522	79,483

NOTES TO BASIC FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2020 and 2019

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:

Future Recognition of deferred (inflows)	
Fiscal Year	Recognition
2021	(31,621)
2022	(31,335)
2023	(30,838)
2024	(25,638)
2025	(12,731)
2026-2027	1,199
Total	(130,964)

12. FINANCIAL IMPACTS FROM COVID-19

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. The extent and impact of COVID-19 on the Station's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Station's sponsors, employees, and vendors, all of which are uncertain and cannot be predicted.

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SUPPLEMENTAL SCHEDULE OF NON-FEDERAL FINANCIAL SUPPORT
For the Year Ended June 30, 2020

Summary of Non-Federal Financial Support

1.	Direct Revenue	\$ 9,262,592
2.	Indirect Administrative Support	382,983
3.	In-Kind Contributions:	
	a. Services and Other Assets	45,980
	b. Property and Equipment	-
	Total In-Kind Contributions	<u>45,980</u>
4.	Total Non-Federal Financial Support	<u>\$9,691,555</u>

See accompanying independent auditors' report.