

KUCO-FM RADIO
and
KCSC CLASSICAL RADIO FOUNDATION
COMBINED FINANCIAL REPORT
JUNE 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

University of Central Oklahoma, Licensee
KUCO-FM Radio and the Board of Trustees of
KCSC Classical Radio Foundation
Edmond, Oklahoma

We have audited the accompanying financial statements of KUCO-FM Radio and KCSC Classical Radio Foundation which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of KUCO-FM Radio and KCSC Classical Radio Foundation as of June 30, 2016 and 2015, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

L. A. Co., PLLC

Oklahoma City, Oklahoma
October 14, 2016

KUCO-FM RADIO
and
KCSC CLASSICAL RADIO FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2016

ASSETS	KUCO-FM RADIO	KCSC CLASSICAL RADIO FOUNDATION	COMBINING ENTRIES	COMBINED TOTALS
CURRENT ASSETS				
Cash and cash equivalents	\$ 468,342	\$ 99,877	\$ -	\$ 568,219
Time deposits	-	441,000	-	441,000
Accrued interest receivable	-	833	-	833
Prepaid expenses	13,526	-	-	13,526
Total current assets	<u>481,868</u>	<u>541,710</u>	<u>-</u>	<u>1,023,578</u>
PROPERTY AND EQUIPMENT				
Transmitter buildings	596,547	-	-	596,547
Broadcast towers and equipment	1,750,537	-	-	1,750,537
Office furniture and equipment	57,794	-	-	57,794
Land	12,551	-	-	12,551
	<u>2,417,429</u>	<u>-</u>	<u>-</u>	<u>2,417,429</u>
Less accumulated depreciation	1,211,742	-	-	1,211,742
Total property and equipment	<u>1,205,687</u>	<u>-</u>	<u>-</u>	<u>1,205,687</u>
OTHER ASSETS				
Cash and investments restricted for property and equipment acquisitions	67,705	138,518	-	206,223
Funds held by Community Foundation	-	100,000	-	100,000
Total other assets	<u>67,705</u>	<u>238,518</u>	<u>-</u>	<u>306,223</u>
Total assets	<u>\$ 1,755,260</u>	<u>\$ 780,228</u>	<u>\$ -</u>	<u>\$ 2,535,488</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 13,586	\$ -	\$ -	\$ 13,586
Accrued compensated absences	19,357	-	-	19,357
Total current liabilities	<u>32,943</u>	<u>-</u>	<u>-</u>	<u>32,943</u>
NET ASSETS				
Unrestricted-undesignated	1,654,612	541,710	-	2,196,322
Unrestricted-board designated endowment	-	100,000	-	100,000
	<u>1,654,612</u>	<u>641,710</u>	<u>-</u>	<u>2,296,322</u>
Temporarily restricted	67,705	138,518	-	206,223
Total net assets	<u>1,722,317</u>	<u>780,228</u>	<u>-</u>	<u>2,502,545</u>
Total liabilities and net assets	<u>\$ 1,755,260</u>	<u>\$ 780,228</u>	<u>\$ -</u>	<u>\$ 2,535,488</u>

The Notes to Financial Statements are an integral part of these statements.

KUCO-FM RADIO
and
KCSC CLASSICAL RADIO FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2015

ASSETS	KUCO-FM RADIO	KCSC CLASSICAL RADIO FOUNDATION	COMBINING ENTRIES	COMBINED TOTALS
CURRENT ASSETS				
Cash and cash equivalents	\$ 323,928	\$ 37,446	\$ -	\$ 361,374
Time deposits	-	642,000	-	642,000
Accrued interest receivable	-	995	-	995
Prepaid expenses	19,210	-	-	19,210
Total current assets	<u>343,138</u>	<u>680,441</u>	<u>-</u>	<u>1,023,579</u>
PROPERTY AND EQUIPMENT				
Transmitter buildings	596,547	-	-	596,547
Broadcast towers and equipment	1,750,505	-	-	1,750,505
Office furniture and equipment	57,794	-	-	57,794
Land	12,551	-	-	12,551
	<u>2,417,397</u>	<u>-</u>	<u>-</u>	<u>2,417,397</u>
Less accumulated depreciation	1,177,034	-	-	1,177,034
Total property and equipment	<u>1,240,363</u>	<u>-</u>	<u>-</u>	<u>1,240,363</u>
OTHER ASSET				
Cash and investments restricted for property and equipment acquisitions	69,705	60,766	-	130,471
Total assets	<u>\$ 1,653,206</u>	<u>\$ 741,207</u>	<u>\$ -</u>	<u>\$ 2,394,413</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 8,832	\$ -	\$ -	\$ 8,832
Accrued compensated absences	18,266	-	-	18,266
Total current liabilities	<u>27,098</u>	<u>-</u>	<u>-</u>	<u>27,098</u>
NET ASSETS				
Unrestricted	1,556,403	680,441	-	2,236,844
Temporarily restricted	69,705	60,766	-	130,471
Total net assets	<u>1,626,108</u>	<u>741,207</u>	<u>-</u>	<u>2,367,315</u>
Total liabilities and net assets	<u>\$ 1,653,206</u>	<u>\$ 741,207</u>	<u>\$ -</u>	<u>\$ 2,394,413</u>

The Notes to Financial Statements are an integral part of these statements.

KUCO-FM RADIO
and
KCSC CLASSICAL RADIO FOUNDATION

STATEMENTS OF ACTIVITIES
Year ended June 30, 2016

	KUCO-FM RADIO	KCSC CLASSICAL RADIO FOUNDATION	COMBINING ENTRIES	COMBINED TOTALS
UNRESTRICTED NET ASSETS				
Revenue and support				
Contributions and memberships	\$ 321,020	\$ 14,610	\$ (58,374)	\$ 277,256
Appropriations from licensee	270,129	-	-	270,129
Grants	99,381	-	-	99,381
Tower rentals	68,358	-	-	68,358
In-kind contributions	13,135	-	-	13,135
Indirect administrative support	74,903	-	-	74,903
Investment income	(147)	4,214	-	4,067
Net assets released from restrictions	2,000	32,248	-	34,248
Total revenue and support	<u>848,779</u>	<u>51,072</u>	<u>(58,374)</u>	<u>841,477</u>
Expenses				
Programming services				
Programming and production	258,719	10,000	(10,000)	258,719
Broadcasting and technical	220,918	70,439	(48,374)	242,983
Program information	2,778	250	-	3,028
Total program expenses	<u>482,415</u>	<u>80,689</u>	<u>(58,374)</u>	<u>504,730</u>
Support services				
Fundraising	61,741	699	-	62,440
Management and general	206,414	8,415	-	214,829
Total supporting expenses	<u>268,155</u>	<u>9,114</u>	<u>-</u>	<u>277,269</u>
Total expenses	<u>750,570</u>	<u>89,803</u>	<u>(58,374)</u>	<u>781,999</u>
Change in unrestricted net assets	98,209	(38,731)	-	59,478
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	-	110,000	-	110,000
Net assets released from restrictions	(2,000)	(32,248)	-	(34,248)
Change in temporarily restricted net assets	<u>(2,000)</u>	<u>77,752</u>	<u>-</u>	<u>75,752</u>
Change in net assets	96,209	39,021	-	135,230
Net assets, beginning of year	<u>1,626,108</u>	<u>741,207</u>	<u>-</u>	<u>2,367,315</u>
Net assets, end of year	<u>\$ 1,722,317</u>	<u>\$ 780,228</u>	<u>\$ -</u>	<u>\$ 2,502,545</u>

The Notes to Financial Statements are an integral part of these statements.

KUCO-FM RADIO
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STATEMENTS OF ACTIVITIES
Year ended June 30, 2015

	KUCO-FM RADIO	KCSC CLASSICAL RADIO FOUNDATION	COMBINING ENTRIES	COMBINED TOTALS
UNRESTRICTED NET ASSETS				
Revenue and support				
Contributions and memberships	\$ 354,095	\$ 10,473	\$ (120,328)	\$ 244,240
Appropriations from licensee	253,257	-	-	253,257
Grants	99,239	-	-	99,239
Tower rentals	68,586	-	-	68,586
In-kind contributions	12,841	-	-	12,841
Indirect administrative support	87,289	-	-	87,289
Investment income	(44)	4,559	-	4,515
Net assets released from restrictions	22,500	44,687	-	67,187
Total revenue and support	<u>897,763</u>	<u>59,719</u>	<u>(120,328)</u>	<u>837,154</u>
Expenses				
Programming services				
Programming and production	254,560	6,884	(6,052)	255,392
Broadcasting and technical	203,276	147,961	(114,276)	236,961
Program information	2,460	-	-	2,460
Total program expenses	<u>460,296</u>	<u>154,845</u>	<u>(120,328)</u>	<u>494,813</u>
Support services				
Fundraising	69,223	699	-	69,922
Management and general	207,114	17,784	-	224,898
Total supporting expenses	<u>276,337</u>	<u>18,483</u>	<u>-</u>	<u>294,820</u>
Total expenses	<u>736,633</u>	<u>173,328</u>	<u>(120,328)</u>	<u>789,633</u>
Change in unrestricted net assets	161,130	(113,609)	-	47,521
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	-	25,000	-	25,000
Net assets released from restrictions	(22,500)	(44,687)	-	(67,187)
Change in temporarily restricted net assets	<u>(22,500)</u>	<u>(19,687)</u>	<u>-</u>	<u>(42,187)</u>
Change in net assets	138,630	(133,296)	-	5,334
Net assets, beginning of year	<u>1,487,478</u>	<u>874,503</u>	<u>-</u>	<u>2,361,981</u>
Net assets, end of year	<u>\$ 1,626,108</u>	<u>\$ 741,207</u>	<u>\$ -</u>	<u>\$ 2,367,315</u>

The Notes to Financial Statements are an integral part of these statements.

KUCO-FM RADIO
and
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STATEMENTS OF CASH FLOWS
Year ended June 30, 2016

	KUCO-FM RADIO	KCSC CLASSICAL RADIO FOUNDATION	COMBINING ENTRIES	COMBINED TOTALS
Increase (Decrease) in Cash and Cash Equivalents	\$ 321,020	\$ 14,610	\$ (58,374)	\$ 277,256
Cash flows from operating activities:				
Cash received from members, underwriters, and others	270,129	-	-	270,129
Appropriations from license	99,381	10,000	-	109,381
Grants received	68,358	-	-	68,358
Rents received	1,376	4,376	-	5,752
Interest received	(568,122)	(89,803)	58,374	(599,551)
Cash paid to vendors and employees				
Net cash provided (used) by operating activities	192,142	(60,817)	-	131,325
Cash flows from investing activities:				
Decrease (increase) in time deposits	(1,523)	201,000	-	201,000
Realized and unrealized gains (losses)	(48,205)	-	-	(48,205)
Purchases of equipment	2,000	22,248	-	24,248
Restricted contributions used for equipment purchases	-	(100,000)	-	(100,000)
Transfer to Community Foundation	(47,728)	123,248	-	75,520
Net cash provided (used) by investing activities	144,414	62,431	-	206,845
Net increase (decrease) in cash and cash equivalents	323,928	37,446	-	361,374
Cash and cash equivalents at beginning of year	\$ 468,342	\$ 99,877	\$ -	\$ 568,219

	KUCO-FM RADIO	KCSC CLASSICAL RADIO FOUNDATION	COMBINING ENTRIES	COMBINED TOTALS
Change in net assets	\$ 96,209	\$ 39,021	\$ -	\$ 135,230
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation	80,950	-	-	80,950
Other	1,931	-	-	1,931
Contributions restricted for equipment acquisition	1,523	(100,000)	-	(100,000)
Realized and unrealized (gains) losses	-	162	-	162
Decrease (increase) in Receivables	-	-	-	-
Prepaid expenses	5,684	-	-	5,684
Increase (decrease) in Payables	5,845	-	-	5,845
Net cash provided (used) by operating activities	\$ 192,142	\$ (60,817)	\$ -	\$ 131,325

Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities

Supplemental Schedule of Noncash Operating and Investing Activities:
The Station received donated in-kind contributions and indirect administrative support totaling \$88,038 which is recognized in these financial statements.

The Notes to Financial Statements are an integral part of these statements.

KUCO-FM RADIO
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STATEMENTS OF CASH FLOWS
Year ended June 30, 2015

	KUCO-FM RADIO	KCSC CLASSICAL RADIO FOUNDATION	COMBINING ENTRIES	COMBINED TOTALS
	\$ 138,630	\$ (133,296)	\$ -	\$ 5,334
	79,655	-	-	79,655
	1,142	(25,000)	-	(25,000)
	2,439	6,380	-	6,380
	(6)	(4,188)	-	(4,194)
	\$ 221,860	\$ (156,104)	\$ -	\$ 65,756

Reconciliation of Change in Net Assets
to Net Cash Provided (Used) by
Operating Activities

Change in net assets	
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	99,239
Contributions restricted for equipment acquisition	68,586
Realized and unrealized (gains) losses	5,894
Decrease (increase) in Receivables	(605,460)
Prepaid expenses	
Increase (decrease) in Payables	
Net cash provided (used) by operating activities	65,756

Supplemental Schedule of Noncash Operating and Investing Activities:

The Station received donated in-kind contributions and indirect administrative support totaling \$100,139 which is recognized in these financial statements.

	KUCO-FM RADIO	KCSC CLASSICAL RADIO FOUNDATION	COMBINING ENTRIES	COMBINED TOTALS
	\$ 354,095	\$ 10,473	\$ (120,328)	\$ 244,240
	253,257	-	-	253,257
	99,239	-	-	99,239
	68,586	-	-	68,586
	1,098	4,796	-	5,894
	(554,415)	(171,373)	120,328	(605,460)
	221,860	(156,104)	-	65,756
		47,000	-	47,000
	(1,142)	-	-	(1,142)
	(142,571)	-	-	(142,571)
	22,500	38,635	-	61,135
	(121,213)	85,635	-	(35,578)
	100,647	(70,469)	-	30,178
	223,281	107,915	-	331,196
	\$ 323,928	\$ 37,446	\$ -	\$ 361,374

Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:
Cash received from members, underwriters, and others
Appropriations from licensee
Grants received
Rents received
Interest received
Cash paid to vendors and employees
Net cash provided (used) by operating activities

Cash flows from investing activities:
Decrease (increase) in time deposits
Realized and unrealized gains (losses)
Purchases of equipment
Restricted contributions used for equipment purchases
Net cash provided (used) by investing activities
Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year

The Notes to Financial Statements are an integral part of these statements.

KUCO-FM RADIO
and
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NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 1. Significant Accounting Policies

The combined financial statements of KUCO-FM Radio and KCSC Classical Radio Foundation (the Organizations) have been prepared on the accrual basis. All intercompany balances and transactions have been eliminated in the combined financial statements. The significant accounting policies followed are described below.

Organization

KUCO-FM Radio (the Station), formerly known as KCSC-FM, is operated by the University of Central Oklahoma (the University). The Station began transmitting in 1966 and relies upon individual memberships, program underwriting, University appropriations and Corporation for Public Broadcasting (CPB) grants as its major sources of revenue.

KCSC Classical Radio Foundation (the Foundation), was created on August 8, 2001, as a 501(c)(3) organization, to support and promote classical music radio in Oklahoma. It operates primarily on financial contributions from the general public.

Financial statement presentation

Generally accepted accounting principles require the Organizations to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Organizations have no permanently restricted net assets.

Capital expenditures and depreciation

The Organizations capitalize all expenditures for property and equipment in excess of \$2,500. Property and equipment are stated at cost or, in the case of donated property, at their estimated fair value at date of receipt. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is calculated by the straight-line method over the following estimated useful lives:

Transmitter buildings	40 years
Broadcast towers and equipment	5 - 40 years
Office furniture and equipment	3 - 5 years

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from the estimates.

KUCO-FM RADIO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 1. Significant Accounting Policies, continued

Restricted and unrestricted revenue

Grants and contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending upon the existence and/or nature of any grantor or donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Grants or contributions received with grantor or donor imposed restrictions that are met in the same year as received are reported as unrestricted revenues.

In-kind contributions

In-kind contributions are recorded as revenue and expense. The contributions consist primarily of indirect support provided by the University. These items are valued at their estimated fair value.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of financial activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Statement of cash flows

For purposes of the statement of cash flows, the Organizations consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Income tax

The University is subject to tax on any net income from activities considered unrelated to its tax-exempt purpose. One such activity is the Station's income from the leasing of space on its broadcast towers. The income tax expense related to this activity has not been significant.

KUCO-FM RADIO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 2. Changes in Temporarily Restricted Net Assets

An analysis of the changes in the temporarily restricted net assets for the years ended June 30, 2016 and 2015 is as follows:

2016	Beginning of Year	Additions	Expenditures (Reclassifications)	End of Year
Williams estate- equipment	\$ 69,705	\$ -	\$ (2,000)	\$ 67,705
Communities Foundation of Oklahoma- equipment	45,623	-	(20,623)	25,000
Rapp Foundation	-	100,000	-	100,000
Kirkpatrick Foundation - Performance Oklahoma	-	10,000	(10,000)	-
Remote equipment	<u>15,143</u>	<u>-</u>	<u>(1,625)</u>	<u>13,518</u>
	<u>\$ 130,471</u>	<u>\$ 110,000</u>	<u>\$ (34,248)</u>	<u>\$ 206,223</u>
2015	Beginning of Year	Additions	Expenditures (Reclassifications)	End of Year
Williams estate- equipment	\$ 92,205	\$ -	\$ (22,500)	\$ 69,705
Communities Foundation of Oklahoma- equipment	50,000	25,000	(29,377)	45,623
McCune Charitable Trust	6,142	-	(6,142)	-
Kirkpatrick Foundation - Performance Oklahoma	6,052	-	(6,052)	-
Remote equipment	<u>18,259</u>	<u>-</u>	<u>(3,116)</u>	<u>15,143</u>
	<u>\$ 172,658</u>	<u>\$ 25,000</u>	<u>\$ (67,187)</u>	<u>\$ 130,471</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 3. Retirement and Pension Plans

KUCO-FM Radio participates, through its affiliation with the University, in the Teacher's Retirement System of Oklahoma. The System covers college and university employees, public school teachers, school employees and boards set up to administer various departments of education. The Station contributes 8.55% of base salary plus benefits for employees who elect coverage through the System. Also, if the employee so elects, on base salary plus benefits in excess of \$10,000, the Station will contribute an additional 7%. The contribution for the years ended June 30, 2016 and 2015 was \$34,401 and \$33,491, respectively.

Note 4. Related Party Transactions

During the years ended June 30, 2016 and 2015, the Station recognized as revenue \$270,129 and \$253,257, respectively, of appropriations from the University. Indirect administrative support from the University consisted of \$74,903 in 2016 and \$87,289 in 2015 of allocated University departmental expenses incurred on behalf of the Station. This valuation is based on guidelines established by the Corporation for Public Broadcasting and is intended to represent the fair value of such indirect administrative support.

Note 5. Funds Held by Others

The University of Central Oklahoma Foundation ("UCO Foundation") is holding funds for the benefit of the Organizations. The original contribution was restricted by the donor for equipment purchases. Earnings, gains and losses, and investment fees are considered to be unrestricted.

The UCO Foundation's policy is to pool its funds and allocate investment earnings, including realized and unrealized gains and losses, to the various accounts it maintains. Valuations of securities are based on quoted market prices, which is considered Level I under the fair market hierarchy. Investment income for 2016 includes \$2,189 of realized losses and \$666 of unrealized gains allocated by the UCO Foundation. Investment income in 2015 includes \$4,391 of realized gains and \$5,533 of unrealized losses.

Note 6. Funds Held by Community Foundation

The Foundation invested \$100,000 late in the fiscal year ended June 30, 2016 with the Oklahoma City Community Foundation (OCCF). The OCCF maintains variance power over the funds. OCCF distribution policy is to annually distribute 5% of the average market value of the account, based on the previous twelve quarters or life of the account. Funds transferred by the KCSC Classical Radio Foundation, reciprocal transfers, are recognized in the statement of financial position. Contributions from third parties are maintained in a separate account, the value of which is disclosed, but not recognized as assets of the KCSC Classical Radio Foundation. The distribution policy for this account is identical to that of the reciprocal account.

KUCO-FM RADIO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 6. Funds Held by Community Foundation, continued

The market value and activity of the accounts is as follows:

	Reciprocal	Third-Party
Market value at July 1, 2015	\$ -	\$ -
Transfers/contributions	100,000	33,400
Net investment income	-	-
Distributions	<u>-</u>	<u>-</u>
Market value at June 30, 2016	<u>\$ 100,000</u>	<u>\$ 33,400</u>

Note 7. Subsequent Events

Management has reviewed subsequent events, if any, through the report date of October 14, 2016, the date the report was available to be issued, and has determined there were no subsequent events requiring disclosure in these financial statements.