

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019

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**KUFM-FM RADIO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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 years ended June 30, 2020 and 2019. 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 twenty-four 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.

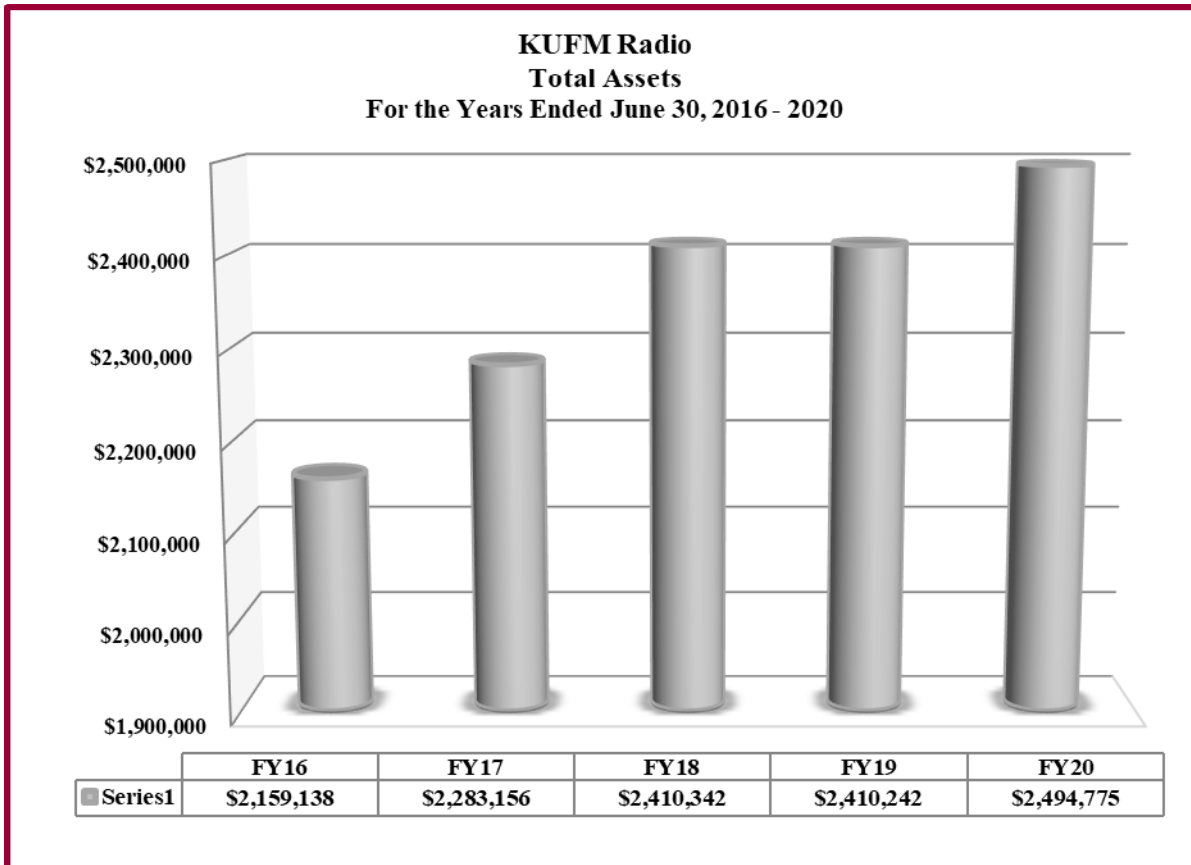
FINANCIAL HIGHLIGHTS AND ANALYSIS

In FY20, total revenues from all sources increased by \$139,997, or by about 4.9%, most notably from an increase in grant revenue that was recognized during the year of \$21,937, an increase in donations and gifts received of \$48,724 and support from the University of \$79,767. The increases in these revenues were offset by a decrease of Sales and Investment income of \$10,433. KUFM's total operating expenses increased in FY20, by \$213,447, which was due primarily to an increase in program service expenses of \$260,367 and an increase in management expenses of \$133,018. This increase was offset by a decrease in fundraising expenses of \$181,416 in FY20. Overall, net position decreased by \$3,082 in FY20 or by 0.46%.

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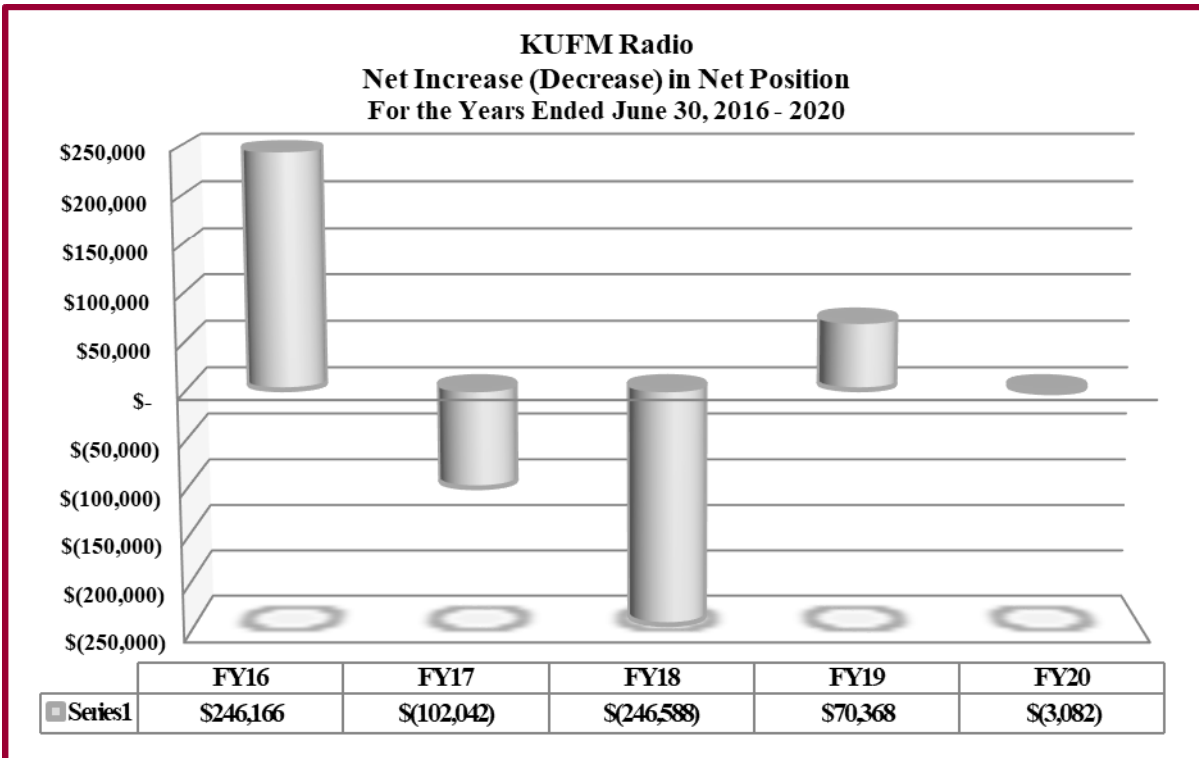
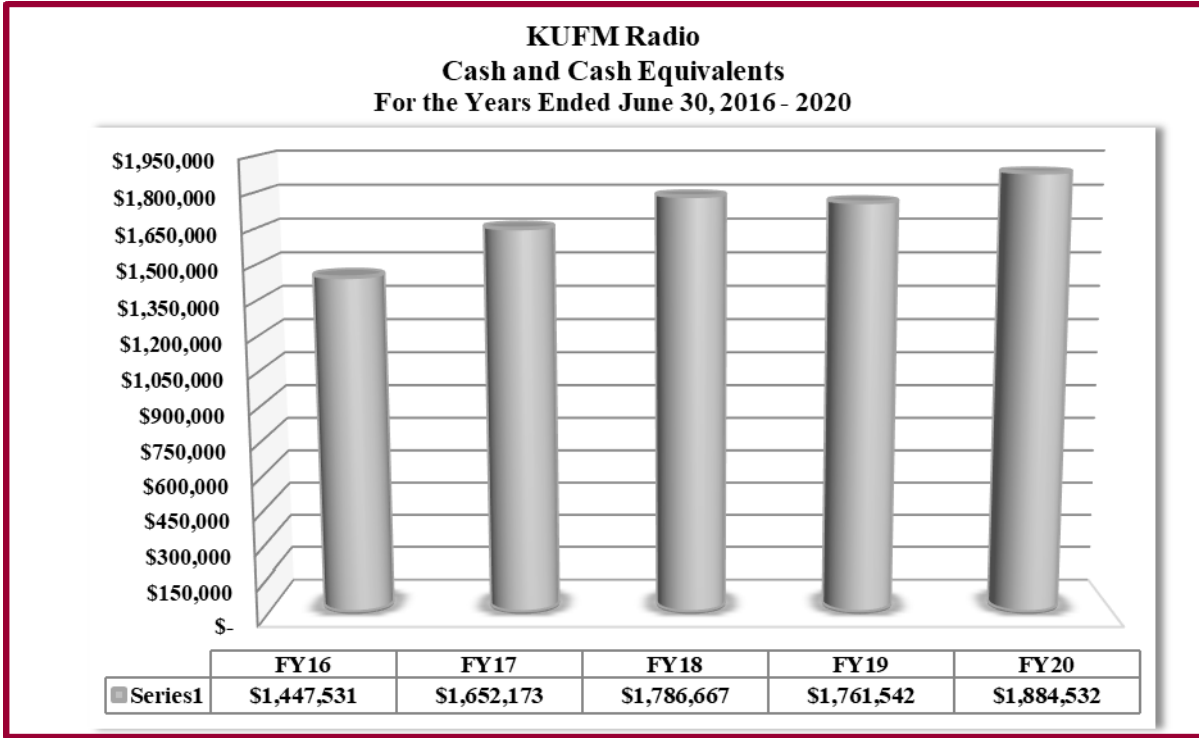
FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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:

	2020	2019	2018
ASSETS			
Total current assets	\$ 2,009,351	\$ 1,936,849	\$ 1,942,578
Total noncurrent assets	396,593	473,393	467,764
Total Assets	<u>2,405,944</u>	<u>2,410,242</u>	<u>2,410,342</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>240,267</u>	<u>247,180</u>	<u>297,428</u>
	<u>\$ 2,646,211</u>	<u>\$ 2,657,422</u>	<u>\$ 2,707,770</u>
LIABILITIES			
Total current liabilities	\$ 388,130	\$ 419,050	\$ 467,804
Total noncurrent liabilities	1,258,828	1,302,740	1,573,317
Total liabilities	<u>1,646,958</u>	<u>1,721,790</u>	<u>2,041,121</u>
DEFERRED INFLOWS OF RESOURCES	<u>330,688</u>	<u>263,985</u>	<u>65,370</u>
NET POSITION			
Net invested in capital assets	250,620	316,583	307,638
Restricted	184,800	190,886	187,789
Unrestricted	233,145	164,178	105,852
Total net position	<u>668,565</u>	<u>671,647</u>	<u>601,279</u>
	<u>\$ 2,646,211</u>	<u>\$ 2,657,422</u>	<u>\$ 2,707,770</u>

Events or developments which occurred during 2020

- In FY20, current assets increased by \$72,502, or by 3.7%, due primarily to an increase in cash and cash equivalents of \$122,990. This was offset by a decrease in accounts receivable of \$48,431 and a decrease in prepaid expenses of \$2,057.
- Noncurrent assets decreased by \$76,800 due largely to a decrease in capital assets of \$65,963. This included a deletion in capital assets of \$58,801.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- The decrease in deferred outflows of resources of \$6,913 is from a decrease in outflows due to KUFM's pension plan to employees of \$38,682 and an increase in outflows related to the OPEB health benefit plan of \$31,769.
- Current liabilities decreased by \$30,920, of by 7.4%, due mainly to an increase in accounts payable of \$15,787, an increase in unearned revenue of \$7,838, and an increase in accrued compensated absences of \$16,944. These increases were offset by the large decrease of property held in trust of \$71,489 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 FY20 by \$43,912, due to a decrease in liability for OPEB Health Benefits for the station of \$63,406 and an increase in compensated absences of \$22,033. This increase was offset slightly by the decrease in pension liability of \$2,539.
- The increase in deferred inflows of resources of \$66,703 is due largely to the increase in deferred inflows related to OPEB health benefits of \$105,619. This was offset by a decrease in inflows related to pension plans of \$38,916.
- The slight decrease in net position for KUFM of \$3,082 is due increase of operating expenses that was not offset by the increase in operating revenues.

Events or developments which occurred during 2019

- In FY19, current assets decreased slightly by \$5,729, or 0.29%, due primarily to a decrease in cash and cash equivalents of \$25,125 and a decrease in prepaid expenses of \$13,089 which was offset by a \$32,485 increase in accounts receivable.
- Noncurrent assets increased by about \$5,600 due primarily to a \$8,945 increase in capital assets from the increase in accumulated depreciation of \$64,485, offset by a \$73,430 purchase and installation of new communications equipment.
- The decrease in deferred outflows of resources of \$50,247 is from KUFM's proportionate share of the multi-employer pension plan and other postemployment benefit plan (OPEB) deferred outflows being slightly less than last year.
- Current liabilities decreased by \$48,754 due primarily to a decrease in property held in trust of \$50,288 for the Great Falls Public Radio Association-KGPR, and a decrease in unearned revenue of \$21,319. KUFM solicits funds for Great Falls Public Radio Association – KGPR and records donations received on their behalf in property held in trust. These decreases were partially offset by a substantial increase in Accounts Payable of 29,566 for FY19.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Deferred inflows of resources increased by \$198,615 in FY19 due primarily to changes in KUFM's proportionate share of the defined benefit retirement plan deferred inflows of resources, which increased by \$199,085. KUFM also recorded a decrease in OPEB deferred inflows of resources of \$471, which accounts for the remaining increase in deferred inflows of resources.
- Noncurrent liabilities decreased by \$270,577 in FY19 due largely to a decrease in and KUFM's proportionate share of the multi-employer pension plan net pension liability of \$274,114, which was offset by a \$12,267 increase in the OPEB liability. Accrued compensated absences decreased by 8,730.
- The net position of KUFM increased by \$70,368 in FY19 primarily due to an increase in operation and nonoperating revenue, and a slight decrease in operating expenses.

Statement of Revenues, Expenses, and Changes in Net Position

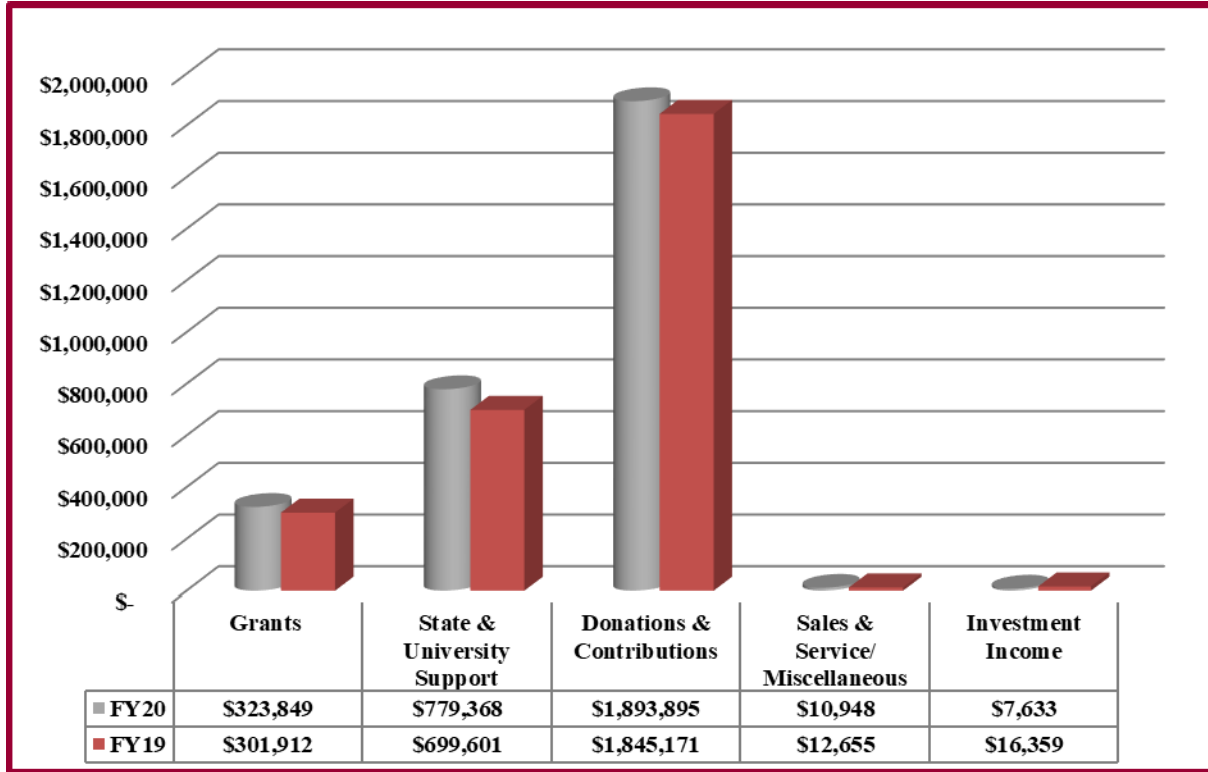
The Statement of Revenues, Expenses, and Changes in Net Position present the results of KUFM's operational activities. In accordance with GASB, revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses are the inflows or uses of funds related directly to 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.

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

	2020	2019	2018
Operating revenue	\$ 1,114,165	\$ 1,014,166	\$ 809,101
Operating expenses	3,018,775	2,805,328	2,827,683
Operating loss	(1,904,610)	(1,791,162)	(2,018,582)
Nonoperating revenues	1,901,528	1,861,530	1,771,994
Change in net position	(3,082)	70,368	(246,588)
Net position - beginning of year as previously stated	671,647	601,279	652,607
Restatement - beginning of year - OPEB	-	-	195,260
Net Position - beginning of year as restated	671,647	601,279	847,867
Net position - end of year	<u>\$ 668,565</u>	<u>\$ 671,647</u>	<u>\$ 601,279</u>

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)



Events or developments which occurred during 2020

- Operating revenues increased in FY20 by \$99,999 largely from a \$58,748 increase in funds received via state appropriations and an increase in funds received from the Corporation for Public Broadcasting of \$59,273. This increase was offset by a decrease in payments received from federal grants and contracts of \$26,530 and nongovernmental grants and contracts of \$10,806.
- Operating expenses increased in FY20 by \$213,447 largely from a \$260,367 increase to program services expenses, coupled with an increase in management and general expenses of \$133,018. This increase was slightly offset by a decrease in fundraising expenses of \$181,416.

Events or developments which occurred during 2019

- Operating revenues increased by \$205,065 in FY19 largely from a \$158,446 increase in grant revenue from the Corporation for Public Broadcasting that was recognized during the year, and an increase in other revenue of \$6,302. This increase was offset partially by a decrease in appropriations from the state of Montana by \$26,897.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Operating expenses decreased slightly in FY19, by \$22,355, or less than 1%, which was due primarily to a decrease in program service expenses of \$214,361, that was offset by an increase in depreciation expense of \$12,042, as well as an increase in fundraising expenses of 208,639 in FY19. Pension expense of \$70,176, which represents over 2.5% of total operating expenses, decreased by \$187,333 in FY19, or by 62.54%.

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:

	2020	2019	2018
CASH PROVIDED BY (USED IN)			
Operating activities	\$ (1,741,494)	\$ (1,748,978)	\$ (1,592,281)
Noncapital financing activities	1,846,014	1,777,608	1,730,693
Investing activities	18,470	19,675	14,844
Capital and related financing activities	-	(73,430)	(18,762)
Net change in cash and cash equivalents	122,990	(25,125)	134,494
Cash and cash equivalents – beginning of year	1,761,542	1,786,667	1,652,173
Cash and cash equivalents – end of year	<u>\$ 1,884,532</u>	<u>\$ 1,761,542</u>	<u>\$ 1,786,667</u>

Events or developments which occurred during 2020

Specific events or cash transactions that had a significant effect on the increase in cash (a net cash inflow) of approximately \$122,990 during fiscal year 2020 were:

- Net Cash used in operating activities in FY20 decreased by \$7,484 compared to cash used for operating activities in FY19, primarily due to an increase in deferred inflows of resources that was OPEB related totaling \$105,619.
- Cash provided by noncapital financing activities increased \$68,406 as a result of private gifts received by KUFM.
- Cash provided by investing activities decreased slightly by \$1,205. This decrease was due to a decrease in earnings received on investments for FY20 of \$10,510, which was offset by an increase in contributions to endowments of \$9,305.
- No cash was used in FY20 for capital and related financing activities. No new capital assets were purchased by KUFM in FY20.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

Events or developments which occurred during 2019

Specific events or cash transactions that had a significant effect on the decrease in cash (a net cash outflow) of approximately \$25,125 during fiscal year 2019 were:

- Net Cash used in operating activities in FY19 increased by \$156,697 compared to cash used for operating activities in FY18, primarily from an increase in cash used for operating expenses which increased by 222,180.
- Cash provided by noncapital and capital financing activities increased by \$46,915 as a result of increased private gifts.
- Cash provided by investing activities of over \$19,675 is primarily from endowment investment earnings and was slightly higher compared to FY18.
- Cash used in FY19 for capital and related financing activities of \$73,430, was used by KUFM for the purchase and installation of new communication equipment.

ECONOMIC OUTLOOK

- Overall, Montana Public Radio's current financial position is solid, and management remains optimistic that the organization is positioned for continued membership growth, improved over-the-air and online service, and financial stability. But it is worth noting that the MTPR financial position has been impacted by the coronavirus and Covid-19 pandemic.
- The coronavirus and Covid-19 pandemic has had an impact on the MTPR expenses and corporate support revenue entering into FY2021. MTPR has needed to increase personnel expenses due to many music hosts recording and producing shows from home; but the need for a person to be on-the-air playing recorded programs still exists. That results in nearly doubling the amount of personnel costs typically needed for a show that usually requires one staff member. MTPR is considering upgrades to station automation to help minimize additional personnel costs, but that task requires extra staff work to create the infrastructure. Small businesses and arts organizations are the core of corporate support on MTPR. With the economic slowdown, underwriting revenue from that core is down 10-15% year over year.
- The Corporation for Public Broadcasting (CPB) granted MTPR \$112,000 of federal CARES Act stimulus funds for public broadcasting. Those funds helped offset a portion of MTPR's expenses through the end of FY2020 and into FY2021.

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ECONOMIC OUTLOOK (continued)

- CPB along with NPR, PBS and APTS continue to lobby Congress for funding increases for the federal appropriation for public broadcasting. This summer, the U.S. House Appropriations Committee approved a funding increase of \$50 million for a total of \$515 million for CPB in FY 2023, \$20 million in FY 2022 for an annual interconnection and infrastructure account, and \$30 million in FY 2022 for the Ready to Learn program that supports public television's essential work in early childhood education. Additionally, they approved \$20 million for the Next Generation Warning System which is a new request to support public media stations' infrastructure that transmits emergency alerts and warnings for FY2021. The measures passed the U.S. House as part of the federal funding package but are held up in the U.S. Senate pending the completion of the 2020 election. In FY 2020, CPB funds made up about 10% of the total MTPR revenue.
- After several years of enrollment issues, institutional support from the University of Montana continues to be strained and could possibly impact MTPR's operational and personnel budgets. The base budget cuts from the past are not likely to be restored and further cuts may be possible. Some personnel lines have been moved from state budgets to gift accounts to make up for the cuts. About 15% of MTPR funding comes from the University appropriation.
- Due to the pandemic, NPR held the line on proposed increases for fees, membership, and program costs for FY2021. But the major annual increases of 10-13% annually will begin in FY2022. Those increases, starting with an increase of \$16,000 to \$20,000 in the first year, will continue to put pressure on membership and corporate support revenue generation for the foreseeable future.
- Station management regularly monitors performance in all areas of development. MTPR membership revenue has increased slightly over the past two years. In FY2021, corporate support will continue to be impacted by coronavirus and the Covid-19 pandemic. MTPR may have to use reserve funds to cover operational costs during FY2021. An additional impact from the pandemic means that MTPR has not been able to save contingency revenue for future funding challenges.
- MTPR is close to completing replacement of six aged transmitters across our listening area. Over the past four summers, the replacement plan also includes changing the current satellite-based program delivery system to one fed by terrestrial microwave. Funding for this project has come from listener donations as well as grant support from local and regional foundations. The biggest benefit to the project is cost saving and dependability because delivery via microwave costs less and is more reliable. Final work on the replacement will be completed by the end of 2021.



INDEPENDENT AUDITORS' REPORT

Board of Regents
University of Montana
Missoula, Montana

We have audited the accompanying financial statements of KUFM-FM Radio (a public telecommunications entity operated by the University of Montana), which comprises the statement of net position as of June 30, 2020, 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 KUFM-FM Radio as of June 30, 2020, 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.

Prior Period Financial Statements

The financial statements of KUFM-FM Radio as of June 30, 2019, were audited by other auditors whose report dated February 11, 2020, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 10 and the required supplementary information on pages 34 through 35 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

Denver, Colorado
January 13, 2021

KUFM-FM RADIO
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STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,884,532	\$ 1,761,542
Accounts Receivable, Net	106,995	155,426
Prepaid Expenses	17,824	19,881
Total Current Assets	2,009,351	1,936,849
NONCURRENT ASSETS		
Endowment Investments	145,973	156,810
Capital Assets, Net	250,620	316,583
Total Noncurrent Assets	396,593	473,393
Total Assets	2,405,944	2,410,242
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	202,657	241,339
Related to OPEB	37,610	5,841
Total Deferred Outflows of Resources	240,267	247,180
Total Assets and Deferred Outflows	\$ 2,646,211	\$ 2,657,422
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 45,488	\$ 29,701
Property Held in Trust for Others	50,380	121,869
Unearned Revenue	199,104	191,266
Accrued Compensated Absences	93,158	76,214
Total Current Liabilities	388,130	419,050
NONCURRENT LIABILITIES		
Net OPEB Liability-Health Benefits	75,222	138,628
Net Pension Liability	1,062,461	1,065,000
Accrued Compensated Absences	121,145	99,112
Total Noncurrent Liabilities	1,258,828	1,302,740
Total Liabilities	1,646,958	1,721,790
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	220,136	259,052
Related to OPEB	110,552	4,933
Total Deferred Inflows of Resources	330,688	263,985
NET POSITION		
Invested in Capital Assets, Net of Related Debt	250,620	316,583
Restricted for Nonexpendable	184,800	190,886
Unrestricted	233,145	164,178
Total Net Position	668,565	671,647
Total Liabilities, Deferred Inflows and Net Position	\$ 2,646,211	\$ 2,657,422

See accompanying Notes to Financial Statements.

KUFM-FM RADIO
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
State Appropriations	\$ 440,266	\$ 381,518
Federal Grants and Contracts	2,874	29,404
Grants from CPB	320,975	261,702
Nongovernmental Grants and Contracts	-	10,806
Indirect Cost Recoveries	339,102	318,083
Other Revenues	10,948	12,653
Total Operating Revenues	<u>1,114,165</u>	<u>1,014,166</u>
OPERATING EXPENSES		
Program Services	1,996,513	1,736,146
Management and General	580,398	447,380
Fundraising	375,901	557,317
Depreciation Expense	65,963	64,485
Total Operating Expenses	<u>3,018,775</u>	<u>2,805,328</u>
OPERATING LOSS	(1,904,610)	(1,791,162)
NONOPERATING REVENUES		
Private Gifts and Underwriting	1,893,895	1,845,171
Investment Income	7,633	16,359
Net Nonoperating Revenues	<u>1,901,528</u>	<u>1,861,530</u>
CHANGE IN NET POSITION	(3,082)	70,368
Net Position - Beginning of Year	<u>671,647</u>	<u>601,279</u>
NET POSITION - END OF YEAR	<u>\$ 668,565</u>	<u>\$ 671,647</u>

See accompanying Notes to Financial Statements.

KUFM-FM RADIO
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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
State Appropriations	\$ 440,266	\$ 381,518
Federal Grants and Contracts	2,874	29,404
Grants from CPB	421,325	258,360
Nongovernmental Grants and Contracts	-	10,806
Other Revenue	10,948	12,655
Payment to Employees	(1,578,953)	(1,467,339)
Payment to Vendors	(1,037,954)	(974,382)
Net Cash Used by Operating Activities	(1,741,494)	(1,748,978)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private Gifts and Underwriting	1,846,014	1,777,608
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to Endowments	5,251	(4,054)
Earnings Received on Investments	13,219	23,729
Net Cash Provided by Investing Activities	18,470	19,675
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Paid for Capital Assets	-	(73,430)
Net Cash Used by Capital and Related Financing Activities	-	(73,430)
NET CHANGE IN CASH AND CASH EQUIVALENTS	122,990	(25,125)
Cash and Cash Equivalents - Beginning of Year	1,761,542	1,786,667
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,884,532	\$ 1,761,542

See accompanying Notes to Financial Statements.

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A PUBLIC TELECOMMUNICATIONS ENTITY
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STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,904,610)	\$ (1,791,162)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	65,963	64,485
In-Kind Contribution	3,800	17,100
(Increase) Decrease in Prepaid Expenses	2,057	13,089
(Increase) Decrease in Deferred Outflows of Resources		
- Pension Related	38,682	55,725
- OPEB Related	(31,769)	(5,477)
Increase (Decrease) in Accounts Payable	15,787	29,566
Increase (Decrease) in Property Held in Trust for Others	(71,489)	(50,288)
(Increase) Decrease in Net OPEB Liability-Health Benefits	(63,406)	12,267
Increase (Decrease) in Net Pension Liability	(2,539)	(274,114)
Increase (Decrease) in Unearned Revenue	100,350	(3,341)
Increase (Decrease) in Compensated Absences	38,977	(15,443)
Increase (Decrease) in Deferred Inflows of Resources		
- Pension Related	(38,916)	199,086
- OPEB Related	105,619	(471)
Net Cash Flows Used by Operating Activities	\$ (1,741,494)	\$ (1,748,978)
 SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS		
Donated Facilities, Equipment, and Administrative Support from University of Montana	\$ 339,102	\$ 318,083
In-Kind Trades from Business and Industry	3,800	17,100

See accompanying Notes to Financial Statements.

**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY UNIVERSITY OF MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 provides 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
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY UNIVERSITY OF MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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. 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.

**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 received \$3,800 and \$7,900 of in-kind services and lease accommodation in both 2020 and 2019, respectively.

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 years ended June 30, 2020 and 2019. 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, 2020 and 2019. 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 fair 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.

**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY UNIVERSITY OF MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 Short Term Investment Pool (STIP) with the Montana Board of Investments (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 State of Montana's Board of Investments 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, 2020 is 1.000427. 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- 1 (long term).

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 net asset value (NAV) per share (or its equivalent) of the investment.

KUFM-FM RADIO
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JUNE 30, 2020 AND 2019

NOTE 4 CAPITAL ASSETS

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

	2020				
	Beginning Balance	Additions	Deletions	Transfers and Other Changes	Ending Balance
Transmission, Antenna and Tower	\$ 711,765	\$ -	\$ (58,801)	\$ -	\$ 652,964
Studio and Broadcast Equipment	475,305	-	-	-	475,305
Furniture, Fixtures, and Other Equipment	143,365	-	-	-	143,365
Total Capital Assets	1,330,435	-	(58,801)	-	1,271,634
Less Accumulated Depreciation for:					
Transmission, Antenna and Tower	583,691	29,157	(58,801)	-	554,047
Studio and Broadcast Equipment	312,218	33,387	-	-	345,605
Furniture, Fixtures, and Other Equipment	117,943	3,419	-	-	121,362
Total Accumulated Depreciation	1,013,852	65,963	(58,801)	-	1,021,014
Capital Assets, Net	<u>\$ 316,583</u>	<u>\$ (65,963)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,620</u>
2019					
	Beginning Balance	Additions	Deletions	Transfers and Other Changes	Ending Balance
Transmission, Antenna and Tower	\$ 638,335	\$ 73,430	\$ -	\$ -	\$ 711,765
Studio and Broadcast Equipment	475,305	-	-	-	475,305
Furniture, Fixtures, and Other Equipment	143,365	-	-	-	143,365
Total Capital Assets	1,257,005	73,430	-	-	1,330,435
Less Accumulated Depreciation for:					
Transmission, Antenna and Tower	556,012	27,679	-	-	583,691
Studio and Broadcast Equipment	278,831	33,387	-	-	312,218
Furniture, Fixtures, and Other Equipment	114,524	3,419	-	-	117,943
Total Accumulated Depreciation	949,367	64,485	-	-	1,013,852
Capital Assets, Net	<u>\$ 307,638</u>	<u>\$ 8,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,583</u>

NOTE 5 EMPLOYEE BENEFIT PLANS

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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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Description (Continued)

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.

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
Age 55, 5 years of membership service

Hired on or after July 1, 2011

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Summary of Benefit (Continued)

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.

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 2020 were 8.77% and 8.67%, respectively, and for 2019 were 8.67% and 8.57%, 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.

**KUFM-FM RADIO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 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 Plan Choice Rate (PCR), that directed a portion of employer contributions for DCRP members to the PERS defined benefit plan, 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 of a portion of Coal Severance Tax interest and earnings by the state to PERS from the Coal Tax Severance fund is not considered special funding.

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, 2018, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2019. 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.

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

- | | |
|--|-------------|
| • Investment Return (Net of Admin Expense) | 7.65% |
| • Admin Expense as Percent of Payroll | 0.26% |
| • General Wage Growth* | 3.50% |
| *Includes Inflation at | 2.75% |
| • Merit Increases | 0% to 8.47% |

**KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

- 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 7.65%. 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 2121. 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.

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. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Target Allocations (Continued)

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, 2020, are summarized in the table below:

Asset Class	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.0 %	4.09 %
Domestic Equity	36.0	6.05
Foreign Equity	18.0	7.01
Fixed Income	23.0	2.17
Private Equity	12.0	10.53
Real Estate	8.0	5.65
Total	<u>100.0 %</u>	

Sensitivity Analysis

The following presents the KUFM's proportionate share of the PERS-DBRP net pension liability at June 30, 2020, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.75%) than the current rate.

As of Measurement Date	<u>1.0% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1.0% Increase (8.65%)</u>
University's proportionate share of the Net Pension Liability	\$ 1,526,454	\$ 1,062,461	\$ 672,534

Net Pension Liability

At June 30, 2020 and 2019, KUFM recorded \$1,062,461 and \$1,065,000, respectively, for its proportionate share of the net pension liability. At June 30, 2020, the net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2018. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS-DBRP during the measurement period July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERS-DBRP participating employers. The state's proportionate share for a particular employer equals the ratio of the contributions for the employer to the total state contributions paid.

Changes in Actuarial Assumptions and Methods

There were no changes in assumptions or other inputs that affected the measurement of the TPL.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Changes in Benefit Terms

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

Changes in Proportionate Share

Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL.

For the years ended June 30, 2020 and 2019, the KUFM recognized pension expense of \$69,635 and \$254,482, respectively. The University also receives funding that is not special funding whereby the state general fund provides contributions from the Coal Severance Tax Fund. For the years ended June 30, 2020 and 2019, the KUFM recognized \$15,885 and \$14,937, respectively, for its proportionate share from this funding source.

Effective July 1, 2017, revenue provided from coal severance taxes and interest income from the coal severance tax permanent fund to the PERS defined benefit trust fund was replaced with the state statutory appropriation. The state statutory appropriation is considered a special funding situation and increased the state's proportionate share. Consequently, the University's proportionate share has decreased as a result of the increased state proportion as compared to prior years.

Deferred Outflows and Deferred Inflows – At June 30, 2020 and 2019, KUFM's proportionate share of PERS-DBRP deferred outflows of resources and deferred inflows of resources were from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 67,937	\$ 50,854	\$ 39,441	\$ 9,790
Difference Between Projected and Actual Earnings on Pension Plan Investments	17,372	-	(27,725)	7,870
Changes in Assumptions or Other Inputs	60,824	-	-	-
Changes in Proportion Differences between Employer Contributions and Proportionate Share of Contributions	-	169,282	285,218	241,392
Contributions Paid (Adjustments) to PERS-DBRP Subsequent to the Measurement Date	56,524	-	(55,595)	-
Total	<u>\$ 202,657</u>	<u>\$ 220,136</u>	<u>\$ 241,339</u>	<u>\$ 259,052</u>

**KUFM-FM RADIO
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NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Changes in Proportionate Share (Continued)

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, 2020.

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ (19,395)
2022	(65,809)
2023	3,282
2024	7,919
2025	-
Thereafter	-

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 years ended June 30, 2018 and 2017, 4.72% was contributed to TRS from MUS-RP faculty employer contributions to amortize past service unfunded liability in accordance with state law. In addition, 0.04% was contributed to PERS from MUS-RP staff employer contributions to amortize past service unfunded liability in accordance with state law in FY18. The contribution requirement was eliminated beginning in FY19.

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 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Other Postemployment Benefits – Health Insurance

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 healthcare 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.

The MUS OPEB plan is reported as single employer plan. The MUS pays for postemployment healthcare 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.

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.

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.

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NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Description (Continued)

Following is the total of the University'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 years ended June 30:

	<u>2020</u>	<u>2019</u>
Net OPEB Liability	\$ 75,222	\$ 138,628
Deferred OPEB Outflows of Resources	37,610	5,841
Deferred OPEB Inflows of Resources	110,552	4,933
OPEB Expense	5,208	9,480

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

	<u>2020</u>		<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 68,826	\$ -	\$ 4,485
Difference Between Actual and Expected Contributions	-	-	-	-
Changes in Assumptions or Other Inputs	37,610	41,726	4,746	448
Amounts Associated with Transactions Subsequent to the Measurement Date of the OPEB Liability	-	-	1,095	-
Total	<u>\$ 37,610</u>	<u>\$ 110,552</u>	<u>\$ 5,841</u>	<u>\$ 4,933</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, 2020.

As of June 30, 2020, 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 Ended June 30,</u>	<u>Amount</u>
2021	\$ (6,234)
2022	(6,234)
2023	(6,234)
2024	(6,234)
2025	(6,234)
Thereafter	(41,772)

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NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Description (Continued)

The information from above is based on allocation, using management's best estimate, to apply the following information as it pertains to KUFM.

Required supplemental information immediately following the notes to the financial statements presents a schedule of funding status and the actuarial assumptions used for the actuarial valuations completed in fiscal years 2020 and 2019.

Actuarial Methods and Assumptions

The actuarial funding method used to determine the cost of the MUSGIP was the projected unit credit funding method. This method's objective is to fund each participant's benefits under the plan as they accrue. The total benefit to which each participant is expected to become entitled at retirement is categorized into units, each associated with a year of past or future credited service.

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

	2020		2019	
	Retiree/ Surviving Spouse	Spouse	Retiree/ Surviving Spouse	Spouse
Contributions				
Before Medicare Eligibility	\$ 11,221	\$ 9,199	\$ 11,264	\$ 4,728
After Medicare Eligibility	4,301	5,295	4,806	3,620
Actuarial Valuation Date	December 31, 2019		December 31, 2017	
Actuarial Measurement Date	March 31, 2020		March 31, 2018	
Actuarial Cost Method	Entry Age Normal Cost Method		Entry Age Normal Funding Method	
Amortization Method	Open Basis		Open Basis	
Remaining Amortization Period	20-Year Period		20-Year Period	
Asset Valuation Method	Not applicable since no assets meet the definition of plan assets under GASB 75.		Not applicable since no assets meet the definition of plan assets under GASB 75.	
Actuarial Assumptions				
Discount Rate	2.75% (Based on average of multiple 3/31/20 municipal bond rate sources.)		3.89% (3/31/2018 20 Year Municipal Bond Index)	
Projected Payroll Increases	2.5 %		4.0 %	
Participation:				
Future Retirees	40		55	
Future Eligible Spouses	70		60	
Marital Status at Retirement	70		70	

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NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Mortality – Health

For TRS and 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 2020, set back one year for males.

Mortality – Disabled

For TRS and 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.

Changes in Actuarial Assumptions and Methods Since Last Measurement Date

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

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 Healthcare Cost Trend Rates:

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

	<u>Assuming 1.0% Decrease (5.0%)</u>	<u>At Current Rate (6.0%)</u>	<u>Assuming 1.0% Increase (7.0%)</u>
As of Measurement Date			
University Proportion of Total OPEB Liability	\$ 56,293	\$ 75,222	\$ 102,310

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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	<u>Assuming 1.0% Decrease (1.75%)</u>	<u>At Current Rate (2.75%)</u>	<u>Assuming 1.0% Increase (3.75%)</u>
As of Measurement Date			
University Proportion of Total OPEB Liability	\$ 101,513	\$ 75,222	\$ 56,403

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NOTE 6 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 2020 and 2019, these contributions totaled \$339,102 and \$318,083, which is equivalent to the amount of indirect institutional expense and indirect plant expense incurred during 2020 and 2019, respectively.

NOTE 7 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 2020 and 2019 of \$90,000 and \$80,000, respectively. 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 October 21, 2020, 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, 2020 and 2019, KUFM held undistributed donor amounts of \$50,380 and \$121,869, respectively.

NOTE 8 RISKS AND UNCERTAINTIES

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to KUFM-FM Radio, COVID-19 may impact various parts of its 2021 operations and financial results, including but not limited to, costs for increased use of technology, increase in personnel costs, or potential decrease in corporate support revenue. Management believes KUFM-FM Radio is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 9 SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2020. This analysis has been performed through January 13, 2021, 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
KUFM's Proportion of the Net Pension Liability	0.05 %	0.05 %	0.07 %	0.06 %	0.05 %	0.05 %
KUFM's Proportionate Share of the Net Pension Liability	\$ 1,062,461	\$ 1,065,000	\$ 1,339,114	\$ 1,081,605	\$ 718,607	\$ 627,762
KUFM's Covered Payroll	545,325	613,744	648,693	577,747	603,382	597,646
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	195%	174 %	206 %	187 %	119 %	105 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.85 %	73.47 %	73.75 %	74.71 %	78.40 %	79.87 %

Schedule of KUFM's Contributions

<u>Fiscal Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 47,280	\$ 53,795	\$ 56,858	\$ 50,249	\$ 53,471	\$ 49,906
Contributions in Relation to the Contractually Required Contributions	47,280	53,795	56,858	50,249	53,471	49,906
Contribution Deficiency /(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 545,325	\$ 613,744	\$ 648,693	\$ 577,747	\$ 603,382	\$ 597,646
Contributions as a Percentage of Covered Payroll	8.67 %	8.70 %	8.55 %	8.47 %	8.93 %	9.27 %

**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 2016 Experience Study:

General Wage Growth*	3.50 %
Investment Rate of Return*	7.65 %
* Includes Inflation at	2.75 %
Merit Salary Increases	0% to 6.30%
Asset Valuation Method	4-Year Smoothed Market
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
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
Admin Expense as Percent of Payroll	0.26 %

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 5-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.

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million

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REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

PERS Statutory Appropriation - House Bill 648, effective July 1, 2017 (Continued)

3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
- a. FY2020 – \$32.277 Million
 - b. FY2021 – \$32.6 Million
 - c. FY2022 – \$32.926 Million
 - d. FY2023 – \$33.255 Million
 - e. FY2024 – \$33.588 Million
 - f. FY2025 – \$33.924 Million

Montana University System Group Insurance Plan

Schedule of Proportionate Share of the OPEB Liability¹

<u>Measurement Date of March 31,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KUFM's Proportion of the OPEB Liability	0.26 %	0.34 %	0.34 %
KUFM's Share of the OPEB Liability	\$ 75,222	\$ 138,628	\$ 126,361
KUFM's Employee Payroll	1,117,047	1,060,032	976,838
KUFM's share of the OPEB Liability as a Percentage of Covered Covered Employee Payroll	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.*

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 healthcare 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.