FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REPORT

KGLT-FM
A Public Telecommunications Entity Operated by the Board of Regents – Montana University System

June 30, 2013 and 2012

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Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

KGLT-FM, created in 1968, is a forty-six year old college radio station located on the campus of Montana State University, and licensed to the Board of Regents of the Montana University System. KGLT-FM has one transmitter located in Logan, MT, and four translators: in Bozeman, MT, Helena, MT, Livingston, MT, and our most recent signal in Mammoth Hot Springs, WY. KGLT-FM is an alternative, public, free format music radio station. Diverse live shows are played by 80 to 100 volunteer DJs who are trained in Apprentice Classes offered by the station. KGLT writes and produces 2,000 public service announcements per year, has an open door policy to the public, and supports local talent. KGLT creates local programming, relevant to community needs, and carries some national programming: Studio 360, This American Life, Radio Lab, Star Date, Chrysti the Wordsmith, Mountain Stage and music related 'one-off'programs. A related fund raising entity, Friends of KGLT ("Friends") is a non-profit Montana corporation that provides financial support to KGLT-FM. These statements include the activities of Friends. The station is supported financially by the Associated Students of Montana State University (ASMSU), Corporation for Public Broadcasting, Foundations, Friends of KGLT, area businesses, and listeners.

Financial Reporting Standards

KGLT-FM follows standards set by the Governmental Accounting Standards Board (GASB) for reporting. The annual financial report consists of three basic financial statements:

1. the Statements of Net Positions;
2. the Statements of Revenues, Expenses and Changes in Net Positions; and
3. the Statements of Cash Flows.

The following discussion addresses financial issues with comparisons between 2011 and 2012, 2012 and 2013, with emphasis on the latter year. Issues will be discussed that have impacted differences, successes, and room for growth.

Financial Highlights for FY 2013

Fiscal Year 2013, including the 2013 Annual Fund Drive collected $149,264.00 in the Operations Account plus $7,500.00 in matching funds deposited in the Restricted Gifts index. This was a 14% increase over the last fund drive. 2012 Fund Drive was 13% higher in receipts by end of fiscal year than the year prior. Higher Fund Drive receipts decreased the amount of support KGLT asked of Associated Students of Montana State University (ASMSU) in the KGLT operations budget to $13,934.00 in FY13, $20,057 in FY12, from $31,215 in FY11. The NFFS amount in FY12 because of a successful fund drive was offset slightly by the reduced need for support for operations by ASMSU. In FY12, three foundations awarded funds to the station, two for local programming and one for general operations. NFFS will increase again for FY13 due to more revenue in Fund Drive, Underwriting and non-federal grants and donations. In FY13, Golden Pearl Foundation, Alara Jewelry, Tickets West and Friends of KGLT gave matching amounts for Fund Drive. In FY13, for Fund Drive, the Golden Pearl Foundation gave $4,000.00 in matching funds, Friends of KGLT gave $2,000.00 in matching funds ($1,000.00 less than FY12), and businesses donated $1,500.00. Mericos Foundation has not given in the last two years.

Montana Medicine Show continues to produce two minute segments of unique Montana History with support from CPB's RLAIF award and ongoing grant applications. The program began with the support of Corporation for Public Broadcasting (CPB). The upward trend of more grants, underwriting from our translator areas and better fund drives is our goal.

Underwriting brought in $89,718.00 in FY13, a 6% increase over $83,963 in FY12. In FY11, underwriting sponsorships totaled $90,517. KGLT is enthusiastic about an upswing in FY14 underwriting.

Use of Financial Statements
A discussion of the statements follows:

- The statements are prepared using the accrual basis of accounting and represent a consolidation of all indexes representing CPB grants managed through the Montana State University Office of Sponsored Programs and the ASMSU, of which KGLT-FM is one of 22 committees, as well as Friends financial information. All indexes are internally managed through the Banner system of Montana State University.
- Assets and liabilities are measured at current value and capital assets at cost less depreciation.
- Depreciation of capital assets is treated as an operating expense.
- Assets and liabilities are treated as current (due within one year), or as noncurrent (due in more than one year) and are presented in the Statements of Net Positions.
- Revenues and expenses are classified as operating or non-operating. "Operating" is defined as the result of transactions involving exchanges of goods or services for payment, while "Non-operating" is the result of transactions not involving exchanges of goods or services for payment.

Statements of Net Positions
The following is a summary of the Statements of Net Positions without Friends information:

	As of June 30,		
	2013	2012	2011
ASSETS			
Total current assets	$ 180,191	$ 171,857	$ 114,597
Capital assets, net	26,189	28,181	30,173
Other assets	15,000	15,000	15,000
Total assets	$ 221,380	$ 215,038	$ 159,770

The following events or developments occurred during FY13 and had a significant impact on the statement of net positions:

- Liabilities increased overall in the current year because of other post-employment benefits and accrued compensated absences and deferred grant revenue.
- Net position decreased in FY13 due to net loss in the current year.

	2013	2012	2011
LIABILITIES AND NET POSITIONS			
Total current liabilities	$ 148,846	$ 135,813	$ 89,621
Total noncurrent liabilties	82,787	69,519	57,446
Total liabilities	231,633	205,332	147,067
Unrestricted	(36,442)	(18,475)	(17,470)
Invested in capital assets, net of related debt	26,189	28,181	30,173
Total net positions	(10,253)	9,706	12,703
Total liabilities and net positions	$ 221,380	$ 215,038	$ 159,770

Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position are the result of KGLT-FM and Friends operational activities for each fiscal year. Revenues and expenses are categorized as either operating or non-operating. Following accrual accounting methods, current year's revenues and expenses are recognized when they were earned or incurred, regardless of when cash was received or paid.
The following provides a summary of the Statements of Revenues, Expenses and Changes in Net Position without Friends information:

	As of June 30,		
	2013	2012	2011
Operating revenues	$ 470,590	$ 469,926	$ 468,050
Operating expenses	490,580	472,946	461,525
Operating income (loss)/net increase (decrease) in net position	(19,990)	(3,020)	6,525
Nonoperating revenues	31	23	-
Net position, beginning of year	9,706	12,703	6,178
Net position, end of year	$ (10,253)	$ 9,706	$ 12,703

Comments about specific revenue and expense items for FY13:

- Operating Revenues increased because the annual fund drive was our best yet, bringing in 14% over FY12 year end income of $135,080 which was 13% more than FY11. The numbers of individual pledges increased by 5%, or about 60 pledges. Also new for FY13, there were no auction items, just high ticket items. This may have been the exact reason for increased pledges. Raising pledge amounts in FY12 remains was a successful idea, breaking an age old tradition of pricing that remained the same while costs increased. In Operating Expenses, we invested in restaurant gift certificates for fund drive in addition to those donated by businesses, focusing on items that motivate the listeners to pledge. Salaries increased due to longevity & wage increases. In addition, .05FTE and .08FTE of two salaries were paid by foundations as part of the grants for creating local programming. For six months, 25% of two operating budget salaries was paid from a restricted gifts index consisting of contributions from Friends and the Mericos Foundation.
- In FY12, KGLT requested $46,000.00 in support from ASMSU and only required $20,000.00 due to a very successful Fund Drive. FY13 proved the same, only using $14,000.00 of $47,000.00 requested. Also, an internal fee of $6,700.00 that was budgeted for was no longer applicable because KGLT got an individual "org" number and new Index number for the Operations account. Fund Drive 2013 brought in $29,000.00 over budget.
- In FY13, operating expenses increased over FY12 by 5% including a 5% increase in salaries & wages. In FY11, the marked drop in salaries was due to reducing full time staff by one employee. No additional FTE's have been added as the station grows though salaries and insurance will increase. The percentage spent in Development, Production, Programming and Administration in FY12 & FY13 is based on a little more local programming, grants and administration for the General Manager. The change from 60% to 40% in management for the GM is because responsibilities have moved into development as well. The GM felt that the grant reporting fell into the category of Administration.

Statements of Cash Flows

The Statements of Cash Flows describes KGLT-FM's sources and uses of cash during the fiscal year. This statement helps assess KGLT-FM's ability to meet commitments as they become due, their ability to generate future cash flows, and their need for external financing. GASB requires the use of the "Direct Method" for presenting results of cash flows, which focuses on transactions that provided or used cash in the fiscal year. The following is a summary of the Statements of Cash Flows without Friends information:

	For the years ended June 30,		
	2013	2012	2011
Cash provided by (used in):			
Operating activities	$ 8,022	$ 59,498	$ 3,523
Capital financing activities	-	-	-
Investing activities	31	23	-
Net increase in cash	8,053	59,521	3,523
Cash, beginning of year	148,080	88,559	85,036
Cash, end of year	$ 156,133	$ 148,080	$ 88,559

The difference in cash flows from 2012 to 2013 is when grant payments were received. KGLT received a payment in Fiscal Year 2012 from the previous year grant in the amount of $20,962. The expense basically was spending that money, sent July 28,2011 and spending it on digitizing equipment before the grant period was up in September.

Discussion of Significant Pending Economic and Financial Issues

New translator and possible purchase of another translator

FY13/14: The General Manager is talking to a source for possible purchase of a translator signal in Big Timber Montana. The Friends of KGLT is becoming more goal driven, working to support expanded listenership with the goal of more listener financial support. In FY12 translator signal was donated to KGLT in Mammoth Hot Springs, WY; a signal owned by the Mammoth/Greater Yellowstone Radio Association. From that new frequency came a few new pledges in the 2013 Fund Drive, and one new underwriter. The KGLT translator in Helena has a lease with Beartooth Communications that it shares with KEMC, the NPR station also licensed to the Montana State University Board of Regents. KEMC has graciously shouldered $900.00 of that rent, leaving KGLT $300.00 to pay out of pocket. Last Chance Public Radio no longer pays the rent as they had in the past. Now their plans include trying to move KGLT to a transmitter signal rather than a translator signal. If this occurs, it may put KGLT in a better position to have translators elsewhere in the state and grow its audience. Fund Drives have been increasing in success. The FY12 decrease in the amount funded by Associated Students of Montana State University was due to a spectacular fund drive. History repeated itself in the 2013 fiscal year.

Corporation for Public Broadcasting

As the economy is challenged on every level, nationally and locally, there is a question about the size of award KGLT will receive from CPB through this growth stage. Grant research continues. KGLT's resume is buoyed by being a part of the CPB family of stations and CPB's faith in live community radio, a local educational and entertaining resource.

Commerce Manager

FY13: Commerce Manager did become an easy alternative for pledge payments. Fund Drive 2013 has over $20,000.00 in payments on Commerce Manager. Fund Drive 2012 had $16,900.00 and Fund Drive 2011 had $10,300.00. Not only was online payment option a great addition, but it translated to the KGLT website successfully thanks to Chief Engineer John Campbell creating a home for online payment on the website and in the new Point of Sale system he created for the station.

Friends of KGLT, FY13

In FY13, Friends of KGLT donated $3,000.00 to KGLT and paid the Sound Exchange streaming subscription. In FY12,Friends of KGLT was able to support the station through receipt of the Mericos Grant of $15,000, Car Donations, and joining the State Employees Combined Giving Campaign, having two Fund Raisers and contributed to the station's operating funds with a donation of $5,000 into the restricted gifts index, for payroll and to the operating account of $1,500 as a matching donation during fund drive, totaling over $24,500. Friends is experiencing growth for FY14, with added board members and renewed focus. Already in FY14 they have donated $4,000.00 to KGLT.

Webcasting, Sound Exchange, subscriptions

Streaming has grown to the point where the station receives increased out of state fund drive support.
Our Sound Exchange payment is not covered by CPB. Some subscriptions have fallen back to the Operations budget because they are no longer new and CPB worthy. Friends of KGLT paid the
Sound Exchange subscription in FY13 as it did in FY12. BMI is working with KGLT because there is a new 'opt in' understanding for BMI and CPB. However, KGLT doesn't fall within the parameters set in the agreement which involves extra reporting on streaming. KGLT stream live. A live stream plays the same programming as the radio station. In other cases, other programming is available on other websites such as National Public Radio where reporting might be an issue.

Fund Drive 2013

FY 12 was the last of the Mericos grants for the foreseeable future. Their investment in the station was to help KGLT achieve a more independent level of financial security. In FY12, Mericos awarded $15,000 to the Restricted Gifts account for salaries. KGLT searches for more local support and Friends of KGLT continues to hold fund raisers for the station, receive donations for car sales and is a member of the Statewide Employees Combined Giving Campaign as well as Montana Shares.

Full-time employment

When Ellen King-Rodgers became General Manager in 2010, various responsibilities were divided amongst the four remaining FTE. Payroll increased 4% from FY11 to FY12, and 6% from FY12 to FY13. Automatic increases will occur half-way through FY14 of 2% and insurance increases are about 10%. The challenge remains to grow and not go over budget, and possibly add a half time administrative assistant in the future.

New Transmitter/Translator possibilities and digitizing the music library

KGLT seeks transmitter/translator signal possibilities in towns that don't have much radio, specifically
free format alternative community radio. In FY12, the Mammoth/Greater Yellowstone Foundation donated a translator signal to KGLT and we now broadcast in Mammoth, Wyoming, Gardiner, Montana and in parts of Yellowstone Park. We are looking for another opportunity to purchase a signal in Big Timber, Montana.

With RLAIF funds, the digitization of 60,000 CD's in the KGLT music library will continue, ultimately creating a source for all announcers to create their own folders of music, categorized by genre and stored for their use at the station.

Local programming to enhance community pride and collaboration.

The General Managers of KGLT and KEMC, Yellowstone Public Radio (YPR: the Montana National Public Radio Station) are collaborating to increase listenership for both stations. Both are CPB CSG recipients. A new 'occasional' interview series, "Tellin' Ellen", airs on YPR and KGLT General Manager has been on air for the KEMC Fund Drive. KGLT also works with Montana PBS in an exchange of underwriting and for FY14 has renewed that understanding. CPB funding has been the catalyst for continued local programming and new programming. CPB continues to positively influence KGLT's receipt of grants from other foundations and is an incredible resource for the growth and longevity of KGLT-FM, located on the campus of Montana State University, Bozeman, alternative public radio in Southwest Montana.

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Independent Auditor's Report

Board of Regents – Montana University System
KGLT Radio
Bozeman, Montana 59717

Report on the Financial Statements

We have audited the accompanying financial statements of KGLT-FM (a public telecommunications entity operated by the Board of Regents – Montana University System) and its discretely presented component unit (Friends of KGLT) as of June 30, 2013 and 2012.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit(s) in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 business-type activities and the discretely presented component unit of KGLT-FM as of June 30, 2013 and 2012, and the changes in its net positions and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements of KGLT-FM are intended to present the financial position, results of operations and cash flows, where applicable, of only that portion of the Montana University System that is attributable to the transactions of KGLT-FM. They do not intend to, and do not, present fairly the financial position of the Montana University System as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Galusha, Higgins & Galusha, PC

Bozeman, Montana
December 31, 2013

KGLT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE BOARD OF REGENTS-MONTANA UNIVERSITY SYSTEM
Statements of Net Position
June 30, 2013

ASSETS

	KGLT	Friends of KGLT
CURRENT ASSETS		
Cash	$ 156,133	$ 7,364
Accounts receivable	7,394	-
Pledges receivable	10,515	-
Prepaid expenses	6,149	-
Total current assets	180,191	7,364
NONCURRENT ASSETS		
Capital assets, net	26,189	30,497
Other intangible assets	15,000	-
	41,189	30,497
	$ 221,380	$ 37,861

LIABILITIES & NET POSITIONS

	KGLT	Friends of KGLT
CURRENT LIABILITIES		
Accounts payable	$ 6,524	$ -
Wages payable	16,634	-
Accrued compensated absences	13,859	-
Deferred revenue	111,829	-
Total current liabilities	148,846	-
NONCURRENT LIABILITIES		
Accrued compensated absences	12,793	-
Other post-employment benefits	69,994	-
Total noncurrent liabilities	82,787	-
Total liabilities	231,633	-
NET POSITIONS		
Unrestricted	(36,442)	7,364
Invested in capital assets, net of related debt	26,189	30,497
Total net positions	(10,253)	37,861
	$ 221,380	$ 37,861

KGLT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE BOARD OF REGENTS-MONTANA UNIVERSITY SYSTEM
Statements of Net Position
June 30, 2012

ASSETS

	KGLT	Friends of KGLT
CURRENT ASSETS		
Cash	$ 148,080	$ 3,877
Accounts receivable	9,972	-
Pledges receivable	6,598	-
Prepaid expenses	7,207	-
Total current assets	171,857	3,877
NONCURRENT ASSETS		
Capital assets, net	28,181	32,045
Other intangible assets	15,000	-
	43,181	32,045
	$ 215,038	$ 35,922

LIABILITIES & NET POSITIONS

	KGLT	Friends of KGLT
CURRENT LIABILITIES		
Accounts payable	$ 6,377	$ -
Wages payable	17,546	-
Accrued compensated absences	8,184	-
Deferred revenue	103,706	-
Total current liabilities	135,813	-
NONCURRENT LIABILITIES		
Accrued compensated absences	10,002	-
Other post-employment benefits	59,517	-
Total noncurrent liabilities	69,519	-
Total liabilities	205,332	-
NET POSITIONS		
Unrestricted	(18,475)	3,877
Invested in capital assets, net of related debt	28,181	32,045
Total net position	9,706	35,922
	$ 215,038	$ 35,922

KGLT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE BOARD OF REGENTS-MONTANA UNIVERSITY SYSTEM

Statements Of Revenues, Expenses And Changes In Net Position

For the Year Ended June 30, 2013

	KGLT	Friends of KGLT
OPERATING REVENUES		
Contributions from fund drive	$ 160,681	$ -
Grants from CPB	93,401	-
Other foundation grants	15,905	1,000
In-kind donations	48,715	-
Support from the Montana University System:		
Montana State University	47,554	-
Associated Students of Montana State University	13,934	-
Other operating revenues	90,400	-
Total operating revenues	470,590	1,000
OPERATING EXPENSES		
Broadcasting	101,624	-
Programming and production	133,447	-
Program information and promotion	9,487	-
Management and general	111,850	136
Fundraising and membership development	99,817	1,669
Solicitation and underwriting	34,271	-
Land, buildings and equipment	84	1,548
Contributions to affiliates	-	3,600
Total operating expenses	490,580	6,953
OPERATING LOSS	(19,990)	(5,953)
NONOPERATING REVENUES		
Investment income	31	-
Contributions-other	-	7,892
Total nonoperating revenues	31	7,892
CHANGE IN NET POSITIONS	(19,959)	1,939
NET POSITIONS, beginning of year	9,706	35,922
NET POSITIONS, end of year	$ (10,253)	$ 37,861

KGLT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE BOARD OF REGENTS-MONTANA UNIVERSITY SYSTEM

Statements Of Revenues, Expenses And Changes In Net Position

For the Year Ended June 30, 2012

	KGLT	Friends of KGLT
OPERATING REVENUES		
Contributions from fund drive	$ 158,477	$ -
Grants from CPB	112,490	-
Other foundation grants	7,595	15,000
In-kind donations	33,111	-
Support from the Montana University System:		
Montana State University	47,534	-
Associated Students of Montana State University	20,057	-
Other operating revenues	90,662	-
Total operating revenues	469,926	15,000
OPERATING EXPENSES		
Broadcasting	104,607	-
Programming and production	111,165	-
Program information and promotion	18,706	-
Management and general	121,991	218
Fundraising and membership development	86,334	2,993
Solicitation and underwriting	28,583	-
Land, buildings and equipment	1,560	1,548
Contributions to affiliates	-	25,397
Total operating expenses	472,946	30,156
OPERATING INCOME (LOSS)	(3,020)	(15,156)
NONOPERATING REVENUES		
Investment Income	23	-
Contributions-other	-	12,083
Total nonoperating revenues	23	12,083
CHANGE IN NET ASSETS	(2,997)	(3,073)
NET POSITIONS, beginning of year	12,703	38,995
NET POSITIONS, end of year	$ 9,706	$ 35,922

KGLT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE BOARD OF REGENTS-MONTANA UNIVERSITY SYSTEM

Statement of Cash Flows

For the Year Ended June 30, 2013

	KGLT	Friends of KGLT
CASH FLOWS FROM OPERATING ACTIVITIES		
ASMSU support	$ 13,934	$ -
Community service grants	111,429	-
Other operating revenues	92,978	-
Donations	162,764	1,000
Compensation and benefits	(209,974)	-
Operating expenses	(163,110)	(5,405)
Net cash provided by (used in) operating activities	8,022	(4,405)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Donations	-	7,892
Net cash provided by non-capital financing activities	-	7,892
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	31	-
NET INCREASE IN CASH	8,053	3,487
CASH, beginning of year	148,080	3,877
CASH, end of year	$ 156,133	$ 7,364
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (19,990)	$ (5,953)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,992	1,548
Decrease in accounts receivable	2,578	-
Increase in pledges receivable	(3,917)	-
Decrease in prepaid expenses	1,058	-
Increase in accounts payable	147	-
Decrease in wages payable	(911)	-
Increase in compensated absences	8,466	-
Increase in deferred revenue	8,123	-
Increase in other post-employment benefits	10,476	-
Net cash flows provided by (used in) operating activities	$ 8,022	$ (4,405)

KGLT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE BOARD OF REGENTS-MONTANA UNIVERSITY SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2012

	KGLT	Friends of KGLT
CASH FLOWS FROM OPERATING ACTIVITIES		
ASMSU support	$ 20,057	$ -
Community service grants	152,156	-
Other operating revenues	90,261	-
Donations	167,490	15,000
Compensation and benefits	(203,496)	-
Operating expenses	(166,970)	(28,608)
Net cash provided by (used in) operating activities	59,498	(13,608)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Donations	-	12,083
Net cash provided by non-capital financing activities	-	12,083
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	23	-
NET INCREASE (DECREASE) IN CASH	59,521	(1,525)
CASH, beginning of year	88,559	5,402
CASH, end of year	$ 148,080	$ 3,877
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	$ (3,020)	$ (15,156)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,992	1,548
Increase in accounts receivable	(382)	-
Decrease in pledges receivable	1,418	-
Decrease in prepaid expenses	1,224	-
Increase in accounts payable	3,976	-
Increase in wages payable	773	-
Increase in compensated absences	3,951	-
Increase in deferred revenue	39,666	-
Increase in other post-employment benefits	9,900	-
Net cash flows provided by (used in) operating activities	$ 59,498	$ (13,608)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. *Organization.* KGLT-FM (the Station) is operated by the Montana University System, which is controlled by the Montana Board of Regents. The Station is a not-for-profit public radio station operating from the campus of Montana State University-Bozeman. Currently, KGLT serves the Bozeman area and parts of Montana which are within the KGLT reception area. The Station relies on grants, university support and public contributions.

   The component unit described below is included in the Station's reporting entity because of the significance of the operational and financial relationship with the Station.

2. *Component Unit.* The Friends of KGLT (Friends) raises funds to provide financial and other support to the Station. The support provided includes fund raising and positive community relations. The administration of Friends is provided by a Board of Directors that consisted of ten and nine members for the years ended June 30, 2013 and 2012, respectively.

   In accordance with GASB No. 39, the financial statements of Friends of KGLT are being presented in this financial report as a component unit, not as consolidated organization. As a result, transactions between the two entities are not eliminated. GASB Statement No. 34 requires that transactions between the two entities be recorded as external transactions. As a result, transfers of funds from Friends to the Station are recorded as an expense on the financial statements of Friends and as revenue on the financial statements of the Station.

3. *Financial Statement Presentation.* . The Station's financial statements are presented in accordance with requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Government,* GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures, and* GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* As the station does not have governmental fund types, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* is not applicable. Under GASB Statements No. 34, No. 35, No. 37, No. 38 and No. 63 the Station is required to present a statement of net positions classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net positions, with separate presentation for operating and non-operating revenues and expenses, and a statement of cash flows using the direct method. The statements require the classification of net positions into three components – invested in capital assets, net of related debt; restricted and unrestricted.

4. *Basis of Accounting.* For financial reporting purposes, the Station is considered a special program of the Associated Students of Montana State University (ASMSU) engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

6. *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 University allocates cash balances to the Station from their funds invested in the Short Term Investment Pool (STIP) with the Montana Board of Investments. There are no cash equivalents as of June 30, 2013 and 2012.

7. *Accounts Receivable.* Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Customer account balances with invoices dated over 30 days are considered delinquent but are not subject to finance charges.

   Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end.

8. *Capital Assets.* Capital assets with a cost, or donated assets with an estimated fair market value on the date of receipt, of $5,000 or more and an estimated useful life of more than one year are capitalized. Subsequent to July 1, 2010, intangible assets with a cost, or donated assets with an estimated fair market value on the date of receipt, of $100,000 or more and an estimated useful life of more than one year are capitalized.

   Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 25 years for equipment. Depreciation is reported as a management and general expense in the Statements of Revenues, Expenses, and Changes in Net Positions.

9. *Other Intangible Assets.* The Station purchased a broadcasting license in 2010, which is being reported at cost. Pursuant to ASC 350, *Intangibles – Goodwill and Other*, intangible assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate their carrying value may not be fully recoverable. If an impairment indicator exists, recoverability is assessed by comparing the carrying value to undiscounted cash flows expected for be generated by the assets. If impaired, the impairment recognized is the amount by which the carrying value exceeds its fair value, which is then charged as a non-operating charge to the statement of operations. No impairment indicators existed in fiscal years 2013 and 2012.

Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

10. *Compensated Absences.* Employees' compensated absences are accrued when earned. The obligation and expenditure incurred during the year are recorded as accrued compensated absences in the statements of net positions and as a component of management and general in the statements of revenues, expenses and changes in net positions. As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Amounts recorded as accrued compensated absences include employer benefits.

11. *Other Post-Employment Benefits (OPEB).* During the year ended June 30, 2008, the University adopted Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The University allows retirees to participate in the Montana University System's self-funded health insurance plan by paying an amount considered by the University to cover their full costs (as calculated using the pooled risk of retirees and active employees). An actuarial study determined that this blended rate structure results in an implicit rate subsidy to retirees, who are considered to be a higher-cost pool of participants. The State of Montana and its component units amortize the calculated OPEB liability resulting from this implicit rate subsidy over a period of 30 years. The state has not mandated funding of the liability. See note E.

12. *Net Positionss.* The Station's net positions are classified as follows:

    Invested in capital assets, net of related debt: This represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Station had no outstanding debt for the years ended June 30, 2013 and 2012, respectively.

    Restricted: The component of net positions that reports the constraints placed on the use of net assets by either external parties or enabling legislation. The Station had no restricted assets for the years ended June 30, 2013 and 2012, respectively.

    Unrestricted: The difference between the assets and liabilities that is not reported in invested in capital assets, net of related debt and restricted assets.

    It is the Station's Policy to expend restricted resources first (if available) and then to use unrestricted resources when the restricted resources have been depleted.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. *Classification of Activities.* The station has classified their revenues as either operating or non-operating.

    Operating revenues: Operating revenues generally result from donations from the general public, underwriting of broadcast programs and instructional technology services. Operating revenues include (1) operating grants from Corporation for Public Broadcasting (CPB), (2) contributions from the annual fund drive, (3) in-kind contributions, (4) indirect support from the Montana University System (5) support from ASMSU, and (6) underwriting.

14. *Program Underwriting.* Revenue for program underwriting is recorded on a pro-rata basis for the period covered. Revenue related to subsequent years is reflected as deferred revenue in the accompanying statements of net positions.

15. *Community Service Grants.* The CPB is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

    The grants received by the station are broken out into a restricted and unrestricted portion based on a percentage identified by CPB. The unrestricted portion of the grants may be used at the discretion of the recipients. The station uses these funds primarily for purposes relating to production and programming. Also, the grants may be used to sustain activities initiated with CSG grants awarded in prior years.

    Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists and licensee status with the Federal Communications Commission. The grants were reported on the accompanying financial statements as unrestricted operating revenues.

16. *Donated Facilities, Materials and Services.* Donated facilities from the ASMSU consist of office and studio space together with related occupancy costs and are recorded as revenue and expense at estimated fair rental values in the statements of revenues, expenses and changes in net positions. These expenses are recorded as indirect support. Montana State University pays pension contributions and other employee benefits from a benefit cost pool on behalf of some of the Station employees. These expenses are allocated to the Station as direct support. Donated personal services are recognized if the services received (1) create or enhance long-lived assets or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No donated personal services were recorded for the years ended June 30, 2013 and 2012, respectively.

Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

17. *Pledges Receivable.* Pledges receivable are monies received from the Station's annual fund drive. As required by ASC 958, the Station records pledges receivable at their fair value and discounts pledges to their net present value based on current market interest rates and the expected payment schedule set out by the donor. Subsequent changes to the discount on pledges are recognized as income either restricted or unrestricted as appropriate. At the current time there are no pledges receivable that are greater than one year and management believes all pledges receivable are collectible.

18. *Functional Allocation of Expenses.* The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of revenues, expenses and changes in net positions. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

19. *Advertising.* Advertising costs are expensed as incurred and were $4,742 and $5,164 for the years ended June 30, 2013 and 2012, respectively.

20. *Tax Status.* As a state institution of higher education, the income of the Station is exempt from federal and state income tax under Internal Revenue Code Section 115. However, income generated from activities not related to the exempt purpose would be subject to income tax under Internal Revenue Code Section 511(a)(2)(B).

    Friends is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation.

21. *Reclassifications.* Certain reclassifications were made to the 2012 financial statements to conform them to the classifications used in 2013.

Continued

NOTE B – CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013.

	Balance 6/30/12	Additions	Transfers and Other Changes	Balance 6/30/13
Transmission equipment	$ 39,577	$ -	$ -	$ 39,577
Studio and broadcast equipment	63,905	-	-	63,905
Total capital assets	103,482	-	-	103,482
Less accumulated depreciation for:				
Transmission equipment	17,486	1,548	-	19,034
Studio and broadcast equipment	25,770	1,992	-	27,762
Total accumulated depreciation	43,256	3,540	-	46,796
Capital assets, net	$ 60,226	$ (3,540)	$ -	$ 56,686

Following are the changes in capital assets for the year ended June 30, 2012.

	Balance 6/30/11	Additions	Transfers and Other Changes	Balance 6/30/12
Transmission equipment	$ 39,577	$ -	$ -	$ 39,577
Studio and broadcast equipment	63,905	-	-	63,905
Total capital assets	103,482	-	-	103,482
Less accumulated depreciation for:				
Transmission equipment	15,938	1,548	-	17,486
Studio and broadcast equipment	23,778	1,992	-	25,770
Total accumulated depreciation	39,716	3,540	-	43,256
Capital assets, net	$ 63,766	$ (3,540)	$ -	$ 60,226

Continued

NOTE C – OPERATING LEASE

During the fiscal year ended June 30, 2004, the Station entered into a tower site co-location lease agreement. The lessor provides space for the Station's antenna structures, transmitters and associated equipment and for a backup generator and propane tank. The current term of the lease is for a period of 10 years commencing on September 1, 2013 and ending on August 31, 2023. The Station has the option to renew this lease three times for a period of 10 years each. Monthly rent payments are currently $1,043 with a 3% increase each January 1st.

The future minimum obligations under this operating lease are as follows for the years ending June 30:

2014	$	12,708
2015		13,089
2016		13,482
2017		13,886
2018		14,303
Thereafter		85,758
	$	153,226

Continued

NOTE D – PENSION PLANS

The Station's employees are covered under the Montana Public Employees' Retirement System (PERS) or the Optional Retirement Program (ORP). The PERS plan is a multiple-employer, cost-sharing defined benefit retirement plan. Only faculty and staff with contracts under the authority of the Board of Regents may elect the ORP.

Following is a schedule of required contributions to the plan:

	2013		2012	
	PERS	ORP	PERS	ORP
Employer contributions	$ 8,052	$ 2,046	$ 7,725	$ 1,930

The above funding policies provide for periodic employer and employee contributions at rates specified by State law. Contribution requirements are actuarially determined. An actuary determines the actuarial implications of the funding requirements in a biennial actuarial evaluation. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payrolls. To maintain the fund on an actuarially sound basis, the rate of contributions should fund the normal cost in addition to amortizing the unfunded liability over a period of forty years. Each system functions uniquely and is described as follows:

Public Employees' Retirement System (PERS)

This system was established in 1945 and is governed by Title 19, Chapter 3, MCA, as a cost-sharing multi-employer defined benefit pension plan providing retirement services to substantially all public employees. Effective July 1, 2002, eligible new employees of the University are defaulted into the PERS defined benefit plan and have one year from their date of hire to elect whether to stay in the PERS defined benefit plan, enroll in the ORP plan, or enroll in the PERS Defined Contribution Plan. Benefit eligibility is age 60 with at least 5 years of service, age 65 regardless of service, or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service.

Continued

NOTE D – PENSION PLANS, continued

Monthly retirement benefits are determined by multiplying 1/56 by the number of years of service by the final average salary, unless the employee has 25 or more years of service, in which case the multiplier is 1/50. The required contribution rates for active participants and employers are statutorily determined (MCA §19-3-315 and MCA §19-3-316). Members' rights become vested after 5 years of service. Additional information or a separate financial statement can be obtained from the State of Montana, Department of Administration, Public Employees' Retirement Administration, P.O. Box 200131, Helena, MT 59620-0131.

Optional Retirement Program (ORP)

ORP commenced in January 1988, and is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). Effective July 1, 1993, ORP was made the mandatory retirement plan for new faculty and administrative staff. The ORP is a defined contribution plan, established under authority of Title 19, Chapter 21, MCA. Benefits at retirement depend upon the amount of investment gains and losses and the employee's life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF. The University records employee/employer contributions, and remits monies to TIAA-CREF. Combined contributions cannot exceed 13% of the participants compensation (MCA §19-21-203). Individuals are immediately vested with contributions. Annual reports that include financial statements and required supplemental information on the plan are available from TIAA-CREF, 730 Third Avenue, New York, New York 10017-3206, Phone 1-800-842-2733.

NOTE E – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Retirees who are eligible to receive retirement benefits from Teachers Retirement System (TRS) of the Public Employees Retirement System (PERS) at the time employment ceases may participate in the health insurance plan. Retirees who are in the Optional Retirement Plan (ORP) (through TIAA-CREF) or any other defined contribution plan associated with the Montana University System must have worked five or more years and be age 50, or have worked 25 years with the Montana University System to be eligible for retiree insurance benefits.

Post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB 45. For the years ended June 30, 2013 and 2012, KGLT-FM's annual actuarial OPEB cost (expense) for retiree health benefits was $10,476 and $9,900, respectively. Additional information or a separate financial statement can be obtained from Montana University System, Office of the Commissioner of Higher Education, P.O. Box 203201, Helena, MT 59620.

NOTE F - RELATED PARTY TRANSACTIONS

A volunteer disc jockey is a family member of a granting organization. During the years ended June 30, 2013 and 2012, Friends received grants from this granting organization in the amounts of $1,000 and $15,000, respectively.

Continued

NOTE G – IN-KIND DONATIONS AND INDIRECT SUPPORT

The following in-kind donations were recorded for the years ended June 30:

	2013	2012
Donated facilities and utilities	$ 47,554	$ 47,554
In-kind services provided by program sponsors	13,860	1,000
Fund drive incentive donations	34,855	32,111
	$ 96,269	$ 80,665

NOTE H – DEFERRED REVENUE

Cash advances received through community service grants from the Corporation for Public Broadcasting are recorded as deferred revenue when received and revenues are recognized when expenditures of the grant funds are incurred.

NOTE I – CONCENTRATIONS AND CONTINGENCIES

The Station operates its programs with aid of funding primarily from (1) CPB CSG grants, (2) support from the Montana University System, (3) public contributions and (4) underwriting. A major reduction in the level of support from any of these funding sources could have a negative impact on the Station's ability to maintain its current programs.

The Station must use its CSGs within a two year grant period. Any unexpended funds must be returned to CPB. Although it is a possibility that the funds could not be spent within the grant period, the management of the Station deems the contingency remote.

NOTE J – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2013 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2013. This analysis has been performed through December 31, 2013 the date the financial statements were available to be issued. There were no material events that were required to be incorporated and disclosed in these financial statements.