

**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY UNIVERSITY OF MONTANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY UNIVERSITY OF MONTANA
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**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY UNIVERSITY OF MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

INTRODUCTION

The management's discussion and analysis (MD&A) provides an overview of KUFM-FM Radio's (KUFM) financial position and activities for the fiscal year ended June 30, 2022. The MD&A emphasizes the current year and identifies any economic or financial factors which could have a significant impact on future operations. This discourse has been prepared by management and should be read in conjunction with the financial statements and notes following this section.

KUFM is a public service unit of the Montana University System as well as a National Public Radio affiliate. It provides public radio programming and services to communities in western and central Montana. With eight full-powered transmitters, five translators and digital content broadcasting 24 hours a day, KUFM boasts a coverage area spanning nearly half of Montana. KUFM's network service is branded as Montana Public Radio (MTPR) with central operations located at the University of Montana – Missoula.

USING THE FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the basic financial statements consist of the following three statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and notes to the financial statements. In addition to the financial statements, the MD&A is included as required supplementary information.

The financial statements are prepared using the accrual basis of accounting, whereas revenues are recognized when services are provided and expenses are recognized when goods or services are received, regardless of when cash is exchanged.

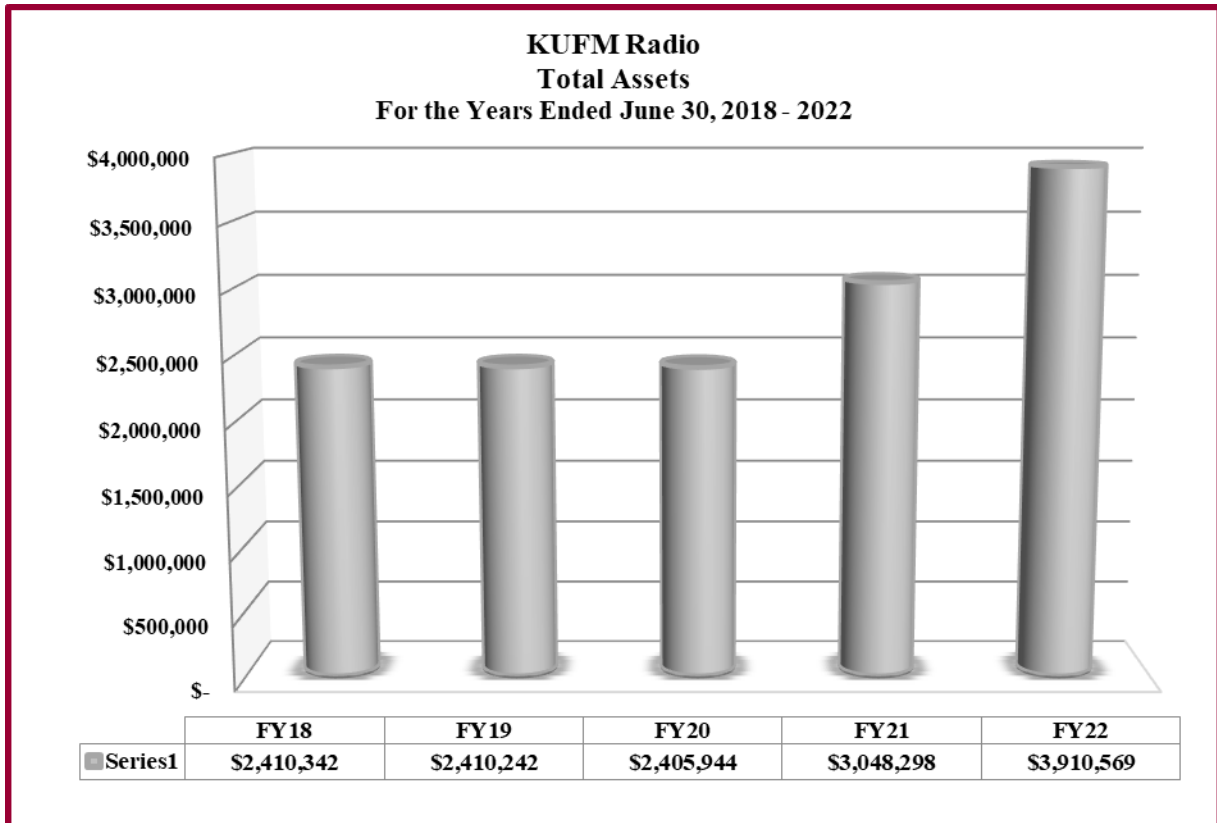
FINANCIAL HIGHLIGHTS AND ANALYSIS

In FY22, total revenues from all sources increased by \$333,384, or by about 9.2%, most notably from an increase in indirect cost recoveries that was recognized during the year of \$79,201, and an increase in donations and gifts received of \$421,664. The increases in these revenues were offset by a decrease in investment income of \$66,916 and federal grants and contracts of \$40,676. KUFM's total operating expenses increased in FY22, by \$139,012, which was due primarily to an increase in program service expenses of \$115,603, an increase in management and general expenses of \$65,569, and an increase in amortization expense of \$16,248. These increases were offset by a decrease in depreciation expense of \$39,369 and fundraising of \$19,039. Overall, net position increased by \$512,111 in FY22 or by 49.5%.

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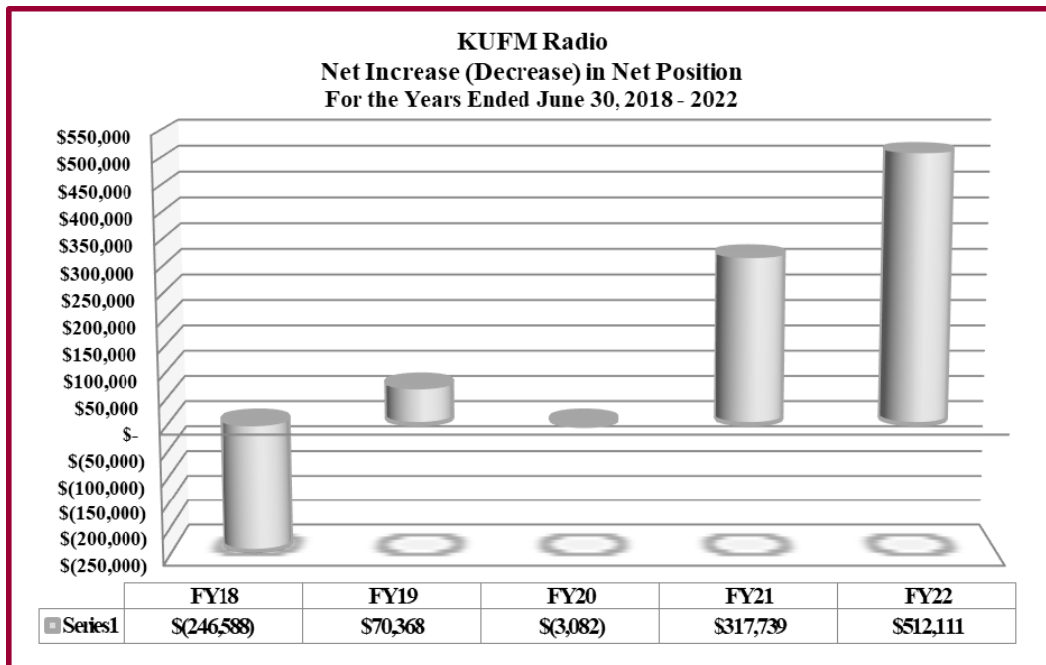
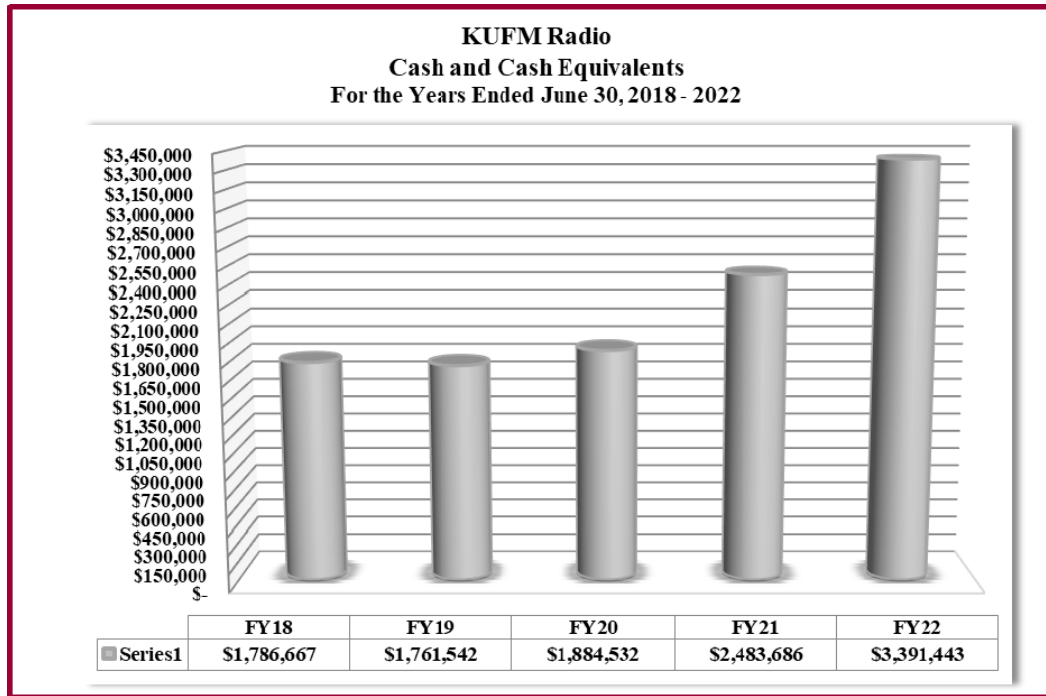
FINANCIAL HIGHLIGHTS AND ANALYSIS (CONTINUED)

The following charts illustrate the current year changes and financial position of KUFM for prior years.



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FINANCIAL HIGHLIGHTS AND ANALYSIS (CONTINUED)



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FINANCIAL HIGHLIGHTS AND ANALYSIS (CONTINUED)

Statement of Net Position

The Statement of Net Position presents the financial position of KUFM at the end of the fiscal year and includes all assets and liabilities. The difference between total assets and total liabilities (Net Position) is one indicator of whether the overall financial condition of an entity has improved or worsened during the year. Assets and liabilities are generally measured using current values except for capital assets, which are stated at historical cost less an allowance for depreciation.

A summary of the Statements of Net Position is as follows at June 30:

	2022	2021
ASSETS		
Total Current Assets	\$ 3,556,549	\$ 2,707,015
Total Noncurrent Assets	354,020	341,283
Total Assets	<u>3,910,569</u>	<u>3,048,298</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>426,742</u>	 <u>492,795</u>
	<u><u>\$ 4,337,311</u></u>	<u><u>\$ 3,541,093</u></u>
 LIABILITIES		
Total Current Liabilities	\$ 952,921	\$ 617,934
Total Noncurrent Liabilities	1,268,357	1,585,029
Total Liabilities	<u>2,221,278</u>	<u>2,202,963</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>570,056</u>	 <u>304,264</u>
 NET POSITION		
Net Invested in Capital Assets	104,393	154,859
Restricted	222,657	229,925
Unrestricted	1,218,927	649,082
Total Net Position	<u>1,545,977</u>	<u>1,033,866</u>
	<u><u>\$ 4,337,311</u></u>	<u><u>\$ 3,541,093</u></u>

Events or developments which occurred during 2022

- In FY22, current assets increased by \$849,534 or by 28.3%, due primarily to an increase in cash and cash equivalents of \$907,747 and an increase in prepaid expense of \$30,298. This increase was offset by a decrease in accounts receivable by \$88,511.
- Noncurrent assets increased by \$12,737 due largely to an increase in capital assets of \$26,762. This increase was offset by a decrease in Endowed Investments by \$14,025.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (CONTINUED)

Events or developments which occurred during 2022 (continued)

- The decrease in deferred outflows of resources of \$66,053 is from a decrease in outflows to KUFM's pension plan to employees of \$48,062 and a decrease in outflows related to the OPEB health benefit plan by \$17,991.
- Current liabilities increased by \$334,987 or 54.2%, due primarily to an increase in unearned revenue of \$328,369, an increase in property held in trust of \$32,107 and an increase in lease liability of \$20,913. These increases were offset by a decrease in accounts payable of \$42,532 and a decrease in accrued compensated absences of \$3,870. The property held in trust for the Great Falls Public Radio Association-KGPR. KUFM solicits funds for Great Falls Public Radio Association – KGPR and records donations received on their behalf in property held in trust.
- Noncurrent liabilities decreased in FY22 by \$316,672, due primarily to a decrease in Net OPEB liability for health benefits of \$37,708 and a decrease in Net pension liability of \$310,723. Accrued compensated absences decreased by \$24,556. This was offset by an increase in long term lease liability of \$56,315.
- The increase in deferred inflows of resources is due primarily to an increase in inflows related to pensions of \$222,240 and an increase to deferred inflows related to health benefits of \$43,552. The net decreased in deferred inflows overall for KUFM as \$26,424.
- The significant increase in net position for FY22 of \$512,111 is due to an increase in non-operating revenues of \$169,166. This increase was offset by an increase in operating expenses of \$139,012 and a decrease in operating revenue of \$21,364.

Statement of Revenues, Expenses, and Changes in Net Position

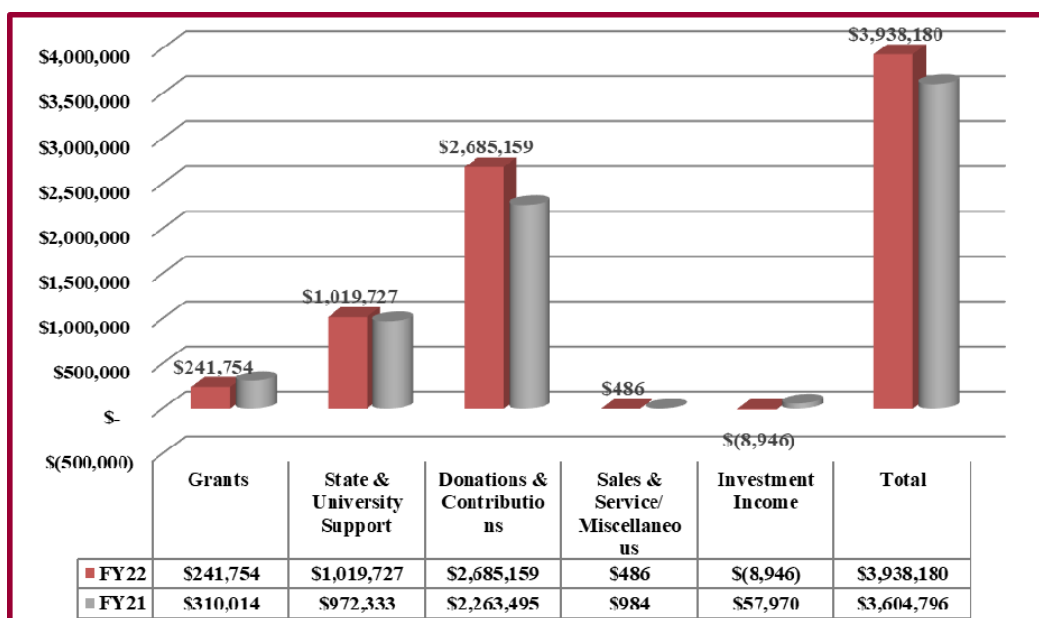
The Statement of Revenues, Expenses, and Changes in Net Position present the results of KUFM's operational activities. In accordance with GASB, revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses are the inflows or uses of funds related directly to fulfilling the entity's purpose (i.e., providing public radio services). Nonoperating revenues are revenues earned for which goods or services are not provided and include private gifts and investment income. Non-operating expense is interest on long-term debt.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (CONTINUED)

A summary of the Statements of Revenues, Expenses, and Changes in Net Position is as follows at June 30:

	2022	2021
Operating Revenue	\$ 1,261,967	\$ 1,283,331
Operating Expenses	3,426,069	3,287,057
Operating Loss	(2,164,102)	(2,003,726)
Nonoperating Revenues	2,676,213	2,321,465
Change in Net Position	512,111	317,739
Net Position - Beginning of Year (previously reported)	1,033,866	668,565
Prior Period Adjustment	-	47,562
Net Position - Beginning of Year (as restated)	1,033,866	716,127
Net Position - End of Year	\$ 1,545,977	\$ 1,033,866



Events or developments which occurred during 2022

- Operating revenues decreased in FY22 by \$21,364 largely from a decrease in federal grants and contracts of \$40,676 and a decrease of \$31,807. There was also a decrease in grants from CPB of \$27,584. This decrease was offset by an increase in indirect cost recoveries of \$79,201.
- Operating expenses increased in FY22 by \$139,012 largely due to an increase in expenses related to program services of \$115,603 along with increases to expenses from management and general and amortization totaling \$65,569 and \$16,248 respectively. This increase in operating expenses was offset by a decrease in expenses related to depreciation of \$39,369 and fundraising of \$19,039.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL HIGHLIGHTS AND ANALYSIS (CONTINUED)

Statement of Cash Flows

The Statement of Cash Flows provides additional information about KUFM's financial results by reporting the major sources and uses of cash. This statement aids in assessing KUFM's ability to a) meet obligations and commitments as they become due, b) generate future cash flows, and c) recognize the need for external financing.

A summary of the Statements of Cash Flows is as follows at June 30:

	2022	2021
CASH PROVIDED BY (USED IN)		
Operating Activities	\$ (1,831,847)	\$ (1,611,038)
Noncapital Financing Activities	2,749,488	2,145,111
Capital and Related Financing Activities	(22,174)	-
Investing Activities	12,280	17,519
Net Change in Cash and Cash Equivalents	907,747	551,592
Cash and Cash Equivalents – Beginning of Year	2,483,686	1,884,532
Prior Period Adjustment	-	47,562
Cash and Cash Equivalents – Beginning of Year (as restated)	2,483,686	1,932,094
Cash and Cash Equivalents – End of Year	<u>\$ 3,391,433</u>	<u>\$ 2,483,686</u>

Events or developments which occurred during 2022

- Net cash used in operating activities in FY22 increased by \$220,807 compared to cash used for operating activities in FY21, primarily due to decrease in cash from state appropriations of \$31,807 along with a large decrease in grant funding from CPB of \$276,144.
- Cash provided by noncapital financing activities increased by \$604,377 as a result of private gifts received by KUFM.
- Cash provided by investing activities decreased by \$5,239. This decrease was due to earnings from investments being \$15,832 lower in FY22 compared to FY21.
- Cash used in capital related financing activities in FY22 increased by \$22,174. This increase was due to the implementation of GASB 87 and the principal payments for the established capital asset leases.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

ECONOMIC OUTLOOK

- Overall, Montana Public Radio's current financial position is solid. MTPR management remains optimistic that the organization is positioned for continued membership growth, improved over-the-air and online service, and financial stability.
- CPB along with NPR, PBS and APTS continue to lobby Congress for funding increases for the federal appropriation for public broadcasting. CPB funds make up about 10% of operating MTPR revenue.
- Due to slight increases in enrollment at the University of Montana, institutional support has remained solid for FY2023. Further future drops in enrollment may possibly impact MTPR's operational and personnel budgets. Base budget cuts from past years are not likely to be restored and further cuts may be possible in the future. About 15% of MTPR funding comes from University support.
- Station management regularly monitors performance in all areas of development. MTPR membership revenue has increased slightly over the past four years. That trend may be changing. The Contributor Development Partnership (CDP) Public Media Index predicts a decline in station revenue nationwide of between 0.4% to 4.0%. MTPR is beginning to see a slowdown in giving mid-way through FY2023. Management will continue to watch these trends closely. MTPR member donations make up 75% of the total annual revenue for the station.
- NPR program costs will continue to rise each year for the foreseeable future. Increases of 10-13% began in FY2022 and continued with 9% in FY2023. Those increases of nearly \$25,000 will continue to put pressure on membership and corporate support revenue generation.
- Small businesses and arts organizations are the core of corporate support on MTPR. With the ongoing economic slowdown, underwriting revenue from that core is down 10-15% year over year. Management will continue to monitor MTPR corporate support trends.
- For the first time in 25 years, MTPR received approval from the Federal Communications Commission to expand the broadcast signal into unserved areas of western and central Montana. This year, MTPR began broadcasting in Thompson Falls and Eureka as well as improving the signal in Dillon. Over the next two years, MTPR will add transmitters in White Sulphur Springs, Browning, Philipsburg/Georgetown Lake and Deer Lodge. The expansion comes with additional costs for transmission equipment but will be partially offset by increases in membership and underwriting.
- Montana Public Radio received two grants from national and regional foundations in FY2022 to add positions in the news department and community engagement. MTPR now has reporters in two underserved areas of our state. MTPR has been able increase outreach activities on-air, online, and in person. Long-term funding for these positions could be a consideration in the future.



INDEPENDENT AUDITORS' REPORT

Board of Regents
University of Montana
Missoula, Montana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of KUFM-FM Radio (a public telecommunications entity operated by the University of Montana), which comprises the statements of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUFM-FM Radio as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KUFM-FM Radio and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

During the fiscal year ended June 30, 2022, the entity adopted new Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessor to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than 12 months. Our opinion is not modified with respect to this matter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

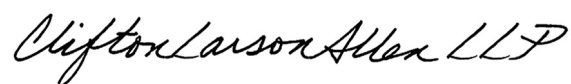
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 KUFM-FM Radio's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of KUFM's proportionate share of the net pension liability, schedule of KUFM's employer contributions, schedule of KUFM's proportionate share of the OPEB liability and notes to required supplementary 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.



CliftonLarsonAllen LLP

Bellevue, Washington
February 10, 2023

**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY UNIVERSITY OF MONTANA
STATEMENTS OF NET POSITION
JUNE 30, 2022**

ASSETS AND DEFERRED OUTFLOWS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 3,391,433
Accounts Receivable, Net	116,140
Prepaid Expenses	48,976
Total Current Assets	<u>3,556,549</u>

NONCURRENT ASSETS

Endowment Investments	172,399
Capital Assets, Net	181,621
Total Noncurrent Assets	<u>354,020</u>
Total Assets	3,910,569

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	248,271
Related to OPEB	178,471
Total Deferred Outflows of Resources	<u>426,742</u>
Total Assets and Deferred Outflows	<u><u>\$ 4,337,311</u></u>

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 10,362
Property Held in Trust for Others	56,973
Unearned Revenue	789,433
Accrued Compensated Absences	75,240
Lease Liability	20,913
Total Current Liabilities	<u>952,921</u>

NONCURRENT LIABILITIES

Net OPEB Liability-Health Benefits	153,130
Net Pension Liability	961,741
Accrued Compensated Absences	97,171
Lease Liability Long Term	56,315
Total Noncurrent Liabilities	<u>1,268,357</u>
Total Liabilities	2,221,278

DEFERRED INFLOWS OF RESOURCES

Related to Pensions	363,495
Related to OPEB	206,561
Total Deferred Inflows of Resources	<u>570,056</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	104,393
Restricted for Nonexpendable	222,657
Unrestricted	1,218,927
Total Net Position	<u>1,545,977</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 4,337,311</u></u>

See accompanying Notes to Financial Statements.

KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

OPERATING REVENUES

State Appropriations	\$ 459,370
Federal Grants and Contracts	46,720
Grants from CPB	195,034
Indirect Cost Recoveries	560,357
Other Revenues	486
Total Operating Revenues	<u>1,261,967</u>

OPERATING EXPENSES

Program Services	2,396,415
Management and General	549,460
Fundraising	407,554
Depreciation Expense	56,392
Amortization Expense	16,248
Total Operating Expenses	<u>3,426,069</u>

OPERATING LOSS

(2,164,102)

NONOPERATING REVENUES

Private Gifts and Underwriting	2,685,159
Investment Income	(8,946)
Net Nonoperating Revenues	<u>2,676,213</u>

CHANGE IN NET POSITION

512,111

Net Position - Beginning of Year

1,033,866

NET POSITION - END OF YEAR

\$ 1,545,977

See accompanying Notes to Financial Statements.

**KUFM-FM RADIO
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STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

State Appropriations	\$ 459,370
Federal Grants and Contracts	424,177
Grants from CPB	195,034
Other Revenue	486
Payment to Employees	(1,716,505)
Payment to Vendors	(1,194,409)
Net Cash Used by Operating Activities	<u>(1,831,847)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Private Gifts and Underwriting	<u>2,749,488</u>
Net Cash Provided by Financing Activities	2,749,488

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Purchase of Capital Assets	(60,080)
Lease Liability	60,080
Principal Paid on Lease Payable	<u>(22,174)</u>
Net Cash Used by Capital and Related Financing Activities	(22,174)

CASH FLOWS FROM INVESTING ACTIVITIES

Contributions to Endowments	7,201
Earnings Received on Investments	<u>5,079</u>
Net Cash Provided by Investing Activities	<u>12,280</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

907,747

Cash and Cash Equivalents - Beginning of Year

2,483,686

CASH AND CASH EQUIVALENTS - END OF YEAR (RESTATED)

\$ 3,391,433

See accompanying Notes to Financial Statements.

KUFM-FM RADIO
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STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022

CASH FLOWS USED BY OPERATING ACTIVITIES

Operating Loss	\$ (2,164,102)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	56,392
Amortization	16,248
(Increase) Decrease in Accounts Receivable	55,195
(Increase) Decrease in Prepaid Expenses	(30,298)
(Increase) Decrease in Deferred Outflows of Resources:	
Pension Related	48,062
OPEB Related	17,991
Increase (Decrease) in Accounts Payable	(42,532)
Decrease (Increase) in Net OPEB Liability-Health Benefits	(37,708)
Increase (Decrease) in Net Pension Liability	(310,723)
(Decrease) Increase in Unearned Revenue	322,262
(Decrease) Increase in Compensated Absences	(28,426)
(Decrease) Increase in Deferred Inflows of Resources:	
Pension Related	222,240
OPEB Related	43,552
Net Cash Flows Used by Operating Activities	<u><u>\$ (1,831,847)</u></u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING
AND FINANCING ACTIVITY**

Donated Facilities, Equipment, and Administrative Support from University of Montana	<u><u>\$ 560,357</u></u>
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See accompanying Notes to Financial Statements.

**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY UNIVERSITY OF MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Montana's licensee KUFM-FM Radio (KUFM) is a nonprofit public radio station operating from the campus of the University of Montana – Missoula. Currently, KUFM services the Missoula area and parts of Montana (nearly half of the state) which are within the KUFM reception area.

Reporting Entity

The accounting records for KUFM are maintained on a centralized Statewide Accounting, Budgeting and Human Resource System. The accompanying financial statements have been extracted from University funds and other financial information for presentation as a separate entity. The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Basis of Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999, by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The state of Montana implemented GASB Statement No. 34 during the year ended June 30, 2003. As a component unit of the state of Montana, the University of Montana, and therefore KUFM, was also required to adopt GASB Statements No. 34 and No. 35. The latter statement was adopted as amended by GASB Statements No. 37 and No. 38. During the year ended June 30, 2003, KUFM also adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The financial statements presentation required by GASB No. 34, No. 35, and No. 63/65 provide a comprehensive, entity-wide perspective of KUFM's assets, liabilities, net position, revenues, expenses, changes in net position, cash flows, and replaces the fund-group perspective previously required. GASB Statements No. 35 and 63/65 require that resources be classified for accounting and reporting purposes into the following four net position categories:

Invested in Capital Assets, Net of Related Debt – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted, Nonexpendable – Net position subject to externally-imposed restrictions that require KUFM to maintain those assets permanently. Such assets include KUFM's permanent endowment funds. The endowment funds are made up of cash and investments. Investments are carried at fair market value per Governmental Accounting Standards Board (GASB) Statement No. 31, *Account and Financial Reporting for Certain Investments and Certain Investment Pools*.

**KUFM-FM RADIO
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OPERATED BY UNIVERSITY OF MONTANA
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Restricted, Expendable – Net position whose use by KUFM is subject to externally-imposed restrictions that can be fulfilled by actions of KUFM pursuant to those restrictions or that expire by the passage of time.

Unrestricted – Net position that is not subject to externally-imposed restrictions. Unrestricted net position may be designated for specific purposes by action of management or the board of regents or may otherwise be limited by contractual agreements with outside parties.

When KUFM maintains both restricted and unrestricted funds for the same purpose, the order of use of such funds is determined on a case-by-case basis. Restricted funds remain classified as restricted until they have been expended.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash balances maintained in pooled funds with other University funds are considered cash equivalents. The universities allocate cash balances to KUFM from their funds invested in the Short Term Investment Pool (STIP) with the Montana Board of Investments (BOI). The universities consider STIP funds to be cash equivalents.

Accounts Receivable

Accounts receivable are primarily made up of pledges receivable. Pledges receivable are recognized by KUFM when the donor makes a promise to give that is unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in expendable or nonexpendable restricted net position depending on the nature of the restrictions. When an expendable restriction is fulfilled, expendable restricted net position is reclassified to unrestricted net position.

Unearned Revenue

Receipts from unrestricted gifts and grants are recorded as revenue only to the extent expenses have been incurred for the purpose specified by the donors. Additional amounts are accounted for as unearned revenue until such time as qualifying expenditures have been incurred.

Functional Allocations

Certain expenses relating to instructional functions have been separated from University departmental accounting records to properly reflect the operations of KUFM. Personnel costs are used as a basis to establish percentages for allocation purposes. Similarly, allocations of certain KUFM expenses to programming, management and general, underwriting and fundraising services are based on estimated time which is identifiable with such services.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from grants and contracts is recognized when qualified expenses are incurred under the grant or contract. Revenue from gifts and in-kind services is recognized when received.

In-Kind Contributions

Administrative support from the University of Montana consists of allocated institution and physical plant costs incurred by the University on behalf of KUFM. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. KUFM recorded \$-0- of in-kind contributions in 2022.

Tax-Exempt Status

Since KUFM is a component of the University of Montana (a political subdivision of the state of Montana); it is exempt from federal income taxes under Internal Revenue Code Section 115. However, income generated from activities unrelated to the exempt purpose is subject to income tax under Internal Revenue Code Section 511(a)(2)(B). The Unrelated Business Income Tax (UBIT) amount was \$-0- for the year ended June 30, 2022. The Station believes income tax filing positions will be sustained upon examination and do not anticipate any adjustments that would result in a material adverse effect on the financial statements or cash flows. Accordingly, no reserves or related accruals for interest or penalties for uncertain income tax positions have been recorded as of June 30, 2022. The Station's income tax positions are subject to examination for the preceding three tax years. Any interest or penalties that may be assessed in the future will be recorded as management and general expenses.

Deferred Inflows of Resources

Deferred inflows represent the acquisition of resources that is applicable to a future reporting period.

Deferred Outflows of Resources

Deferred outflows represent the consumption of resources that is applicable to a future reporting period but do not require a future exchange of goods or services.

Capital Assets

All acquisitions and improvements ranging from \$5,000 for equipment to \$500,000 for infrastructure, and with estimated useful lives of more than one year are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at acquisition value. Donated property and equipment is carried at the approximate acquisition value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets ranging from 4 to 40 years.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Newly Implemented Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. KUFM has implemented GASB 87 for the period ending June 30, 2022. Changes adopted conform to the provisions of this standard and are effective from July 1, 2021 forward.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash balances are maintained in pooled funds with other University funds. The University allocates interest earnings based on the amounts KUFM has invested in the STIP with the BOI. Amounts held in STIP may be withdrawn by the university system on demand, and as such are classified as cash equivalents, even though a portion of the pool's underlying investments may be considered noncurrent. Audited financial statements for the BOI are available at 2401 Colonial Drive, 3rd Floor, Helena, Montana 59620.

Investments in the pool are reported at a net asset value (NAV). The fair value of pooled investments is determined annually and is based on year-end market prices. The NAV at June 30, 2022 is 0.998407. Investments in STIP are carried at cost but reported using the NAV. STIP income is automatically reinvested in additional units. The STIP is not rated by a national rating agency.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Because most of the Station's cash equivalents and certain investments are held in the state of Montana STIP, the state's policies regarding custodial risk are relevant. The security in STIP is held in the name of the BOI or were registered in the nominee name for the BOI and held in possession of the BOI custodial bank. Per policy, the BOI's custodial institution must hold short-term and long-term credit rating by at least one Nationally Recognized Statistical Rating Organization with a minimum requirement of A1/PI (short-term) and A3/A-I (long-term).

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NOTE 3 INVESTMENTS

Investments consist of endowment funds held in a common investment pool administered by the University of Montana Foundation. The Foundation portfolio includes cash equivalents, fixed income, and equity securities. KUFM's investment in these pools are intended to be permanent and accordingly, a liquidity term has not been formally established for these funds. The fair values of this investment pool have been determined using the NAV per share (or its equivalent) of the investment.

NOTE 4 CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30:

	2022				
	Beginning Balance*	Additions	Deletions	Transfers and Other Changes	Ending Balance
Transmission, Antenna and Tower	\$ 652,964	\$ -	\$ -	\$ -	\$ 652,964
Studio and Broadcast Equipment	475,305	-	-	-	475,305
Furniture, Fixtures, and Other Equipment	143,365	-	-	-	143,365
Right of Use Asset	39,322	60,080	-	-	99,402
Total Capital Assets	1,310,956	60,080	-	-	1,371,036
Less Accumulated Depreciation/ Amortization for:					
Transmission, Antenna and Tower	575,569	21,522	-	-	597,091
Studio and Broadcast Equipment	404,979	29,209	-	-	434,188
Furniture, Fixtures, and Other Equipment	136,227	5,661	-	-	141,888
Right of Use Asset	-	16,248	-	-	16,248
Total Accumulated Depreciation	1,116,775	72,640	-	-	1,189,415
Capital Assets, Net	\$ 194,181	\$ (12,560)	\$ -	\$ -	\$ 181,621

*Restated due to the implementation of GASB 87.

NOTE 5 LEASE OBLIGATIONS

KUFM leases land and tower space used to house broadcasting equipment for the Missoula campus public radio station under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2026 and provide for renewal options ranging from no right for renewal or unlimited five-year renewals. The present value of lease agreements are calculated at the inception of the lease using an implicit interest rate of 3.25%.

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NOTE 5 LEASE OBLIGATIONS (CONTINUED)

The schedule of the ending lease liability and current portion are as follows:

Beginning Balance*	Additions	Payments	Ending Balance	Current Portion
\$ 39,322	\$ 60,080	\$ (22,174)	\$ 77,228	\$ 20,913

*Restated due to the implementation of GASB 87.

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 20,913	\$ 2,210	\$ 23,123
2024	21,603	1,520	23,123
2025	22,315	808	23,123
2026	12,397	203	12,600
Total	<u>\$ 77,228</u>	<u>\$ 4,741</u>	<u>\$ 81,969</u>

NOTE 6 EMPLOYEE BENEFIT PLANS

Overview

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-defined Contribution Retirement Plan (DCRP) by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiemployer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 and 3, Montana Codes Annotated (MCA). This plan covers the state, local governments, certain employees of the Montana University System, and school districts.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Summary of Benefit

Eligibility for Benefit

Hired Prior to July 1, 2011

Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any Age, 30 years of membership service
Age 65, 5 years of membership service;
Age 70, regardless of membership service

Hired on or after July 1, 2011

Early Retirement (Reduced Benefit)

Hired Prior to July 1, 2011

Age 50, 5 years of membership service; or
Any Age, 25 years of membership service

Hired on or after July 1, 2011

Age 55, 5 years of membership service

Second Retirement (Requires Returning to PERS-Covered Employer or PERS Service)

Retire before January 1, 2016, and accumulate less than 2 years additional credit or retire on or after January 1, 2016, and accumulate less than 5 years additional service credit:

- A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018);
- No service credit for second employment;
- Start the same benefit amount the month following terminating; and
- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

Retire Before January 1 2016, and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

Retire on or after January 1, 2016, and accumulate 5 or more years of service:

- The same retirement as prior to the return to service;
- A second retirement benefit as a prior to the second period of service based on laws in effect upon the rehire date; and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service

Member's Highest Average Compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 - highest average compensation during any consecutive 60 months.

Compensation Cap

Hired on or after July 1, 2013 - 110% annual cap on compensation considered as part of a member's highest average compensation.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Summary of Benefit (Continued)

Monthly Benefit Formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service; 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:

- 3% for members hired prior to July 1, 2007;
- 1.5% for members hired on or after July 1, 2007, and June 30, 2013.

Members hired on or after July 1, 2013:

- (a) 1.5% for each year PERS is funded at or above 90%;
- (b) 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
- (c) 0% whenever the amortization period for PERS is 40 years or more.

Contributions to the Plan

State law for periodic employer and employee contributions specifies rates and are a percentage of employee compensation. The state legislature has the authority to establish and amend contribution rates to the plan. Employer and employee contribution rates for 2022 were 8.97% and 7.90%, respectively.

- Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Contributions to the Plan (Continued)

- Employer contributions to the system:
 - Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.
 - Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - The portion of employer contributions allocated to Plan Choice Rate (PCR), are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
- Nonemployer contributions:
 - Not Special Funding:
 - Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.
 - Special Funding:
 - The state contributed 0.1% of members' compensation on behalf of local government entities.
 - The state contributed 0.37% of members' compensation on behalf of school district entities.
 - The state of Montana, as the nonemployer contributing entity to the Plan, contributed a Statutory Appropriation from the General Fund of \$34,290,660.
 - \$62,516 was KUFM's proportionate share of the state's contribution to the plan.

Actuarial Assumptions

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2021. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (Net of Admin Expense) 7.06%
- Admin Expense as Percent of Payroll 0.20%
- General Wage Growth* 3.50%
- *Includes Inflation at 2.40%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases
 1. Guaranteed Annual Benefit Adjustment (GABA) – after the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other all adjustments to the member's benefit.
 - 3.0% for members hired prior to July 1, 2007;
 - 1.5% for members hired between July 1, 2007 and June 30, 2013;
 - Members hired on or after July 1, 2013:
 - a. 1.5% for each year PERS is funded at or above 90%;
 - b. 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - c. 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, with males set back one year.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvements were assumed.

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities would be made based on the board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017, which is located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2021 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projection. Combining these two results yields a nominal return of 7.34%.

Best estimates of arithmetic real rates of return for each major asset class included in the PERS-DBRP target asset allocation as of June 30, 2022, are summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	3.0 %	(0.33)%
Domestic Equity	30.0	5.90
International Equity	17.0	7.14
Private Investments	15.0	9.13
Natural Resources	5.0	4.03
Real Estate	9.0	5.41
Core Fixed Income	15.0	1.14
Non-Core Fixed Income	6.0	3.02
Total	<u>100.0 %</u>	

Sensitivity Analysis

The following presents KUFM's sensitivity of the pension liability to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The net pension liability was calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

As of Measurement Date	1.0% Decrease (6.06%)	Current Discount Rate (7.06%)	1.0% Increase (8.06%)
University's Proportionate Share of the Net Pension Liability	\$ 1,526,612	\$ 961,741	\$ 487,943

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Net Pension Liability

At June 30, 2022, the NPL was measured as of June 30, 2021, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of June 30, 2020 and applying standard roll forward procedures. The employer's proportion share equals the ratio of the employer's contributions relative to the sum of all employer and nonemployer contributions during the measurement period July 1, 2020 through June 30, 2021. KUFM's proportion of the net pension liability at June 30, 2022 was 0.05%. The state's proportionate share for a particular employer equals the ratio of the contributions for the employer to the total state contributions paid.

At June 30, 2022, KUFM recorded \$961,741 for its proportionate share of the NPL.

For the year ended June 30, 2022, KUFM recognized pension expense of \$83,376. The University also receives support provided by the state of Montana for its proportionate share of the pension expense associated with the University. For the year ended June 30, 2022, KUFM recognized \$62,516 for its proportionate share from this funding source.

Changes in Actuarial Assumptions and Methods

The following changes in assumptions or other inputs were made that affected the measurement of the TPL:

1. The discount rate was lowered from 7.34% to 7.06%.
2. The investment rate of return was lowered from 7.34% to 7.06%.

Changes in Benefit Terms

There have been no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Deferred Outflows and Deferred Inflows

At June 30, 2022, KUFM's proportionate share of PERS-DBRP deferred outflows of resources and deferred inflows of resources were from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 11,037	\$ 6,381
Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes in Assumptions or Other Inputs	153,184	357,114
Changes in Proportion Differences between Employer Contributions and Proportionate Share of Contributions	22,769	-
Contributions Paid (Adjustments) to PERS-DBRP Subsequent to the Measurement Date	61,281	-
Total	<u>\$ 248,271</u>	<u>\$ 363,495</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 15,095
2024	(18,429)
2025	(74,587)
2026	(98,584)

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Summary of Significant Accounting Principals

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

Defined Contribution Retirement Plan

Montana University System – Retirement Program (MUS-RP) was established in January of 1998, and is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equity Fund (TIAA-CREF). The MUS-RP is a defined contribution plan. Contribution rates for the plan are required and determined by state law. KUFM's contributions were equal to the required contribution. The benefits at retirement depend upon the amount of contributions, amounts of investment gains and losses and the employee's life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA-CREF. The University records employee/employer contributions and remits monies to TIAA-CREF. Individuals vest immediately in the employer portion of retirement contributions.

For the year ended June 30, 2022, 4.72%, or \$273 was contributed to TRS from MUS-RP faculty employer contributions to amortize past service unfunded liability in accordance with state law.

Annual reports that include financial statements and required supplemental information on the plan are available from TIAA-CREF at 730 Third Avenue in New York, New York.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Other Postemployment Benefits – Health Insurance

Other postemployment benefits (OPEB) are benefits, such as health care benefits, that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave. Employers participating in the plan are required to report OPEB information in their financial statements for fiscal period beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Following is the total of KUFM's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense as reported in accordance with GASB Statement No. 75, for the fiscal year ended June 30:

	<u>2022</u>
Net OPEB Liability	\$ 153,130
Deferred OPEB Outflows of Resources	178,471
Deferred OPEB Inflows of Resources	206,561
OPEB Expense	23,835

Plan Description

The Montana University System (MUS) Group Health Insurance plan is administered by the Office of the Commissioner of Higher Education. The MUS provides optional postemployment health care benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees.

Participants must elect to start medical coverage within 63 days of leaving employment. Coverage is effective the first day of the month following termination of employment. Medical, dental, and vision benefits are available through this defined benefit plan. The MUS OPEB plan is not administered through a trust; as such, no plan assets are eligible to be used to offset the total OPEB liability. The MUS group health insurance program operates in accordance with state law requiring it to be actuarially sound (20-25-1310, MCA) and have sufficient reserves to liquidate unrevealed claims liability and other liabilities.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Description (Continued)

The MUS OPEB plan is reported as single employer plan. The MUS pays for postemployment health care benefits on a pay-as-you-go basis from general assets from the MUS group health insurance plan. Section 20-25-1310, MCA gives authority for establishing and amending the funding policy to the board of regents for the MUS group health insurance plan. The MUS allows retirees to participate, as a group, at a rate that does not cover all of the related costs when retirees separated from the active participants in the group health insurance plan. This results in the reporting of the total OPEB liability in the related financial statements and note disclosures.

Employer Proportionate Share of Total OPEB Liability and Basis for Allocation

The total OPEB liability (TOL) as of June 30, 2022, was based on the actuarial valuation at December 31, 2021, with update procedures to roll forward the TOL to the measurement date of March 31, 2022. The University's proportion of the TOL was based upon the total participants in the group health insurance plan. The actuary report presents a valuation of the TOL assigned to each participant in the group health insurance plan. The information for KUFM is based on an allocation, using management's best estimate, to apply the following information as it pertains to KUFM. KUFM's proportionate share for June 30, 2022 is estimated to be 0.76%.

OPEB Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, the KUFM's OPEB plan deferred outflows and inflows of resources were from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 109,812
Changes in Assumptions or Other Inputs	178,471	96,749
Total	<u>\$ 178,471</u>	<u>\$ 206,561</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

**OPEB Deferred Outflows of Resources and Deferred Inflows of Resources
(Continued)**

As of June 30, 2022, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (3,029)
2024	(3,029)
2025	(3,029)
2026	(3,029)
2027	(3,029)
Thereafter	(12,945)

Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB Statement No. 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions being actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. 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 employer and plan members in the future.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Information as of the latest actuarial valuation for the MUS OPEB plan follows:

	2021	
	Retiree/ Surviving Spouse	Spouse
Contributions		
Before Medicare Eligibility	\$ 11,772	\$ 9,637
After Medicare Eligibility	4,416	5,205
Actuarial Valuation Date	December 31, 2020	
Actuarial Measurement Date	March 31, 2021	
Actuarial Cost Method	Entry Age Normal Cost Method	
Amortization Method	Open Basis	
Remaining Amortization Period	20-Year Period	
Asset Valuation Method	Not applicable since no assets meet the definition of plan assets under GASB 75.	
Actuarial Assumptions		
Discount Rate	3.31% (Based on average of multiple 3/31/22 municipal bond rate sources.)	
Projected Payroll Increases	2.5 %	
Participation:		
Future Retirees	40	
Future Eligible Spouses	70	
Marital Status at Retirement	70	

Mortality – Health

For MUS-RP, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2021, set back one year for males.

Mortality – Disabled

For MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Changes in Actuarial Assumptions and Methods Since Last Measurement Date

There were no changes in benefit terms since the last measurement date. One of the components of the actuarial assumptions, the interest/discount rate, was changed from 2.23% to 3.31%.

Changes in Benefit Terms Since Last Measurement Date

There were no changes in benefit terms since the last measurement date.

Sensitivity of the TOL to Changes in the Health Care Cost Trend Rates

The following presents the TOL of the MUS OPEB plan, as well as what they would be if calculated using health care cost trend rates that are 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current health care cost trend rates:

	Assuming 1.0% Decrease (5.0%)	At Current Rate (6.0%)	Assuming 1.0% Increase (7.0%)
As of Measurement Date			
University Proportion of Total OPEB Liability	\$ 119,083	\$ 153,130	\$ 200,732

Sensitivity of the TOL to Changes in the Discount Rate

The following presents the TOL of the MUS OPEB plan, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	Assuming 1.0% Decrease (2.31%)	At Current Rate (3.31%)	Assuming 1.0% Increase (4.31%)
As of Measurement Date			
University Proportion of Total OPEB Liability	\$ 198,927	\$ 153,130	\$ 119,413

Summary of Significant Accounting Policies

Total OPEB liability is reported on an accrual basis on the financial statements. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

Summary of Significant Accounting Policies (Continued)

The MUS OPEB plan states that an employee enrolled in the plan who (a) at least meets the early retirement criteria defined by Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office within 60 days of the date active employee coverage ends to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost. Therefore, the plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2022.

Financial and Plan Information

The MUS Group Benefits Plan does not issue a stand-alone financial report, but is subject to audit as part of the state of Montana's basic financial statements, included in the Annual Comprehensive Financial Report (ACFR). A copy of the most recent ACFR can be obtained online at <https://sfsd.mt.gov/SAB/acfr/index> or by contacting the Montana Department of Administration, PO Box 200102, Helena, MT 59620-0102.

NOTE 7 RELATED PARTY TRANSACTIONS

KUFM Radio receives nonmonetary contributions from the University of Montana in the form of administrative support and use of the facility. During 2022, these contributions totaled \$560,357, which is equivalent to the amount of indirect institutional expense and indirect plant expense incurred during 2022.

NOTE 8 COMMITMENTS

Under the terms of an agreement with the Great Falls Public Radio Association (GFPR), KUFM is obligated to pay GFPR either a lump sum amount or monthly payments, as requested by GFPR. Such amounts are limited to total annual donor collections from the GFPR reception area. As required by the agreement, KUFM made payments to GFPR in 2022 of \$20,000. GFPR receives substantially all of its programming from KUFM and KUFM has the exclusive right to solicit and collect contributions in the GFPR reception area. The current agreement is in effect through February 15, 2023, with either party having the ability to request a meeting at any time for the purpose of negotiating a modification to or an extension of the agreement. As of June 30, 2022, KUFM held undistributed donor amounts of \$56,973.

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NOTE 9 SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. This analysis has been performed through February 10, 2023, which is the date the financial statements were available to be issued.

**KUFM-FM RADIO
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REQUIRED SUPPLEMENTARY INFORMATION**

Public Employees Retirement System

Schedule of KUFM's Proportionate Share of the Net Pension Liability (NPL)

<u>Fiscal Year Ended June 30,</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
KUFM's Proportion of the Net Pension Liability	0.07 %	0.05 %	0.05 %	0.05 %	0.07 %	0.06 %	0.05 %
KUFM's Proportionate Share of the Net Pension Liability	\$ 1,241,792	\$ 1,272,464	\$ 1,062,461	\$ 1,065,000	\$ 1,339,114	\$ 1,081,605	\$ 718,607
KUFM's Covered Payroll	607,212	540,123	545,325	613,744	648,693	577,747	603,382
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	205%	236%	195%	174 %	206 %	187 %	119 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.91 %	68.90 %	73.85 %	73.47 %	73.75 %	74.71 %	78.40 %

Schedule of KUFM's Employer Contributions

<u>Fiscal Year Ended June 30,</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contributions	\$ 54,467	\$ 47,909	\$ 47,280	\$ 53,795	\$ 56,858	\$ 50,249	\$ 53,471
Contributions in Relation to the Contractually Required Contributions	54,467	47,909	47,280	53,795	56,858	50,249	53,471
Contribution Deficiency /(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 607,212	\$ 540,123	\$ 545,325	\$ 613,744	\$ 648,693	\$ 577,747	\$ 603,382
Contributions as a Percentage of Covered Payroll	8.97 %	8.87 %	8.67 %	8.70 %	8.55 %	8.47 %	8.93 %

**Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The following actuarial methods and assumptions were adopted from the June 2020 actuarial valuation:

General Wage Growth*	3.50 %
Investment Rate of Return*	7.65 %
* Includes Inflation at	2.75 %
Merit Salary Increases	0% to 8.47%
Asset Valuation Method	Four-Year Smoothed Market
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining amortization period	30 years
Mortality (Healthy Members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table Projected to 2020 using Scale BB, Males set Back 1 Year
Mortality (Disabled Members)	For Males and Females: RP 2000 Combined Mortality Table

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

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REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

Changes of Benefit Terms

The following changes to the plan provisions were made as identified:

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for PERS

If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

1. Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
2. Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
3. Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest Credited to Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-Sum Payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same five-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Schedule of KUFM's Proportionate Share of the OPEB Liability¹

Measurement Date of March 31,	2022	2021	2020	2019	2018
KUFM's Proportion of the OPEB Liability	0.31 %	0.32 %	0.26 %	0.34 %	0.34 %
KUFM's Share of the OPEB Liability	\$ 153,130	\$ 190,838	\$ 75,222	\$ 138,628	\$ 126,361
KUFM's Employee Payroll	\$ 1,226,668	\$ 1,195,681	\$ 1,117,047	\$ 1,060,032	\$ 976,838
KUFM's share of the OPEB Liability as a Percentage of Covered Employee Payroll	0.12 %	0.16 %	0.07 %	13.08 %	12.94 %
Plan Fiduciary Net Position as a Percentage of the OPEB Liability	- %	- %	- %	- %	- %

**Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

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REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Changes to the plan that affect trends will be reported as they occur in the future.

