The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.

anderson ZURMUEHLEN

YELLOWSTONE PUBLIC RADIO/
KEMC-FM
(A Public Radio Entity)
Operated by the Montana State University-Billings

YELLOWSTONE PUBLIC RADIO/
KEMC-FM

(A Public Radio Entity)

Operated by the Montana State University-Billings

FINANCIAL REPORT

June 30, 2011

CONTENTS

anderson ZURMUEHLEN
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yellowstone Public Radio/KEMC-FM
(A Public Radio Entity)
Operated by Montana State University-Billings
Billings, Montana

We have audited the accompanying financial statements of the business type activities and discretely presented component unit of Yellowstone Public Radio/KEMC-FM (A Public Radio Entity) operated by Montana State University-Billings (the Station) as of and for the year ended June 30, 2011, which collectively comprise the Station's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Station's 2010 financial statements, and in our report dated December 17, 2010, we expressed an unqualified opinion on the respective financial statements of the business type activities and the discretely presented component unit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of Montana State University-Billings that is attributable to the transactions of the Station. They do not purport to and do not present fairly the financial position of Montana State University-Billings or the Montana University System as of June 30, 2011, and the changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Yellowstone Public Radio/KEMC-FM as of June 30, 2011, and the respective changes in its financial position and, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Yellowstone Public Radio/KEMC-FM's basic financial statements. The supplementary schedule on page 29 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson ZurMuehlen + Co, P.C.

Butte, Montana
November 18, 2011

Yellowstone Public Radio is operated by Montana State University-Billings, a component unit of the State of Montana. Friends of Public Radio is an affiliate that raises funds to provide financial and other support to Yellowstone Public Radio. The discussion and analysis that follows provides an overview of the consolidated Yellowstone Public Radio and Friends of Public Radio financial activities for the fiscal years ended June 30, 2011 and 2010.

Financial Summary

The financial statements show operating revenues of $816,361 and $883,732 and operating expenses of $1,481,900 and $1,668,626, netting to an operating loss of $665,539 and $784,894 for the years ended June 30, 2011 and 2010, respectively. This operating loss is offset by non-operating revenues of $1,056,981 and $883,127; bringing the change in net assets for fiscal years 2011 and 2010 to $391,442 and $98,233, respectively.

The assets of Yellowstone Public Radio and Friends of Public Radio exceeded liabilities by $2,098,443 and $1,707,002 for fiscal years 2011 and 2010, respectively.

Yellowstone Public Radio and Friends of Public Radio cash and cash equivalents at June 30, 2011 and 2010, was $989,550 and $672,430, respectively, representing an increase of $317,120 from June 30, 2010, and a decrease of $134,474 from June 30, 2009.

Capital outlays for the years ended June 30, 2011 and 2010, were $20,856 and $66,168, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Yellowstone Public Radio and Friends of Public Radio basic financial statements, which are comprised of the Balance Sheet; the Statement of Revenues, Expenses and Change in Net Assets; the Statement of Cash Flows, and the Notes to the Financial Statements. The financial statements are designed to provide the readers with a broad overview of Yellowstone Public Radio and Friends of Public Radio finances in a manner similar to a private-sector business.

The Balance Sheet is presented in a classified format, differentiating between current and noncurrent assets, and categorizing net assets.

Condensed Balance Sheet		
Assets	**2011**	2010
Current assets	**$ 1,005,549**	721,933
Capital assets	**236,386**	349,825
Other assets	**998,096**	775,291
Total assets	**$ 2,240,031**	$ 1,847,049
Liabilities		
Current liabilities	**$ 61,169**	$ 102,747
Long-term liabilities	**80,419**	37,300
Total liabilities	**141,588**	140,047
Net assets		
Invested in capital assets, net of related debt	**236,385**	349,824
Unrestricted	**907,662**	621,317
Restricted - expendable	**954,396**	735,861
Total net assets	**2,098,443**	1,707,002
Total liabilities and net assets	**$ 2,240,031**	$ 1,847,049

Current assets include cash and cash equivalents, prepaid expense for programming costs, and accounts receivable related to pledges.

Capital assets, net of related debt, decreased by $113,439 from 2010 to 2011 and decreased by $66,373 from 2009 to 2010; this change resulted from depreciation expense of $134,295 offset by additions of $20,856 for fiscal year 2011, and depreciation expense of $132,542 offset by additions of $66,168 for fiscal year 2010.

Other assets include restricted cash equivalents, restricted investments, other investments, and life insurance that are expected to mature over a period of longer than one year. Other assets increased by $222,805 from 2010 to 2011 primarily due to change in investment folio and market.

Current liabilities include accounts payable, deferred revenue, and the current portion of compensated absences.

Long-term liabilities include the amount of compensated absences liability estimated to be payable after a one-year period as well as annuity obligations.

Amounts invested in capital assets, net of related debt, consist of the historical acquisition value of capital assets, reduced by both accumulated depreciation expense charged against assets and debt balances related to capital assets. This balance increases as assets are acquired and debt is repaid, and decreases as assets are depreciated and debt is incurred.

Please refer to the notes to the accompanying financial statements for more detailed information on capital assets and long-term debt.

Unrestricted net assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

Restricted, expendable net assets are funds that may only be expended in accordance with restrictions imposed by an external party. Restricted, expendable assets increased by $218,535 from 2010 to 2011 primarily due to change in investment folio and market.

The Statement of Revenues, Expenses, and Change in Net Assets presents the support and revenue earned and expenses incurred on a full accrual basis and classifies activities as either "operating" or "non-operating." This distinction results in operating deficits for those stations that depend on State appropriations and gifts, which are classified as non-operating revenue.

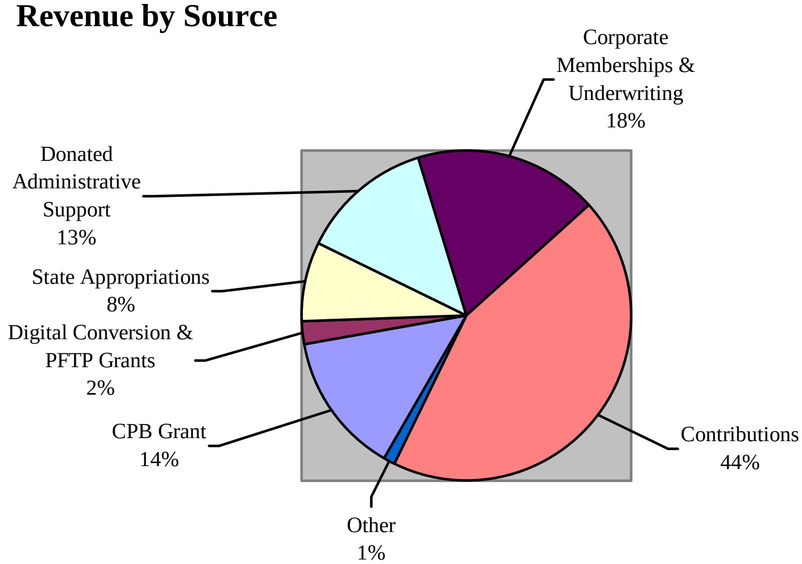
Condensed Statement of Revenues, Expenses, and Change in Net Assets

	2011	2010
Operating revenues	**$ 816,361**	$ 883,732
Operating expenses	**1,481,900**	1,668,626
Operating loss	**(665,539)**	(784,894)
Non-operating revenues	**1,056,980**	883,127
Change in net assets	**$ 391,441**	$ 98,233

Operating revenues consist primarily of Corporation for Public Broadcasting (CPB) grant funds, donated administrative support from the University and corporate memberships, and underwriting.

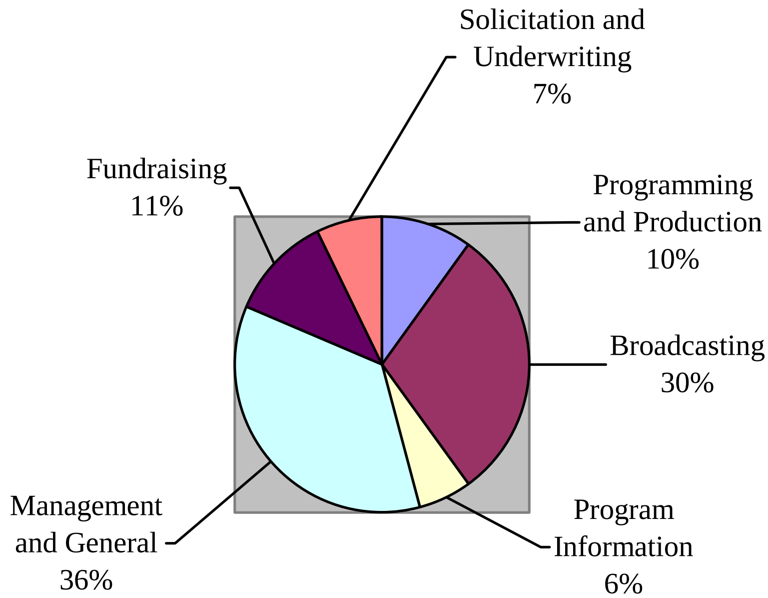
Non-operating revenues consist primarily of contributions, investment income, and state appropriations.

Revenue by Source



Operating expenses are presented by CPB categories of program and support. Programming expenses include programming and production, broadcasting, and program information. Support expenses include fundraising, management and general, and underwriting.

Expenses by Program



The Statement of Cash Flows presents information related to cash inflows and outflows, categorized by operating, investing, and financing activities.

Condensed Statement of Cash Flows

Cash flows from:	2011	2010
Operating activities	**$ (515,251)**	$ (896,421)
Capital financing activities	**(20,856)**	(66,168)
Noncapital financing activities	**915,899**	904,492
Investing activities	**(62,672)**	(76,377)
Net increase (decrease) in cash and cash equivalents	**317,120**	(134,474)
Cash and cash equivalents, beginning of year	**672,430**	806,904
Cash and cash equivalents, end of year	**$ 989,550**	$ 672,430

Operating activities used $515,251 and $896,421 in cash, resulting primarily from the operating loss of $665,539 and $784,894 for June 30, 2011 and 2010, respectively.

Financing activities provided $895,043 and $838,325 in cash for the years ended June 30, 2011 and 2010, respectively, resulting primarily from contributions.

Investing activities used $162,672 in cash for the year ended June 30, 2011, and provided $76,377 in cash for the year ended June 30, 2010.

Economic Outlook

FY2012 will be the first of two years in which KEMC/YPR attempts to create a new, normalized operating budget in the wake of three to five years of comprehensive organizational change. With all but the final elements of the digital conversion project completed and an end to interim management, KEMC/YPR is poised to develop an operating budget that will remain relatively stable for the near future. KEMC/YPR's budget priorities for FY2012 include the addition of personnel to offset a 40% reduction in total staff over the past five years; broadcast equipment upgrades and building improvements at the KEMC studios; and IT hardware and software upgrades to many of the systems governing broadcast operations, listener support, and desktop computing at the KEMC studios.

KEMC/YPR anticipates reaching or exceeding FY2010 and FY2011 revenue generation in both fund raising and underwriting during FY2012. The increases in personnel expenses and building repair will be offset by a reduction of expenses in other areas.

Funding from the CPB Community Service Grant in FY2012 is projected to remain near FY2011 levels. Changes to the structure of the Rural Listener Access Incentive Fund (RLAIF) Bonus program eliminates the need to apply for the bonuses each year. While this will mean the stability of an automatic award for rural stations such as KEMC/YPR, it will also mean a decrease in overall funds available through the program as there is now a base level of funding for each station.

FINANCIAL STATEMENTS

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
BALANCE SHEETS
June 30, 2011
(with comparative totals as of June 30, 2010)

	2011			2010
	Yellowstone Public Radio	**Friends of Public Radio, Inc.**	**Total**	Combined Totals
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$ 246,983**	**$ 678,364**	**$ 925,347**	$ 612,884
Accounts receivable	**15,650**	**-**	**15,650**	27,216
Interest receivable	**-**	**180**	**180**	110
Pledges receivable	**-**	**28,418**	**28,418**	42,609
Prepaid expenses	**35,954**	**-**	**35,954**	39,114
Total current assets	**298,587**	**706,962**	**1,005,549**	721,933
CAPITAL ASSETS				
Studio and broadcast equipment	**159,202**	**-**	**159,202**	159,202
Satellite	**13,349**	**-**	**13,349**	13,349
Transmission, antenna, tower	**880,049**	**-**	**880,049**	859,193
Furniture and fixtures	**27,627**	**-**	**27,627**	27,627
Accumulated depreciation	**(843,841)**	**-**	**(843,841)**	(709,546)
Total capital assets	**236,386**	**-**	**236,386**	349,825
OTHER ASSETS				
Restricted cash equivalents	**25,156**	**39,047**	**64,203**	59,546
Restricted investments	**-**	**863,474**	**863,474**	648,648
Cash surrender value - life insurance	**-**	**70,419**	**70,419**	67,097
Total other assets	**25,156**	**972,940**	**998,096**	775,291
Total assets	**$ 560,129**	**$ 1,679,902**	**$ 2,240,031**	$ 1,847,049

The Notes to Financial Statements are an integral part of this statement.

	2011			2010
	Yellowstone Public Radio	**Friends of Public Radio, Inc.**	**Total**	Combined Totals
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	**$ 1,251**	**$ -**	**$ 1,251**	$ 15,016
Deferred revenue	**25,156**	**-**	**25,156**	25,264
Current portion, compensated absences	**34,762**	**-**	**34,762**	62,467
Total current liabilities	**61,169**	**-**	**61,169**	102,747
LONG-TERM LIABILITIES				
Compensated absences, net of current portion	**61,875**	**-**	**61,875**	19,029
Annuities obligation	**-**	**18,544**	**18,544**	18,271
Total long-term liabilities	**61,875**	**18,544**	**80,419**	37,300
Total liabilities	**123,044**	**18,544**	**141,588**	140,047
NET ASSETS				
Invested in capital assets, net of related debt	**236,385**	**-**	**236,385**	349,824
Unrestricted	**200,700**	**706,962**	**907,662**	621,317
Restricted, expendable	**-**	**954,396**	**954,396**	735,861
Total net assets	**437,085**	**1,661,358**	**2,098,443**	1,707,002
Total liabilities and net assets	**$ 560,129**	**$ 1,679,902**	**$ 2,240,031**	$ 1,847,049

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
Year Ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

	2011			2010
	Yellowstone Public Radio	**Friends of Public Radio, Inc.**	**Total**	Combined Totals
OPERATING REVENUES				
Grant from CPB	**$ 237,383**	**$ -**	**$ 237,383**	$ 207,955
Donated facilities and direct and indirect administrative support from Montana State University - Billings	**214,704**	**-**	**214,704**	261,324
Corporate memberships and underwriting	**315,300**	**-**	**315,300**	284,284
PFTP grants	**-**	**-**	**-**	26,429
Digital conversion grants	**26,994**	**-**	**26,994**	82,157
Other operating revenue	**21,980**	**-**	**21,980**	21,583
Total operating revenues	**816,361**	**-**	**816,361**	883,732
OPERATING EXPENSES				
Program services:				
Programming and production	**566,580**	**-**	**566,580**	589,244
Broadcasting	**307,983**	**-**	**307,983**	435,259
Program information	**56,425**	**-**	**56,425**	54,065
Total program services	**930,988**	**-**	**930,988**	1,078,568
Supporting services:				
Management and general	**365,349**	**-**	**365,349**	408,233
Fundraising	**96,754**	**19,249**	**116,003**	121,124
Solicitation and underwriting	**69,560**	**-**	**69,560**	60,701
Total supporting services	**531,663**	**19,249**	**550,912**	590,058
Total operating expenses	**1,462,651**	**19,249**	**1,481,900**	1,668,626
Operating loss	**(646,290)**	**(19,249)**	**(665,539)**	(784,894)

The Notes to Financial Statements are an integral part of this statement.

	2011			2010
	Yellowstone Public Radio	**Friends of Public Radio, Inc.**	**Total**	Combined Totals
NON-OPERATING REVENUES (EXPENSES)				
Contributions - other	**39,505**	**-**	**39,505**	11,543
General appropriation from the University System	**135,754**	**-**	**135,754**	120,529
Investment gain	**-**	**157,338**	**157,338**	44,730
Contributions - Friends	**324**	**619,977**	**620,301**	700,428
Contributions to endowment - Friends	**-**	**104,082**	**104,082**	2,322
Miscellaneous income	**-**	**-**	**-**	3,575
Receipt from affiliates	**300,000**	**-**	**300,000**	726,500
Payments to affiliates	**-**	**(300,000)**	**(300,000)**	(726,500)
Net non-operating revenues	**475,583**	**581,397**	**1,056,980**	883,127
Change in net assets	**(170,707)**	**562,148**	**391,441**	98,233
Net assets, beginning of year	**607,792**	**1,099,210**	**1,707,002**	1,608,769
Net assets, end of year	**$ 437,085**	**$ 1,661,358**	**$ 2,098,443**	$ 1,707,002

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

	2011			2010
	Yellowstone Public Radio	**Friends of Public Radio, Inc.**	**Total**	Combined Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from CPB grant	**$ 237,383**	**$ -**	**$ 237,383**	$ 207,955
Cash received from corporate memberships	**318,383**	**-**	**318,383**	279,590
Cash received from other operating sources	**48,974**	**-**	**48,974**	130,169
Cash received from operating activities	**604,740**	**-**	**604,740**	617,714
Cash paid for operations	**682,941**	**19,249**	**702,190**	923,724
Cash paid for compensation and benefits	**417,801**	**-**	**417,801**	590,411
Cash paid for operating activities	**1,100,742**	**19,249**	**1,119,991**	1,514,135
Net cash flows from operating activities	**(496,002)**	**(19,249)**	**(515,251)**	(896,421)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions	**39,829**	**635,960**	**675,789**	776,033
Contributions - endowment	**-**	**104,083**	**104,083**	2,322
Miscellaneous income	**-**	**-**	**-**	3,575
Cash received from Friends	**300,000**	**-**	**300,000**	726,500
Cash paid to the Station from Friends	**-**	**(300,000)**	**(300,000)**	(726,500)
Cash received from appropriation	**135,754**	**-**	**135,754**	120,529
Annuity obligation	**-**	**273**	**273**	2,033
Net cash flows from noncapital and related financing activities	**475,583**	**440,316**	**915,899**	904,492
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	**(20,856)**	**-**	**(20,856)**	(66,168)
Net cash flows from capital and related financing activities	**(20,856)**	**-**	**(20,856)**	(66,168)

The Notes to Financial Statements are an integral part of this statement.

	2011			2010
	Yellowstone Public Radio	**Friends of Public Radio, Inc.**	**Total**	Combined Totals
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	**-**	**(267,646)**	**(267,646)**	(353,370)
Proceeds from sale of investments	**-**	**187,241**	**187,241**	262,272
Interest income	**-**	**17,733**	**17,733**	14,721
Net cash flows from investing activities	**-**	**(62,672)**	**(62,672)**	(76,377)
Net change in cash and cash equivalents	**(41,275)**	**358,395**	**317,120**	(134,474)
Cash and cash equivalents, beginning of year	**313,414**	**359,016**	**672,430**	806,904
Cash and cash equivalents, end of year	**$ 272,139**	**$ 717,411**	**$ 989,550**	$ 672,430
AS PRESENTED IN THE ACCOMPANYING BALANCE SHEETS:				
Cash and cash equivalents, unrestricted	**$ 246,983**	**$ 678,364**	**$ 925,347**	$ 612,884
Restricted cash equivalents	**25,156**	**39,047**	**64,203**	59,546
	$ 272,139	**$ 717,411**	**$ 989,550**	$ 672,430
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating loss	**$ (646,290)**	**$ (19,249)**	**$ (665,539)**	$ (784,894)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation and amortization	**134,295**	**-**	**134,295**	132,542
Change in assets:				
Accounts receivable	**11,566**	**-**	**11,566**	57,965
Due from	**-**		**-**	1,286
Prepaid expenses	**3,159**	**-**	**3,159**	(4,797)
Change in liabilities:				
Accounts payable and accrued expenses	**(13,765)**	**-**	**(13,765)**	(265,695)
Deferred liabilities	**(108)**	**-**	**(108)**	3,285
Compensated absences	**15,141**	**-**	**15,141**	(36,113)
Net cash flows from operating activities	**$ (496,002)**	**$ (19,249)**	**$ (515,251)**	$ (896,421)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:
Yellowstone Public Radio (the Station) is a public radio station (KEMC-FM) funded in part by a grant through the Corporation for Public Broadcasting. The Station is operated by Montana State University-Billings, a separate operational unit of the Montana University System, which is a component unit of the State of Montana, and is included in the financial statements of the State of Montana as part of the Higher Education component unit.

The Station services Montana and Wyoming by acquiring, producing, and delivering high quality radio programming, production, and community outreach services. These non-commercial services provide educational, informational, and entertaining programming produced nationally and locally and extend the impact of radio through community outreach efforts. The Station relies significantly 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.

Component Unit:
The Friends of Public Radio, Inc. is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation. Friends of Public Radio raises funds to provide financial and other support to KEMC-FM, a public radio station licensed by Montana State University-Billings. The support provided includes fund raising, positive community relations, a volunteer system, and related administrative services.

The administration of Friends of Public Radio is provided by a Board of Directors consisting of 30 members, who serve three-year annual terms. Special memberships on the Board of Directors include (1) the Chancellor of Montana State University-Billings, who serves as an ex officio without voting powers, (2) a representative of KEMC-FM chosen by the Board of Directors upon recommendation of the Chancellor of Montana State University-Billings, selected each year to serve without voting powers.

Financial Statement Presentation:
The Station's financial statements are presented in accordance with requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* Under GASB Statements No. 34 and No. 35, the Station is required to present a balance sheet classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net assets – with separate presentation for operating and non-operating revenues and expenses – and a statement of cash flows using the direct method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting:
For financial reporting purposes, the Station is considered a special-purpose government 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.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The State of Montana has elected not to apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents:
For purposes of the statement of cash flows, short-term investments (including restricted cash) are included in cash equivalents. Short-term investments are recorded at cost, which approximates market value.

Accounts Receivable:
Management has determined accounts receivable to be fully collectible, and thus, no provision has been made for an allowance for doubtful accounts.

Pledges Receivable:
Pledges receivable are stated at net realizable value, and are due within one year or less. Management has determined pledges receivable to be fully collectible, and thus, no provision has been made for an allowance for doubtful accounts.

Capital Assets:
Capital assets with a cost, or in the case of donated property – estimated fair value at date of receipt – of $5,000 or more and an estimated useful life of more than one year are capitalized, consistent with Montana State University-Billings' policy.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Studio and broadcast equipment	13 to 31
Satellite	13
Transmission, antenna, tower	5 to 20
Furniture and fixtures	5

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 balance sheet, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets. 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 compensated absences payable include employer benefits.

Net Assets:
The Station's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the Station's total investment in capital assets, net of depreciation, and 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.

Restricted net assets – expendable: Expendable restricted net assets include resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from operating grants, state appropriations, corporate memberships and underwriting, and unrestricted contributions. These resources are used for transactions relating to the general operations of the Station and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Station's policy is to apply the expense on a case by case basis.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues:
The Station has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) operating grants from CPB, (2) support from Montana State University-Billings, and (3) corporate memberships and underwriting.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that use Proprietary Fund Accounting*, and GASB No. 34.

Community Service Grants:
The Corporation for Public Broadcasting (CPB) is a private, non-profit, 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 programming and expand the scope 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.

According to the Communications Act, funds may be used at the discretion of the recipients. KEMC-FM uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

The grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements.

These guidelines pertain to the use of grant funds, record keeping, audits, and financial reporting and licensee status with the Federal Communications Commission.

Donated Facilities, Materials, and Services:
Donated facilities from Montana State University-Billings 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 statement of revenues, expenses, and changes in net assets. Administrative support from Montana State University-Billings consists of indirect costs incurred by the University on behalf of the Station, determined by establishing cost pools, which are grouped into

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Facilities, Materials, and Services:
functional categories such as institutional support, and physical plant support, which is then allocated, based on the Station's direct costs in accordance with guidelines established by the CPB. Donated materials are recorded at their fair value at the time of contribution. Donated personal services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

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

Tax Status:
As a state institution of higher education, the income of the Station is exempt from federal and state income taxes; 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 Station is no longer subject to examinations by federal tax authorities for years before 2008.

Use of Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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 reported period. Actual results could differ from those estimates.

Investments:
The Station accounts for its investments at fair value in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investment income is recorded on the accrual basis. All investment income, including changes in unrealized gain (loss) on the carrying value of investments, is reported as a component of investment income.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash balances are maintained (1) in pooled funds with other University funds, (2) in Montana's short-term investment pool (STIP), and (3) at a local financial institution. The Station's non-interest bearing accounts are subject to unlimited coverage by the FDIC. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At June 30, 2011, bank balances for these accounts exceeded insured limits by $289,606.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Because of the pooled cash concept, it is not possible to allocate the Station's share of the pooled cash balances into the various risk categories.

NOTE 3. CAPITAL ASSETS

Activity for capital assets for the year ended June 30, 2011, is summarized below:

	June 30, 2010	Additions	Retirements	June 30, 2011
Studio and broadcast equipment	$ 159,202	$ -	$ -	$ 159,202
Satellite	13,349	-	-	13,349
Transmission, antenna, tower	859,193	20,856	-	880,049
Furniture and fixtures	27,627	-	-	27,627
Accumulated depreciation	(709,546)	(134,295)	-	(843,841)
	$ 349,825	$ (113,439)	$ -	$ 236,386

Depreciation expense was charged to functions as follows:

Broadcasting	$ 134,295

NOTE 4. PENSION PLANS

The Station's employees are covered under the Montana Public Employees' Retirement System (PERS) or the Montana Teachers' Retirement System (TRS). PERS includes options as either a defined benefit or a defined contribution plan, and TRS is a defined benefit retirement plan. PERS and TRS are multiple-employer, cost sharing plans.

The following information, related to these pension plans, is related to activity of KEMC-FM. For information regarding pension plans related to KEMC-FM, the information can be found in Montana State University-Billings' annual financial report.

NOTE 4. PENSION PLANS (CONTINUED)

The amounts contributed to the Plans during the year ended June 30, 2011, were equal to the required contribution each year. The amounts contributed by KEMC-FM and its employees were:

	PERS	TRS	Percentage of required contribution
Fiscal year ended June 30, 2011	$ 17,854	$ -	100%
Fiscal year ended June 30, 2010	28,104	-	100%
Fiscal year ended June 30, 2009	27,756	-	100%

The following is a schedule of contributions to the Plans:

	Contributions (as a percentage of salary)	
	Employee	Employer
Public Employees' Retirement System (PERS)	6.900%	7.170%
Teachers' Retirement System (TRS)	7.150%	9.850%

The above funding policies provide for periodic employer and employee contributions at rates specified by State law. Contribution requirements are not actuarially determined. An actuary determines the actuarial implications of the funding requirements in a biennial actuarial valuation. 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 40 years. Each system functions uniquely as described as follows:

Public Employees' Retirement System (PERS):
This mandatory system established in 1945 provides retirement services to substantially all public employees. 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. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. 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 Division, PO Box 200231, Helena, MT 59620-0131. They can be reached at 406-444-3154.

NOTE 4. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS):
This mandatory system – established in 1937 and governed by Title 19, Chapter 4 of the Montana Code Annotated, as a cost-sharing, multi-employer defined benefit pension plan – provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, vocational-technical center, or unit of the university system. Eligibility is met with a minimum of 25 years of service or age 60 with at least 5 years of creditable service. The formula for accrual benefits is 1/60 times creditable service times the average final compensation. Rights are vested after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Additional information or a separate financial statement can be obtained from the State of Montana, Department of Administration, Teachers' Retirement Division, PO Box 200239, Helena, MT 59620-0139.

NOTE 5. INVESTMENTS

Investments consist of securities within the Fund 2000 restricted term endowment and the Friends of Public Radio agency account. The Station records the investments at fair value, with changes in value shown as a component of current year non-operating income. A comparison of cost to fair value, with the cumulative unrealized gain, follows:

	Historical Cost	Fair Value	Cumulative Unrealized Gain
Investments	$ 726,726	$ 863,474	$ 136,748

NOTE 5. INVESTMENTS (CONTINUED)

The following is a summary of investments organized by investment type, credit quality including investments of more than 5% in any one issuer:

Investment	Maturity	Credit Risk	Fair Value
Bonds & Notes			
Corporate: HSBC Bank USA	2012	A 1	$ 26,060
Domestic Mutual Funds:			
Dreyfus Emerging Markets Debt Local Currency Fund			21,039
Laudus Mondrian International Fixed Income Fund			43,749
Vanguard Bond Index Fund Income			133,699
Vanguard Intermediate Term B			57,086
Equities			
Ishares MSCI EAFE			99,832
Vanguard MSCI Emerging Markets ETF			50,322
Other			339,419
Complementary Strategies and Real Asset Funds			92,268
Total			$ 863,474

A paid-up life insurance policy was donated in a prior year in which Friends of Public Radio is the beneficiary. The cash value of the policy at June 30, 2011, amounted to $70,419 with a death benefit of $124,067.

Current year investment income consists of the following:

Interest and dividends	$ 21,055
Unrealized gain	95,869
Realized gain	40,414
	$157,338

NOTE 6. DEFERRED CHARITABLE ANNUITIES

The Station is subject to certain provisions of the Montana Code Annotated, which specify that a charitable organization may only issue a "qualified charitable gift annuity" if it meets the following statutory requirements on the date of the annuity agreement: (1) has a minimum of $300,000 net worth or has a minimum of $100,000 in unrestricted cash, cash equivalents, or publicly traded securities, exclusive of the assets funding the annuity agreement; (2) has been in

NOTE 6. DEFERRED CHARITABLE ANNUITIES (CONTINUED)

continuous operation for at least three years or is a successor or affiliate of a charitable organization that has been in continuous operation for at least three years; (3) maintains a separate annuity fund with at least one-half the value of the initial amount transferred for outstanding annuities. If the charitable organization cannot meet the requirements, the issuance of qualified charitable gift annuity by a charitable organization must be commercially insured by a licensed insurance company that is qualified to do business in Montana. For the year ended June 30, 2011, the Station met the requirements to issue qualified charitable gift annuities.

Friends of Public Radio, Inc. have received deferred charitable annuity gifts with a total principal value of $109,698. An annuity obligation liability has been recorded in the amount of $18,544 at June 30, 2011, representing the donors' investment in the contract at annuity rates ranging from 5.0% to 15.0% and annuity payment starting dates ranging from 8 to 39 years. The annuity obligation liability is expected to be approximately $18,544 for the year ended June 30, 2011.

NOTE 7. LONG-TERM LIABILITIES

Activity for long-term liabilities for the year ended June 30, 2011, is summarized below:

	June 30, 2010	Additions	Reductions	June 30, 2011
Compensated absences	$ 81,496	$ 44,457	$ (29,316)	$ 96,637
Less: current portion	(62,467)	17,159	10,546	(34,762)
	$ 19,029	$ 61,616	$ (18,770)	$ 61,875
Annuities obligation	$ 18,271	$ 2,259	$ (1,986)	$ 18,544

NOTE 8. LEASES

Transmitter Site Ground Leases

The Station maintains leases in certain real property for transmitter or translator sites. At June 30, 2011, the following leases were in effect:

	Commencement	Expiration	Monthly Lease Payment	
Miles City, MT	3/1/2007	3/1/2017	$	35
Yellowstone County, MT	6/11/2003	2/28/2012	$	575
Sheridan County, WY	6/1/1994	5/31/2024	$	1
State of Wyoming	7/1/2007	7/1/2017	$	43
Bozeman, MT	1/1/1991	None	$	301
Terry, MT	3/1/1991	None	$	60
Worland, WY	8/15/1990	None	$	87
Cedar Mountain, WY	7/1/1986	None	$	100
Medicine Mountain, WY	7/1/1986	None	$	100
Shelby, MT	12/12/1992	None		None
Forsyth, MT	7/1/1997	2/28/2015	$	150
Broadus, MT	7/1/1996	None		None
Ashland, MT	7/1/1996	None		None
Sheridan, WY	12/1/1997	11/30/2011	$	119
Johnson Country, WY	4/1/2009	3/31/2012	$	100
Bozeman, MT	6/5/2003	6/4/2013	$	125
Wolf Point, MT	9/16/2009	9/16/2016	$	1 per day
Big Timber, MT	7/1/2010	5/19/2017	$	275

Bozeman Studio

The Station leases studio space from the Bozeman Public Library in Bozeman, Montana, with an annual lease payment of $1,500 and the lease expires December 31, 2011.

NOTE 8. LEASES (CONTINUED)

Total lease expense for the Station amounted to $25,200 for the year ended June 30, 2011. Minimum lease payments for the next five years are as follows:

For the year ending June 30,		
2012	$	16,546
2013		15,367
2014		14,167
2015		13,567
2016		12,367
Thereafter		74,224
	$	146,238

NOTE 9. RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

During the year ended June 30, 2011, Yellowstone Public Radio/KEMC-FM received $300,000 in monetary support from Friends of Public Radio.

The following in-kind contributions were recorded in the Station's financial statements for the year ended June 30, 2011:

University indirect administrative support	$	197,406
Occupancy		17,298
Total related party in-kind contributions		214,704
Other in-kind contributions		39,505
Total	$	254,209

NOTE 10. COMMITMENTS AND CONTINGENCIES

Funding Sources

The Station operates their programs with the aid of funding primarily from the following sources:

1) CPB grants
2) Appropriations from the Montana University System
3) Contributions from Friends of Public Radio, Inc.
4) Corporate membership and 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.

NOTE 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

CPB Grant
The Station must use its community service grants within two one-year grant periods. Any unexpended funds must be returned to the 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.

Other
The Station faces a number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, and (c) workers' compensation. The Station, as a department of the Montana University System, participates in the risk management programs of the Montana University System.

NOTE 11. MONTANA COMMUNITY FOUNDATION

Donations were received in prior years through the Montana Community Foundation (MCF) to establish an irrevocable endowment fund on the books of the MCF, known as the "Friends of Public Radio - Fund 2000 Endowment Fund." The principal of the Fund, along with net capital appreciation, shall be kept and invested by MCF, and net income from the fund is distributable to Friends of Public Radio at least annually. The value of the fund at June 30, 2011, amounted to $72,361.

NOTE 12. TERM ENDOWMENT - FUND 2000

A term endowment, known as "Yellowstone Public Radio Fund 2000," was established to ensure future generations' access to KEMC's coverage area in Montana and Wyoming. The primary mission of this fund is to provide permanent financial shelter from KEMC against sudden loss of federal funding, unforeseen emergencies, and natural disasters.

The fund will be continually reinvested to provide ongoing support for Yellowstone Public Radio. Earnings from the fund are unrestricted, but Board approval is necessary for withdrawal. The principal can be used, if necessary, for these special circumstances:

- To pay for the deductible of insurance costs, to repair, or replace damaged equipment/facilities in the event of a natural disaster or other emergency.
- To provide emergency (supplementary) funds in the event of sudden changes in state or federal appropriations for public radio.
- To expand and enhance access to public radio.

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Montana State law requires state agencies to provide access to health insurance benefits to eligible retirees up to Medicare – eligible age (65) (MCA §2-18-704(1)(a)). The Board of Regents of the Montana University System (MUS) has elected to provide access to health insurance benefits beyond age 65. Eligible University retirees may participate in the health insurance plan, provided that they contribute to the cost of the plan.

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

The MUS's Interunit Benefits Committee, at the direction of the Office of the Commissioner for Higher Education, sets the premiums for such participation. Until a retiree reaches age 65, individual retiree participation premiums range from $517 - $608 per month, depending on the level of deductible and other selected plan features. Upon reaching age 65 (Medicare eligibility), monthly participation premiums range from $263 - $310 for an individual retiree. Coverage is also extended to dependents and surviving dependents of the employee.

The MUS Group Benefits Plan does not issue a stand-alone financial report, but is subject to audit as part of the State of Montana's Comprehensive Annual Financial Report (CAFR). A copy of the most recent CAFR can be obtained online at *http://afsd.mt.gov/CAFR/CAFR.asp* or by contacting the Montana Department of Administration, PO Box 200102, Helena, MT 59620-0102.

The plan is considered to be a multi-employer agent plan. All units of the MUS fund the post-employment benefits on a pay-as-you-go basis from general assets. The University's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years.

Because MSU does not allocate the liability or impose a funding mandate at the individual fund level, and the state does not require funding, no liability for OPEB is included in the accompanying statements for post-retirement healthcare costs related to employees paid from pledged funds.

SUPPLEMENTARY INFORMATION

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
RECONCILIATION OF FINANCIAL STATEMENT INCOME AND EXPENSE
TO THE CORPORATION FOR PUBLIC BROADCASTING (CPB) REPORT
Year ended June 30, 2011

Total support and revenue per statement of revenues, expenses, and changes in net assets:		
Operating revenue	$	816,361
Non-operating revenue		1,056,980
		1,873,341
Less:		
Net investment income (other than endowment investment income)		(136,283)
In-kind contributions ineligible as NFFS		(535)
Other revenue ineligible as NFFS		(21,980)
Miscellaneous revenue ineligible as NFFS		-
PFTP grant deduction		-
Digital conversion grant deduction		(26,994)
CPB Grant deduction		(237,383)
Total non-federal financial support per the CPB Report (Schedule of Non-Federal Financial Support)	$	1,450,166
Total expense per statement of revenues, expenses and changes in net assets:		
Operating expenses	$	1,481,900
Additions to property, plant and equipment		20,856
Total expenditures per the CPB Report (Schedule E, line 10)	$	1,502,756

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To the Governance and Management of
Yellowstone Public Radio/KEMC-FM
Billings, Montana

We have audited the financial statements of the business type activities and aggregate discretely presented component unit of Yellowstone Public Radio/KEMC-FM, operated by Montana State University-Billings (the Station), for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 27, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in September 2011.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Station are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense is based on the estimated useful lives of fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have also attached a schedule that summarizes the corrected misstatements of the financial statements.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated November 18, 2011.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Station and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson ZurMuehlen & Co, P.C.

Butte, Montana
November 18, 2011

Yellowstone Public Radio/KEMC-FM
Corrected Misstatements
June 30, 2011

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		**4657**		
TO ADJUST UNREALIZED GAIN TO ACTUAL				
7000	Contributions		96,082.00	
7020	Investment (Income) Loss			2,076.00
7020	Investment (Income) Loss			94,006.00
Total			**96,082.00**	**96,082.00**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		**5052**		
TO ADJUST FOR ERROR MADE IN SPREADSHEET				
6100	Management and General		9,981.00	
6110	Fundraising		13,108.00	
6000	Programming and Production			23,089.00
Total			**23,089.00**	**23,089.00**

Yellowstone Public Radio/KEMC-FM
Uncorrected Misstatements
June 30, 2011

Account	Description	W/P Ref	Debit	Credit
Proposed JE # 2		**4603**		
TO REDUCE ACCOUNTS RECEIVABLE FOR UNCOLLECTIBLE BALANCES				
6100	Management and General		1,240.00	
1030	Accounts Receivable			1,240.00
Total			**1,240.00**	**1,240.00**

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To the Governance and Management of
Yellowstone Public Radio/KEMC-FM

In planning and performing our audit of the financial statements of Yellowstone Public Radio/KEMC-FM (the Station) as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Station's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Station's internal control to be material weaknesses:

2011-1 Investment income

The Station reconciled investment balances to the investment statement at year end; however, there was an error in the investment income balance that resulted in an adjustment entry to correctly report the investment income and contribution revenue at year end. The entry did not impact total revenue. We recommend that management reconcile the investment income to the investment statements to ensure accurate reporting of investment and contribution income at year end.

This communication is intended solely for the information and use of management and governance and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson ZurMuehlen + Co, P.C.

Butte, Montana
November 18, 2011