
***KMOS TELEVISION - A PUBLIC
BROADCASTING ENTITY OPERATED
BY UNIVERSITY OF CENTRAL MISSOURI***
FINANCIAL STATEMENTS
JUNE 30, 2016

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Independent Auditors' Report

Board of Governors
University of Central Missouri
Warrensburg, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri as of and for the years then ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's basic 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri as of June 30, 2016 and 2015, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's internal control over financial reporting and compliance.

RubinBrown LLP

November 29, 2016

KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY OPERATED BY UNIVERSITY OF CENTRAL MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Overview

KMOS Television (KMOS-TV or the Station) is operated by University of Central Missouri, Warrensburg, Missouri (UCM). Since first signing on in 1979, KMOS-TV's mission has been to provide Missouri citizens with commercial-free, quality, substantive programming, which enriches, enlightens, informs and entertains. KMOS-TV's programming presents the highest accomplishments of our society, permits talent to fulfill the potential of electronic media, and provides opportunities for diverse audiences to benefit from such programming unavailable from other sources. As part of UCM's commitment to prepare its students to excel as they enter the professional world, KMOS-TV provides a professional atmosphere for learning for 50-60 student employees and student volunteers annually. KMOS-TV depends heavily on its student staff, providing real life opportunities for domestic and international students by providing practical experiences in all disciplines vital to a successful broadcasting entity.

KMOS-TV supports UCM's statewide technology mission by providing technical and administrative support for the distribution of professional development resources, instructional programs and educational outreach materials for lifelong learning. The Station promotes UCM through appropriate public relations programming and activities and offers telecommunications support to other university departments.

The federally mandated conversion to digital broadcasting continues to impact KMOS-TV's capital equipment needs. With completion of full automation of master control in fiscal year 2010, locally produced high definition programs became KMOS-TV's next focus. Additional capital grants funded the acquisition of local production equipment to allow high definition production going forward from FY14.

In FY2014 KMOS-TV completed its most recently awarded USDA RUS grant of \$269,069 for improvements to KMOS-TV's studio to transmitter link, master control router upgrades, master control digital graphic editor and support monitors. During FY15, KMOS-TV underwent a significant re-examination of its local content and simultaneously conducted a branding study and strategic planning process to set in motion the underpinnings of an approach to be launched in late 2015. This resulted in an all-new slate of local programming that went into production in spring 2015 for the fall 2015 season. In February 2016 the UCM Board of Governor's approved funding to rebuild KMOS' aging Master Control, this project was completed in October 2016. This included replacing the end of life automation and playout system, updated power distribution panels and climate control systems as well as replacing/augmenting transmission monitoring and Emergency Alert System equipment. The results are a compliant error free broadcast from the studio, the addition of a 4th on-air channel and the ability to place local programming on all KMOS channels.

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Management's Discussion And Analysis (*Continued*)

Another facet of KMOS-TV's mission is to provide quality outreach initiatives that include educational activities along with program information. KMOS-TV's award winning outreach efforts in early childhood education have allowed the Station to cultivate community program partners and underwriters. Nearly 300 children, kindergarten through third grade, participate annually in the KMOS Kids Writers Contest. KMOS-TV travels to local communities to present KMOS-TV writing awards. The talent of one of KMOS-TV's young writers was recognized when a KMOS-TV first place winner received a national second place award for his age group from Public Broadcasting Service (PBS). The KMOS Kids Writers Contest winning stories are recorded by KMOS-TV's production department.

The Educational outreach department continues to perpetuate the KMOS-TV Ready to Learn program, reaching low-income families with pre-school aged children. Educational initiatives involve donating books to local charities to be distributed to low-income families' children, as well as, Parents as Teacher programs in the viewing area. Through a partnership with First Book, the KMOS-TV educational outreach department was able to record \$30,000 worth of donated books to be used in these initiatives in FY2015. KMOS-TV continues to promote PBS high-quality professional development on-line courses for K-12 teachers. Working in partnership with UCM's College of Education and Keen Reading, KMOS-TV has extended our outreach by partnering with PBS and Overstock.com to provide \$4,000 worth of donated books to low income students that are impacted by programs in Keen Reading. Incorporation of educational materials is a primary goal of KMOS-TV's outreach department.

KMOS-TV continues to be challenged by the lack of defined attainable capital improvement funds. The University of Central Missouri continues to be generous with assisting KMOS with funds when available, but how to address the long term infrastructure concerns in an orderly manner is not clearly defined. Currently a forward looking assessment of the long term needs for KMOS infrastructure is in progress with the planning to address these needs beginning shortly after completion.

The FCC Spectrum auction of 2016 presented KMOS with many options and potential outcomes in regards to participating in the reverse auction. At this time the auction has not completed and the implications to KMOS have not been revealed. An additional unknown is what will be KMOS' involvement in the spectrum repack that will take place at completion of the spectrum auction.

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Management's Discussion And Analysis (*Continued*)

Management's Discussion And Analysis

This discussion and analysis of KMOS-TV's financial statements provides a comparative overview of the Station's financial performance during the years ended June 30, 2016, 2015 and 2014. The Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts. Please read it in conjunction with the Station's basic financial statements and footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

Statement Of Net Position

The statement of net position presents the financial position of the Station at a point in time. The statement of net position has three major components which include 1) assets, 2) liabilities and 3) net position. A description of each component is as follows:

Assets - Current assets are those anticipated to be liquidated within one year or less and include items such as cash and cash equivalents, accounts receivable and prepaid expenses. Noncurrent assets include that portion of accounts receivable, inventories and prepaid expenses not expected to liquidate within one year plus capital assets such as buildings, building improvements, infrastructure, equipment, etc.

Liabilities - Current liabilities are those anticipated to be recognized within one year or less and include items such as accounts payable and accrued liabilities, accrued compensated absences and deferred revenue. Noncurrent liabilities include that portion of accrued liabilities, accrued compensated absences and deferred revenue that are not due within one year.

Net Position - Net position represents Station total assets less total liabilities. Net position is classified in two major categories which include 1) net investment in capital assets and 2) unrestricted.

- 1) Net investment in capital assets represents building, building improvements, equipment, etc., that is net of accumulated depreciation.
- 2) Unrestricted net position represents balances from operational activities that have not been restricted by parties external to the Station. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet received.

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Management's Discussion And Analysis (*Continued*)

A summary of the Station's assets, liabilities and net position at June 30, 2016, 2015 and 2014, is as follows:

	2016	2015	2014
Assets			
Current assets	\$ 764,375	\$ 588,586	\$ 638,993
Noncurrent assets	3,837,740	3,781,941	4,037,994
Total Assets	4,602,115	4,370,527	4,676,987
Liabilities			
Current liabilities	427,877	413,301	347,662
Noncurrent liabilities	26,933	69,574	41,411
Total Liabilities	454,810	482,875	389,073
Net Position	\$ 4,147,305	\$ 3,887,652	\$ 4,287,914

Comparative Analysis

Assets - Total assets at June 30, 2016, are \$4,602,115. These assets are comprised of current assets of \$764,375 and noncurrent capital assets of \$3,837,740. This is a \$231,588 increase from June 30, 2015; assets of \$4,370,527. Current assets increased \$175,789. The noncurrent capital assets increase of \$55,799 reflects the addition of \$330,399 of capital equipment offset by fiscal year 2016 depreciation of \$274,600.

At June 30, 2015, KMOS-TV's assets were \$4,370,527. These assets are comprised of current assets of \$588,586 and noncurrent capital assets of \$3,781,941. This is a \$306,460 decrease from June 30, 2014; assets of \$4,676,987. Current assets decreased \$50,407. The noncurrent capital assets decrease of \$256,053 reflects the addition of \$6,014 of capital equipment offset by fiscal year 2015 depreciation of \$262,067.

Liabilities - Total liabilities as of June 30, 2016, are \$454,810. These liabilities are comprised of current liabilities of \$427,877 and noncurrent liabilities of \$26,933. This is a \$28,065 decrease from fiscal year 2015 total liabilities of \$482,875. Fiscal year 2016 experienced a slight decrease in accounts payable, a decrease in accrued liabilities and accrued compensated absences, and an increase in unearned revenue.

KMOS-TV's liabilities as of June 30, 2015, are \$482,875. These liabilities are comprised of current liabilities of \$413,301 and noncurrent liabilities of \$69,574. This is a \$93,802 increase from fiscal year 2014 total liabilities of \$389,073. Fiscal year 2015 experienced a slight decrease in accounts payable, and an increase in accrued liabilities, accrued compensated absences and unearned revenue. These differences are reflected in increases in cash and accounts receivable.

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Management's Discussion And Analysis (*Continued*)

Net Position - As of June 30, 2016, KMOS-TV had net position totaling \$4,147,305. Net position is comprised of unrestricted assets of \$309,565 and invested in capital assets of \$3,837,740. There are no restrictions relating to net position. Net position at June 30, 2015, was \$3,887,652. The \$259,653 increase in total net position represents a \$55,799 increase in invested in capital assets and a \$203,854 increase in unrestricted net position.

As of June 30, 2015, KMOS-TV had net position totaling \$3,887,652. Net position is comprised of unrestricted assets of \$105,711 and invested in capital assets of \$3,781,941. There are no restrictions relating to net position. Net position at June 30, 2014, was \$4,287,914. The \$400,262 decrease in total net position represents a \$256,053 decrease in invested in capital assets and a \$144,209 decrease in unrestricted net position.

Operating Results

The statements of revenues, expenses and changes in net position (SRECNP) present the operating results of the Station as a whole. The statements distinguish revenues and expenses between operating and non operating categories and provide a view of the Station's changes in financial position. Comparative summary statements of revenue, expenses and changes in net position for the years ended June 30, 2016, 2015 and 2014, are as follows:

	<u>2016</u>	2015	2014
Revenues			
Operating revenues	\$ 42,801	\$ 43,082	\$ 60,909
Expenses			
Operating expenses	3,290,950	3,254,893	3,285,523
Operating Loss	(3,248,149)	(3,211,811)	(3,224,614)
Nonoperating Revenue	3,507,802	2,811,549	3,152,815
Increase (Decrease) In Net Position	259,653	(400,262)	(71,799)
Net Position - Beginning Of Year	3,887,652	4,287,914	4,359,713
Net Position - End Of Year	\$ 4,147,305	\$ 3,887,652	\$ 4,287,914

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
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Management's Discussion And Analysis (*Continued*)

Comparative Analysis

Revenues - KMOS-TV's total operating and nonoperating revenues for the year ended June 30, 2016, are \$3,550,603. Grants and contracts totaled \$885,105. Subscriptions and underwriting totaled \$412,108. Support from UCM was \$2,210,589. Operating revenues totaled \$42,801. This is a \$695,972 increase in revenues from the fiscal year 2015 total of \$2,854,631.

KMOS-TV's total operating and nonoperating revenues for the year ended June 30, 2015, are \$2,854,631. Grants and contracts totaled \$777,542. Subscriptions and underwriting totaled \$385,268. Support from UCM was \$1,648,739. Operating revenues totaled \$43,082. This is a \$359,093 decrease in revenues from the fiscal year 2014 total of \$3,213,724.

Expenses - KMOS-TV operating expenses for fiscal year 2016 by natural classification are:

- Salaries, payroll taxes and employee benefits - \$1,136,207
- Supplies and other services - \$470,093
- Program costs - \$584,679
- Depreciation - \$274,600
- Other expenses - \$825,371

Expenses for fiscal year 2016 by functional classification include:

- Program services - \$1,821,975 that consist of:
 - Programming and production - \$1,057,807
 - Broadcasting - \$726,593
 - Program information and promotion - \$37,575
- Support services - \$1,194,375 that consist of:
 - Management and general - \$887,647
 - Fundraising and membership development - \$121,340
 - Underwriting and grant solicitation - \$185,388
- Depreciation - \$274,600

Total expenses as of June 30, 2016, were \$3,290,950. This is a \$36,057 increase from the fiscal year 2015 operating expenses total of \$3,254,893. KMOS-TV updated broadcasting equipment in fiscal year 2016 which accounts for the increase in expenses.

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
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Management's Discussion And Analysis (*Continued*)

KMOS-TV operating expenses for fiscal year 2015 by natural classification were:

- Salaries, payroll taxes and employee benefits - \$1,287,258
- Supplies and other services - \$307,579
- Program costs - \$526,505
- Depreciation - \$262,067
- Other expenses - \$871,484

Expenses for fiscal year 2015 by functional classification include:

- Program services - \$1,722,481 that consist of:
 - Programming and production - \$1,063,754
 - Broadcasting - \$604,608
 - Program information and promotion - \$54,119
- Support services - \$1,270,345 that consist of:
 - Management and general - \$1,036,586
 - Fundraising and membership development - \$70,804
 - Underwriting and grant solicitation - \$162,955
- Depreciation - \$262,067

Total expenses as of June 30, 2015, were \$3,254,893. This is a \$30,630 decrease from the fiscal year 2014 operating expenses total of \$3,285,523. As with fiscal years 2009 through 2015, KMOS-TV continues to reduce expenses by deferring maintenance, using in-house resources, and reducing operational expenses whenever possible.

Net Position - An increase in net position of \$259,653 was recognized by KMOS-TV as of June 30, 2016, which left ending net position of \$4,147,305, including a \$55,799 increase in net invested in capital and a \$203,854 increase in unrestricted net position.

A decrease in net position of \$400,262 was recognized by KMOS-TV as of June 30, 2015, which left ending net position of \$3,887,652, including a \$256,053 decrease in net invested in capital and a \$144,209 decrease in unrestricted net position.

Contact Information

Question or comments about this report may be addressed to Lisa Miller, Manager Ancillary Accounting, at University of Central Missouri, Administration 308A, Warrensburg, MO 64093.

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
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**STATEMENT OF NET POSITION
June 30, 2016 And 2015**

	2016	2015
Assets		
Current Assets		
Cash	\$ 756,494	\$ 574,618
Accounts receivable	1,684	8,000
Prepaid expenses	6,197	5,968
Total Current Assets	764,375	588,586
Noncurrent Assets		
Capital assets, net	3,837,740	3,781,941
Total Assets	\$ 4,602,115	\$ 4,370,527
 Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 48,128	\$ 57,915
Accrued compensated absences	17,103	19,756
Unearned revenue	362,646	327,032
Due to University	—	8,598
Total Current Liabilities	427,877	413,301
Noncurrent Liabilities		
Accrued compensated absences	26,933	69,574
Total Liabilities	454,810	482,875
 Net Position		
Net investment in capital assets	3,837,740	3,781,941
Unrestricted	309,565	105,711
Total Net Position	\$ 4,147,305	\$ 3,887,652

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
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**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

For The Years Ended June 30, 2016 And 2015

	2016	2015
Operating Revenues		
Sales and services	\$ 42,801	\$ 43,082
Operating Expenses		
Salaries and benefits	1,136,207	1,287,258
Supplies and other services	470,093	307,579
Program costs	584,679	526,505
Depreciation	274,600	262,067
Other	825,371	871,484
Total Operating Expenses	3,290,950	3,254,893
Operating Loss	(3,248,149)	(3,211,811)
Nonoperating Revenues		
State grants and contracts	97,674	55,870
Nongovernmental grants and contracts	787,431	721,672
Gifts and subscriptions	298,825	281,781
Underwriting support	113,283	103,487
University support	2,210,589	1,648,739
Total Nonoperating Revenues	3,507,802	2,811,549
Change In Net Position	259,653	(400,262)
Net Position - Beginning Of Year	3,887,652	4,287,914
Net Position - End Of Year	\$ 4,147,305	\$ 3,887,652

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
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**STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2016 And 2015**

	2016	2015
Operating Activities		
Sales and service receipts	\$ 42,801	\$ 43,082
Payments to suppliers	(1,320,273)	(1,071,512)
Payments to employees	(1,181,501)	(1,272,189)
Net Cash Used In Operating Activities	(2,458,973)	(2,300,619)
Noncapital Financing Activities		
State grants and contracts	97,674	55,870
Nongovernmental grants and contracts	829,361	860,628
Gifts received for other than capital purpose	231,279	225,494
Underwriting support	113,283	103,487
University support	1,699,651	1,080,873
Net Cash Provided By Noncapital Financing Activities	2,971,248	2,326,352
Capital And Related Financing Activities		
Purchase of capital assets	(330,399)	(6,014)
Increase In Cash	181,876	19,719
Cash - Beginning Of Year	574,618	554,899
Cash - End Of Year	\$ 756,494	\$ 574,618
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (3,248,149)	\$ (3,211,811)
Donated facilities and administrative support	510,938	567,866
In-kind contributions for rent and services	67,546	56,287
Depreciation expense	274,600	262,067
Changes in operating assets and liabilities:		
Prepaid expenses	(229)	14,276
Accounts payable and accrued expenses	(63,679)	10,696
Net Cash Used In Operating Activities	\$ (2,458,973)	\$ (2,300,619)
Supplemental Cash Flow Information		
In-kind contributions for rent and services	\$ 67,546	\$ 56,287
Donated facilities and administrative support	510,938	567,866

KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY OPERATED BY UNIVERSITY OF CENTRAL MISSOURI

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 And 2015

1. Nature Of Operations And Summary Of Significant Accounting Policies

Nature Of Operations

KMOS Television (KMOS-TV) is operated by University of Central Missouri, Warrensburg, Missouri (UCM). All amounts contained in this report are included in the financial statements of the University, a component unit of the State of Missouri, or the University of Central Missouri Foundation (Foundation), a component unit of the University, as of and for the years ended June 30, 2016 and 2015. As KMOS-TV is part of the University, it is exempt from federal and state income taxes.

Basis Of Accounting And Presentation

The financial statements of KMOS-TV have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. KMOS-TV first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

KMOS-TV prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB) and the regulations of the Corporation for Public Broadcasting (CPB).

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Notes To Financial Statements (*Continued*)

Use Of Estimates

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

Cash

At June 30, 2016 and 2015, cash consisted primarily of pooled cash accounts with the University and the Foundation.

Accounts Receivable

Accounts receivable includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to KMOS-TV's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts; however, KMOS-TV had no estimated uncollectible amounts at June 30, 2016 or 2015.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of the asset. KMOS-TV uses an estimated useful life of either 5 or 10 years for equipment, 15 years for antennas and 40 years for towers and buildings. As KMOS-TV is a part of the University, the University determines what capital assets are used by KMOS-TV and transfers of capital assets to and from KMOS-TV are at the University's discretion.

Due To University

Due to University includes amounts that the University has paid on behalf of KMOS-TV, as KMOS-TV has spent its share of the cash pool.

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
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Notes To Financial Statements (*Continued*)

Compensated Absences

Station policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Unearned Revenue

Unearned revenue represents advances on grants for which KMOS-TV has not met all of the applicable eligibility requirements.

Net Position

KMOS-TV's net position is classified as follows:

Net investment in capital assets - This represents KMOS-TV's total investment in capital assets.

Unrestricted net position - Unrestricted net position represents resources derived from state appropriations, sales and services of educational services, unrestricted gifts, tower rentals and royalties. These resources are used for transactions relating to the educational and general operations of KMOS-TV and may be used to meet current expenses or for any other purpose.

In - Kind Contributions

Donated facilities from the University consist of office and studio space. These items, together with related occupancy costs, are recorded in revenues and expenses at estimated fair rental values. Administrative support from the University consists of allocated institutional costs and certain other expenses incurred by the University on behalf of KMOS-TV.

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Notes To Financial Statements (*Continued*)

Foundation

KMOS-TV is the beneficiary of a Foundation that is a separate legal entity with its own Board of Trustees. The Foundation has legal title to all of the Foundation assets.

Risk Management

KMOS-TV is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. KMOS-TV is covered under the University's commercial insurance policy that is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. The State of Missouri self-insures workers' compensation benefits for all state employees, including University and Station employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

2. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. KMOS-TV's deposit policy for custodial risk must comply with the provisions of state policy which requires all deposits placed in financial institutions to be at least 100% collateralized with securities that are acceptable to the Missouri State Governor, Missouri State Treasurer and the Missouri State Auditor. All securities, which serve as collateral against the deposits of a depository institution, must be safe kept at a nonaffiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts.

At June 30, 2016 and 2015, KMOS-TV's share of pooled cash maintained by the University and the Foundation was \$756,494 and \$574,618, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2016 and 2015.

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
OPERATED BY UNIVERSITY OF CENTRAL MISSOURI**

Notes To Financial Statements (*Continued*)

3. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Antennas	\$ 327,373	\$ —	\$ —	\$ 327,373
Building	48,422	—	—	48,422
Tower	265,650	—	—	265,650
Tipton Tower	4,732,991	—	—	4,732,991
Equipment	4,016,519	330,399	—	4,346,918
Total	9,390,955	330,399	—	9,721,354
Less: Accumulated Depreciation	5,609,014	274,600	—	5,883,614
Capital Assets, Net	\$ 3,781,941	\$ 55,799	\$ —	\$ 3,837,740

Capital assets activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Antennas	\$ 327,373	\$ —	\$ —	\$ 327,373
Building	48,422	—	—	48,422
Tower	265,650	—	—	265,650
Tipton Tower	4,732,991	—	—	4,732,991
Equipment	4,010,505	6,014	—	4,016,519
Total	9,384,941	6,014	—	9,390,955
Less: Accumulated Depreciation	5,346,947	262,067	—	5,609,014
Capital Assets, Net	\$ 4,037,994	\$ (256,053)	\$ —	\$ 3,781,941

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
OPERATED BY UNIVERSITY OF CENTRAL MISSOURI**

Notes To Financial Statements (*Continued*)

4. Contingencies

Grants

KMOS-TV is currently participating in numerous grants. The expenditures of grant proceeds must be for allowable and eligible purposes. Audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

5. Current Economic Conditions

The current economic conditions continue to present public broadcasting entities with difficult circumstances and challenges, which in some cases may result in declines in University support, grant revenue and contributions. The financial statements have been prepared using values and information currently available to KMOS-TV.

Current economic conditions have made it difficult for many donors to continue to contribute to stations. Changes in contribution levels and grant funding could have an adverse impact on KMOS-TV's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments. KMOS-TV could experience difficulty maintaining sufficient liquidity should significant changes occur.

Supplementary Information

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
OPERATED BY UNIVERSITY OF CENTRAL MISSOURI**

**FUNCTIONAL EXPENSES
For The Year Ended June 30, 2016**

	Programming And Production	Program Services Broadcasting	Program Information And Promotion	Total Program Services	Fundraising And Membership Development	Support Services Underwriting And Grant Solicitation	Management And General	Total Support Services	Depreciation	Total
Salaries, payroll taxes and employee benefits	\$ 362,162	\$ 345,102	\$ 1,111	\$ 708,375	\$ 74,419	\$ 103,818	\$ 249,595	\$ 427,832	\$ —	\$ 1,136,207
Supplies and other services										
Technical services and fees	59,376	67,759	413	127,548	5,603	3,426	28,236	37,265	—	164,813
Office supplies	4,204	114,550	343	119,097	1,843	355	6,044	8,242	—	127,339
Utilities and postage	4,838	117,640	—	122,478	3,906	780	18,872	23,558	—	146,036
Printing	364	104	26,038	26,506	3,367	97	1,935	5,399	—	31,905
	68,782	300,053	26,794	395,629	14,719	4,658	55,087	74,464	—	470,093
Program costs										
Program acquisition	582,221	—	—	582,221	—	—	—	—	—	582,221
Program production costs	2,458	—	—	2,458	—	—	—	—	—	2,458
	584,679	—	—	584,679	—	—	—	—	—	584,679
Depreciation	—	—	—	—	—	—	—	—	274,600	274,600
Other										
Donated facilities and administrative support	—	—	—	—	—	—	510,938	510,938	—	510,938
Advertising	81	389	2,413	2,883	—	3,691	—	3,691	—	6,574
Rental and maintenance of equipment	3,619	26,344	587	30,550	1,050	—	38,831	39,881	—	70,431
Travel and professional meetings	13,038	4,398	832	18,268	6,220	3,948	8,516	18,684	—	36,952
Miscellaneous	25,446	50,307	5,838	81,591	24,932	69,273	24,680	118,885	—	200,476
	42,184	81,438	9,670	133,292	32,202	76,912	582,965	692,079	—	825,371
	\$ 1,057,807	\$ 726,593	\$ 37,575	\$ 1,821,975	\$ 121,340	\$ 185,388	\$ 887,647	\$ 1,194,375	\$ 274,600	\$ 3,290,950

**KMOS TELEVISION - A PUBLIC BROADCASTING ENTITY
OPERATED BY UNIVERSITY OF CENTRAL MISSOURI**

FUNCTIONAL EXPENSES (Continued)

For The Year Ended June 30, 2015

	Programming And Production	Program Services Broadcasting	Program Information And Promotion	Total Program Services	Fundraising And Membership Development	Support Services Underwriting And Grant Solicitation	Management And General	Total Support Services	Depreciation	Total
Salaries, payroll taxes and employee benefits	\$ 425,668	\$ 360,613	\$ 5,504	\$ 791,785	\$ 25,958	\$ 102,816	\$ 366,699	\$ 495,473	\$ —	\$ 1,287,258
Supplies and other services										
Technical services and fees	68,576	30,824	4,556	103,956	5,292	1,470	14,011	20,773	—	124,729
Office supplies	6,224	3,072	475	9,771	1,311	421	2,876	4,608	—	14,379
Utilities and postage	—	122,728	—	122,728	14	29	12,505	12,548	—	135,276
Printing	200	—	29,188	29,388	2,144	70	1,593	3,807	—	33,195
	75,000	156,624	34,219	265,843	8,761	1,990	30,985	41,736	—	307,579
Program costs										
Program acquisition	526,505	—	—	526,505	—	—	—	—	—	526,505
Program production costs	—	—	—	—	—	—	—	—	—	—
	526,505	—	—	526,505	—	—	—	—	—	526,505
Depreciation	—	—	—	—	—	—	—	—	262,067	262,067
Other										
Donated facilities and administrative support	—	—	—	—	—	—	567,866	567,866	—	567,866
Advertising	—	184	6,410	6,594	109	—	—	109	—	6,703
Rental and maintenance of equipment	4,394	41,299	90	45,783	5,623	—	2,109	7,732	—	53,515
Travel and professional meetings	21,667	9,565	786	32,018	2,022	3,727	13,738	19,487	—	51,505
Miscellaneous	10,520	36,323	7,110	53,953	28,331	54,422	55,189	137,942	—	191,895
	36,581	87,371	14,396	138,348	36,085	58,149	638,902	733,136	—	871,484
	\$ 1,063,754	\$ 604,608	\$ 54,119	\$ 1,722,481	\$ 70,804	\$ 162,955	\$ 1,036,586	\$ 1,270,345	\$ 262,067	\$ 3,254,893



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**Independent Auditors' Report On Internal Control
Over Financial Reporting And On Compliance And Other
Matters Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards***

Board of Governors
University of Central Missouri
Warrensburg, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KMOS Television, a Public Broadcasting Entity Operated by University of Central Missouri's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

November 29, 2016