

Central Michigan University Public Broadcasting Network

**Consolidated Financial Report
with Additional Information
June 30, 2016**

Central Michigan University Public Broadcasting Network

Contents

| | |
|--|-------|
| Report Letter | 1-3 |
| Management's Discussion and Analysis | 4-10 |
| Consolidated Financial Statements | |
| Statement of Net Position | 11 |
| Statement of Revenue, Expenses, and Changes in Net Position | 12 |
| Statement of Cash Flows | 13 |
| Notes to Consolidated Financial Statements | 14-37 |
| Additional Information | 38 |
| Consolidating Statement of Net Position | 39 |
| Consolidating Statement of Revenue, Expenses, and Changes in Net Position | 40 |

Independent Auditor's Report

To the Board of Trustees
Central Michigan University
Public Broadcasting Network
c/o Central Michigan University

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Central Michigan University Public Broadcasting Network and its subsidiaries and its station operators (the "Network"), a department of Central Michigan University, as of and for the years ended June 30, 2016 and 2015 and the related notes to the consolidated financial statements, which collectively comprise Central Michigan University Public Broadcasting Network's consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 did not audit the financial statements of Delta College WUCX-FM, which represent 1.37 percent, (.39) percent, and 4.26 percent of the assets, net position, and revenue, respectively, of the Network. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Delta College WUCX-FM, is based solely on the report of the other auditors. 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 consolidated financial statements are free from 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 the 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 opinions.

To the Board of Trustees
Central Michigan University
Public Broadcasting Network
c/o Central Michigan University

Opinion

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Michigan University Public Broadcasting Network as of June 30, 2016 and 2015 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains that these consolidated financial statements of Central Michigan University Public Broadcasting Network are intended to present only the financial position, the changes in its financial position, and the changes in its cash flows of only that portion of the University's business-type activities that are attributable to the transactions of that department. They do not purport to, and do not, present fairly the financial position of Central Michigan University as of June 30, 2016 and 2015, the changes in its financial position, or the changes in its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the schedule of the Network's proportionate share of the net pension liability and the schedule of network contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic consolidated financial statements. Such missing information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic consolidated financial statements is not affected by this missing information.

To the Board of Trustees
Central Michigan University
Public Broadcasting Network
c/o Central Michigan University

Other Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise Central Michigan University Public Broadcasting Network and its subsidiaries' basic consolidated financial statements. The additional information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information, as identified in the table of contents, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

January 10, 2017

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited

This section of Central Michigan University Public Broadcasting Network's (the "Network") annual consolidated financial report presents our discussion and analysis of the financial performance of the television and radio stations for the fiscal year ended June 30, 2016, with selected comparative information for the years ended June 30, 2015 and 2014. This discussion has been prepared by management along with the consolidated financial statements and related note disclosures and should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and notes. The discussion and analysis is designed to focus on current activities, resulting changes, and current known facts. The consolidated financial statements, notes, and this discussion are the responsibility of management.

Reporting Entity

Central Michigan University (the "University") operates the not-for-profit Network through the Department of Public Broadcasting under licenses granted to the board of trustees of the University. The assets, liabilities, and net position of the Network, excluding the Delta College portion, are included in the financial statements of Central Michigan University. The stations in the Network are identified by the following call letters:

| | |
|-------------------------------------|-----------------------------|
| WCMU-DT and WCMU-FM, Mount Pleasant | WUCX-FM, Bay City |
| WCMV-DT, Cadillac | WCMW-FM, Harbor Springs |
| WCMW-DT, Manistee | WCMB-FM, Oscoda |
| WCMZ-DT, Flint | WCMZ-FM, Sault Sainte Marie |
| WCML-DT and WCML-FM, Alpena | WWCM-FM, Standish |
| W236BU-FM, Traverse City | |

WUCX-FM, Bay City, is licensed to the University and is operated jointly by Central Michigan University and Delta College. The financial statements of Delta College WUCX-FM have been audited separately and have been combined with the Network in these consolidated financial statements. Inter-organizational transactions have been eliminated. See Note 11 for disclosures related to Delta College WUCX-FM's financial statements.

Only WCMU-DT and WCMU-FM are funded by the Corporation for Public Broadcasting (CPB). However, the operations of all of the stations (including Delta College WUCX-FM) have been combined for financial reporting purposes, as allowed by the CPB. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Using the Financial Report

The Network's consolidated financial report includes three financial statements: the consolidated statement of net position, the consolidated statement of revenue, expenses, and changes in net position, and the consolidated statement of cash flows. The consolidated financial statements present focus on the financial condition, the results of operations, and cash flows of the Network as a whole. These consolidated financial statements are prepared in accordance with Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The consolidated statement of net position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The consolidated statement of revenue, expenses, and changes in net position presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating revenue. The utilization of long-lived assets, referred to as capital assets, is reflected in the consolidated financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The consolidated statement of cash flows presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the Network during the year.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Condensed Financial Information

Consolidated Statement of Net Position

| | 2016 | 2015 | 2014 |
|------------------------|----------------------|----------------------|----------------------|
| Current assets | \$ 3,771,937 | \$ 2,481,017 | \$ 1,760,034 |
| Noncurrent assets: | | | |
| Capital | 9,725,878 | 10,425,590 | 11,099,303 |
| Other | 3,211,603 | 3,213,666 | 1,854,092 |
| | <u>16,709,418</u> | <u>16,120,273</u> | <u>14,713,429</u> |
| Deferred outflows | 233,776 | 211,607 | - |
| Current liabilities | 248,962 | 329,744 | 107,294 |
| Noncurrent liabilities | 2,956,292 | 2,357,115 | 111,802 |
| | <u>3,205,254</u> | <u>2,686,859</u> | <u>219,096</u> |
| Deferred inflows | 117,526 | 219,918 | - |
| Total net position | <u>\$ 13,620,414</u> | <u>\$ 13,425,103</u> | <u>\$ 14,494,333</u> |

Current assets consist of cash and cash equivalents, receivables, prepaid expenses, and unexpired program rights. Current assets totaled \$3.8 million at June 30, 2016 as compared to \$2.5 million at June 30, 2015 and \$1.8 million at June 30, 2014.

Fiscal year 2016 compared to 2015

- Cash and cash equivalents increased \$1.2 million due largely to the growth in equipment reserve funds.

Fiscal year 2015 compared to 2014

- Cash and cash equivalents increased \$0.7 million due largely to the growth in equipment reserve funds.

Noncurrent assets include capital assets, net of accumulated depreciation, and endowment investments at fair value. Noncurrent assets totaled \$12.9 million at June 30, 2016 as compared to \$13.6 million at June 30, 2015 and \$13.0 million at June 30, 2014.

Fiscal year 2016 compared to 2015

- Capital assets decreased \$0.7 million due to less capital additions offset by annual depreciation. Refer to Note 3 for details regarding capital assets.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Fiscal year 2015 compared to 2014

- Endowment investments increased \$1.4 million, due largely to the addition of a new endowment fund. Capital assets decreased \$0.7 million due to less capital additions offset by annual depreciation. Refer to Note 3 for details regarding capital assets.

Noncurrent liabilities include compensated absences for employees, net pension liability as required by GASB 68, and underwriting liability. Noncurrent liabilities totaled \$3 million at June 30, 2016 as compared to \$2.4 million at June 30, 2015 and \$0.1 million at June 30, 2014. Fiscal year 2016 increase includes underwriting liability of \$0.1 million and net pension liability of \$0.5 million. The \$2.3 million fiscal year 2015 increase was due to the addition of the net pension liability. Compensated absences remain consistent year to year.

Net position represents the difference between the Network's assets and liabilities. Total net position at June 30 is summarized as follows:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| Restricted - Nonexpendable | \$ 2,675,888 | \$ 2,495,000 | \$ 1,071,926 |
| Restricted - Expendable | 497,108 | 664,523 | 940,376 |
| Unrestricted | 721,540 | (160,010) | 1,382,728 |
| Net investment in capital assets | <u>9,725,878</u> | <u>10,425,590</u> | <u>11,099,303</u> |
| Total net position | <u>\$13,620,414</u> | <u>\$13,425,103</u> | <u>\$14,494,333</u> |

Fiscal year 2016 compared to 2015

- Net position increased by \$0.2 million. Restricted - nonexpendable increased by \$0.2 million due largely to the addition of a new endowment fund. Restricted - expendable decreased by \$0.2 million due to a decrease in income from investments. Unrestricted increased by \$0.9 million largely due to the increase in the equipment reserve fund. Net investment in capital assets decreased by \$0.7 million due to less capital additions offset by annual depreciation.

Fiscal year 2015 compared to 2014

- Net position decreased by \$1.1 million. Restricted - nonexpendable increased by \$1.4 million due to the addition of a new endowment fund. Restricted - expendable decreased by \$0.3 million due to reclassification of the Network's general operations activity to unrestricted. Unrestricted decreased by \$1.5 million due to the increase in the equipment reserve fund offset by the change in accounting principle for the pension liability. Net investment in capital assets decreased by \$0.7 million due to less capital additions offset by annual depreciation.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Consolidated Statement of Revenue, Expenses, and Changes in Net Position

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Operating Revenue | | | |
| University support - Operating | \$ 3,288,780 | \$ 3,077,669 | \$ 3,005,025 |
| Community service grants | 1,178,466 | 1,335,736 | 1,176,619 |
| Contributions and underwriting | 2,854,365 | 2,964,872 | 2,395,103 |
| Other operating revenue | <u>553,461</u> | <u>380,015</u> | <u>538,785</u> |
| Total operating revenue | 7,875,072 | 7,758,292 | 7,115,532 |
| Operating Expenses | <u>7,746,037</u> | <u>8,056,545</u> | <u>7,540,495</u> |
| Operating Income (Loss) | 129,035 | (298,253) | (424,963) |
| Nonoperating (Expenses) Revenue - | | | |
| Investment (loss) income - Net of expenses | <u>(114,611)</u> | <u>16,973</u> | <u>278,711</u> |
| Income (Loss) Before Other | 14,424 | (281,280) | (146,252) |
| Other | | | |
| Capital grants and gifts, net of allowance | - | - | 56,764 |
| Additions to permanent endowments | <u>180,887</u> | <u>1,425,376</u> | <u>1,339</u> |
| Total other | <u>180,887</u> | <u>1,425,376</u> | <u>58,103</u> |
| Increase (Decrease) in Net Position | 195,311 | 1,144,096 | (88,149) |
| Net Position - Beginning of year | 13,425,103 | 14,494,333 | 14,582,482 |
| Adjustment for change in accounting principle (Note 1) | <u>-</u> | <u>(2,213,326)</u> | <u>-</u> |
| Net Position - End of year | <u>\$ 13,620,414</u> | <u>\$ 13,425,103</u> | <u>\$ 14,494,333</u> |

Total operating revenue for fiscal years ended June 30, 2016, 2015, and 2014 was \$7.9 million, \$7.8 million, and \$7.1 million, respectively.

Fiscal year 2016 compared to 2015

- Contributions and underwriting decreased \$0.1 million due to fewer bequests received in 2016.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Fiscal year 2015 compared to 2014

- Contributions and underwriting increased \$0.6 million due to a number of bequests received in 2015.

Operating expenses for fiscal year 2016 totaling \$7.7 million include compensation and benefits of \$2.9 million, utilities of \$0.4 million, supplies of \$3.4 million, and depreciation of \$1.0 million.

A comparative summary of the Network's expenses for the years ended June 30 is as follows:

| | 2016 | 2015 | 2014 |
|---------------------------|---------------------|---------------------|---------------------|
| Compensation and benefits | \$ 2,927,662 | \$ 3,051,833 | \$ 3,102,332 |
| Supplies | 3,431,424 | 3,597,837 | 3,013,665 |
| Utilities | 428,516 | 442,276 | 433,972 |
| Depreciation | 958,435 | 964,599 | 990,525 |
| Total operating expenses | <u>\$ 7,746,037</u> | <u>\$ 8,056,545</u> | <u>\$ 7,540,494</u> |

Fiscal year 2016 compared to 2015

- Compensation and benefits, utilities, and depreciation remained consistent with fiscal year 2015.
- Supplies decreased \$0.2 million due to a decrease in tower maintenance projects.

Fiscal year 2015 compared to 2014

- Compensation and benefits, utilities, and depreciation remained consistent with fiscal year 2014.
- Supplies increased \$0.6 million due to a tower re-lighting project and increased programming costs.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Consolidated Statement of Cash Flows

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|
| Cash received from operations | \$ 6,859,767 | \$ 6,941,808 | \$ 6,260,807 |
| Cash expended for operations | <u>(5,482,317)</u> | <u>(6,009,293)</u> | <u>(5,821,066)</u> |
| Net cash provided by operating activities | 1,377,450 | 932,515 | 439,741 |
| Net cash provided by noncapital financing activities | 180,887 | 1,425,376 | 1,339 |
| Net cash used in capital financing activities | (258,723) | (290,886) | (264,519) |
| Net cash (used in) provided by investing activities | <u>(112,548)</u> | <u>(1,342,600)</u> | <u>58,926</u> |
| Net increase in cash and cash equivalents | 1,187,066 | 724,405 | 235,487 |
| Cash and cash equivalents at beginning of year | <u>1,927,680</u> | <u>1,203,275</u> | <u>967,788</u> |
| Cash and cash equivalents at end of year | <u>\$ 3,114,746</u> | <u>\$ 1,927,680</u> | <u>\$ 1,203,275</u> |

Summary

The Network operated within available resources during the year. Major sources of revenue to fund operations included the general University support, contributions and underwriting, and support from the Corporation for Public Broadcasting. Expenses were limited to correspond with available revenue.

Central Michigan University Public Broadcasting Network

Consolidated Statement of Net Position

| | June 30 | |
|---|----------------------|----------------------|
| | 2016 | 2015 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 2) | \$ 3,114,746 | \$ 1,927,680 |
| Accounts receivable | 20,361 | 16,242 |
| Pledges receivable - Net | 436,276 | 420,204 |
| Prepaid expenses | 200,554 | 113,974 |
| Unexpired program rights | - | 2,917 |
| Total current assets | 3,771,937 | 2,481,017 |
| Noncurrent assets: | | |
| Endowment investments (Note 2) | 3,211,603 | 3,213,666 |
| Capital assets - Net (Note 3) | 9,725,878 | 10,425,590 |
| Total noncurrent assets | 12,937,481 | 13,639,256 |
| Total assets | 16,709,418 | 16,120,273 |
| Deferred Outflows | 233,776 | 211,607 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (Note 4) | 37,052 | 217,419 |
| Accrued payroll (Note 4) | 57,772 | 94,965 |
| Unearned revenue | 10,472 | 17,360 |
| Long-term liabilities current portion (Note 5) | 143,666 | - |
| Total current liabilities | 248,962 | 329,744 |
| Noncurrent liabilities: | | |
| Long-term liabilities (Note 5) | 169,416 | 106,756 |
| Net pension liability (Note 7) | 2,786,876 | 2,250,359 |
| Total noncurrent liabilities | 2,956,292 | 2,357,115 |
| Total liabilities | 3,205,254 | 2,686,859 |
| Deferred Inflows | 117,526 | 219,918 |
| Net Position | | |
| Net investment in capital assets | 9,725,878 | 10,425,590 |
| Restricted for: | | |
| Nonexpendable | 2,675,888 | 2,495,000 |
| Expendable | 497,108 | 664,523 |
| Unrestricted | 721,540 | (160,010) |
| Total net position | \$ 13,620,414 | \$ 13,425,103 |

Central Michigan University Public Broadcasting Network

Consolidated Statement of Revenue, Expenses, and Changes in Net Position

| | Year Ended June 30 | |
|--|----------------------|----------------------|
| | 2016 | 2015 |
| Revenue | | |
| Operating revenue: | | |
| University appropriations - Operations | \$ 2,121,596 | \$ 2,021,875 |
| University additional support - Operations | 322,321 | 289,136 |
| University administrative support - Operations | 844,863 | 766,658 |
| Contributions and pledges - Net of allowance | 2,382,051 | 2,455,108 |
| Community service grants | 1,178,466 | 1,335,736 |
| Program underwriting | 467,314 | 504,764 |
| Production underwriting | 5,000 | 5,000 |
| Rents and royalties | 382,723 | 304,784 |
| Special fundraising activities | 2,350 | - |
| In-kind support | 143,362 | 27,696 |
| Other operating revenue | 25,026 | 47,535 |
| Total operating revenue | 7,875,072 | 7,758,292 |
| Expenses | | |
| Operating expenses: | | |
| Programming and local production | 2,262,205 | 2,407,881 |
| Broadcasting | 2,503,634 | 2,424,340 |
| Program information | 365,512 | 338,716 |
| Fundraising | 1,220,295 | 1,115,839 |
| Management and general | 435,956 | 805,169 |
| Depreciation | 958,435 | 964,600 |
| Total operating expenses | 7,746,037 | 8,056,545 |
| Operating Income (Loss) | 129,035 | (298,253) |
| Nonoperating (Expenses) Revenue - | | |
| Investment (loss) income | (114,611) | 16,973 |
| Income (Loss) Before Other | 14,424 | (281,280) |
| Other - Additions to permanent endowments | 180,887 | 1,425,376 |
| Increase in Net Position | 195,311 | 1,144,096 |
| Net Position | | |
| Beginning of year | 13,425,103 | 14,494,333 |
| Adjustment for change in accounting principle (Note 1) | - | (2,213,326) |
| End of year | \$ 13,620,414 | \$ 13,425,103 |

Central Michigan University Public Broadcasting Network

Consolidated Statement of Cash Flows

| | Year Ended June 30 | |
|---|---------------------|---------------------|
| | 2016 | 2015 |
| Cash Flows from Operating Activities | | |
| Grants from CPB | \$ 1,178,466 | \$ 1,335,736 |
| Payments to suppliers | (2,152,107) | (2,581,021) |
| Payments for utilities | (428,516) | (442,276) |
| Payments to employees | (2,138,463) | (2,212,528) |
| Payments for benefits | (763,231) | (773,468) |
| Contributions | 2,349,942 | 2,429,724 |
| Underwriting | 488,350 | 506,511 |
| Rents and royalties | 370,171 | 316,756 |
| Special fundraising events | 2,350 | - |
| General University support | 2,443,917 | 2,311,011 |
| Other receipts | 26,571 | 42,070 |
| Net cash provided by operating activities | 1,377,450 | 932,515 |
| Cash Flows from Noncapital Financing Activities - Private gifts for endowment purposes | 180,887 | 1,425,376 |
| Cash Flows from Capital Financing Activities - Purchases of capital assets | (258,723) | (290,886) |
| Cash Flows from Investing Activities | | |
| Proceeds from sales and maturities of investments | 58,155 | 90,576 |
| Investment income | 34,516 | 206,837 |
| Purchases of investments | (55,475) | (71,147) |
| Endowment pool investments | (149,744) | (1,568,866) |
| Net cash (used in) investing activities | (112,548) | (1,342,600) |
| Net Increase in Cash and Cash Equivalents | 1,187,066 | 724,405 |
| Cash and Cash Equivalents - Beginning of year | 1,927,680 | 1,203,275 |
| Cash and Cash Equivalents - End of year | \$ 3,114,746 | \$ 1,927,680 |
| Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities | | |
| Operating income (loss) | \$ 129,035 | \$ (298,253) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation expense | 958,435 | 964,599 |
| Changes in assets and liabilities: | | |
| Receivables - Net | (20,191) | (27,641) |
| Prepaid expenses | (86,579) | 31,062 |
| Accounts payable and accrued liabilities | (180,367) | 197,415 |
| Accrued payroll | (37,193) | 13,900 |
| Unearned revenue | (6,888) | 11,135 |
| Compensated absences | (1,046) | (5,046) |
| Net pension liability | 536,517 | 45,344 |
| Change in deferred outflows/inflows | (124,561) | - |
| Other obligations | 207,371 | - |
| Unexpired program rights | 2,917 | - |
| Net cash provided by operating activities | \$ 1,377,450 | \$ 932,515 |

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Industry Information and Significant Accounting Policies

Reporting Entity - Central Michigan University, Mount Pleasant, Michigan (the “University” or CMU) operates the not-for-profit television and radio stations of Central Michigan University Public Broadcasting Network (the “Network”), through the Department of Public Broadcasting under licenses granted to the board of trustees of the University. These stations are identified by the following call letters:

WCMU-DT and WCMU-FM, Mount Pleasant

WCMV-DT, Cadillac

WCMW-DT, Manistee

WCMZ-DT, Flint

WCML-DT and WCML-FM, Alpena

WUCX-FM, Bay City

WCMW-FM, Harbor Springs

WCMB-FM, Oscoda

WCMZ-FM, Sault Sainte Marie

WWCM-FM, Standish

W236BU-FM, Traverse City

WUCX-FM, Bay City, is operated jointly by Central Michigan University and Delta College. For 2016 and 2015, the financial statements of Delta College WUCX-FM have been audited separately and combined with Central Michigan University Public Broadcasting Network in these consolidated financial statements. Interorganizational transactions have been eliminated. See Note 11 for disclosures related to Delta College WUCX-FM financial statements.

Only WCMU-DT and WCMU-FM are funded by the Corporation for Public Broadcasting (CPB). However, the operations of all of the stations have been combined for financial reporting purposes, as allowed by the CPB.

Basis of Presentation - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Industry Information and Significant Accounting Policies (Continued)

The Network follows the “business-type” activities requirements of GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements require the following components of the Network’s consolidated financial statements:

- Management’s discussion and analysis
- Basic consolidated financial statements, including a consolidated statement of net position, consolidated statement of revenue, expenses, and changes in net position, and consolidated statement of cash flows for the Network as a whole
- Notes to the consolidated financial statements

GASB Statement No. 34, amended by GASB Statement No. 35, amended by GASB Statement No. 63, requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted:
 - Nonexpendable - Net position subject to externally imposed constraints that it be maintained permanently by the Network. Such assets include the Network’s permanent endowment funds.
 - Expendable - Net position whose use by the Network is subject to externally imposed constraints that can be fulfilled by actions of the Network pursuant to those constraints or that expire by the passage of time.
- Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board or may otherwise be limited by contractual agreements with outside parties.

Basis of Accounting - The accompanying consolidated financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Cash and Cash Equivalents and Investments - Cash and cash equivalents and marketable securities are held by Central Michigan University or Delta College funds. The amounts reflected in the accompanying consolidated statement of net position represent the amounts due to the Network from the University's pooled cash and investments. Investments are stated at fair value.

Accounts Receivable - Accounts receivable at June 30, 2016 and 2015 include tower rent-related receivables. Accounts receivable are deemed fully collectible.

Capital Assets - Institutional capital assets are stated at cost when purchased and at appraised value for other acquisitions. Building additions and improvements with a cost in excess of \$50,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 with a useful life greater than one year is capitalized.

Depreciation is provided for capital assets on a straight-line basis over the estimated useful life of the property as follows:

| <u>Classification</u> | <u>Life</u> |
|------------------------|-------------|
| Buildings > \$100,000 | 40 years |
| Buildings < \$100,000 | 10 years |
| Intangible Assets | 40 years |
| Equipment - Digital TV | 20 years |
| Equipment | 8 years |
| Vehicles | 4 years |

Intangible Assets - Intangible assets acquired for the exclusive or predominant use by the Network have been recorded at cost at the date of acquisition. The intangible assets have indefinite useful lives.

Unearned Revenue - Unearned revenue represents tower lease revenue that will be recognized by the Network during the year in which it is earned.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Administrative Support - Administrative support from the University consists of that portion of the indirect costs incurred by the University and attributable to the Network's operations (such as personnel services, purchasing, and payables). Administrative support is calculated and recorded as revenue and expense using methods mandated by the CPB.

Revenue Recognition - Revenue is recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended. Operating revenue of the Network consists of general appropriations from the University, contributions, community service grants from the CPB, outreach grants, underwriting, and auxiliary enterprise revenue. Nonoperating revenue of the Network consists of investing activities, capital contributions, and capital grants. Restricted and unrestricted resources are spent and tracked at the station level within the guidelines of donor restrictions.

Contributions and Pledges - Contributions are recorded when received. Voluntary nonexchange transactions (pledges) are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded net of allowance for uncollectible pledges.

Reclassification - Certain 2015 amounts on the consolidated statement of net position have been reclassified to conform to the current year presentation.

Deferred outflows totaling \$211,607 related to the Network's proportionate share of the net pension liability for the Michigan Public School Employees Retirement System (MPERS) plan which were presented net with deferred inflows in 2015 have been reclassified to the deferred outflows line on the 2015 consolidated statement of net position.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Adoption of New Standard - The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. GASB Statement No. 71 is a clarification to GASB Statement No. 68, requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statement, the Network has reported its allocated share of the net pension liability of \$2.2 million as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. Amounts as of June 30, 2014 have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Deferred Outflows of Resources - In addition to assets, the consolidated statement of net position reports a separate section for deferred outflows of resources. This separate consolidated financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Network's deferred outflows of resources related to the net pension liability were \$233,776 and \$211,607 as of June 30, 2016 and 2015, respectively. See Notes 7 and 11 for more information.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Deferred Inflows of Resources - In addition to liabilities, the consolidated statement of net position reports a separate section for deferred inflows of resources. This separate consolidated financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Network's deferred inflows of resources related to the net pension liability were \$117,526 and \$219,918 as of June 30, 2016 and 2015, respectively. See Notes 7 and 11 for more information.

Note 2 - Cash and Cash Equivalents and Endowment Investments

The Network considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Network's deposits and investments are included on the consolidated statement of net position under the following classifications as of June 30:

| | 2016 | 2015 |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 3,114,746 | \$ 1,927,680 |
| Endowment investments | <u>3,211,603</u> | <u>3,213,666</u> |
| Total | <u>\$ 6,326,349</u> | <u>\$ 5,141,346</u> |

The above amounts are classified by GASB Statement No. 3 in the following categories at June 30:

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Bank deposits (checking accounts, savings accounts, and certificates of deposit) | \$ 3,114,746 | \$ 1,927,680 |
| Investments in securities and similar vehicles | <u>3,211,603</u> | <u>3,213,666</u> |
| Total | <u>\$ 6,326,349</u> | <u>\$ 5,141,346</u> |

Deposits - The University invests and manages cash collectively by pooling cash reserves, including cash of the Network. It is not practicable to determine the amount reflected in the accounts of the banks (without recognition of checks written but not cleared, or of deposits in transit) or the amount of federal depository insurance that is applicable to the Network's portion of the pooled deposits as of June 30, 2016 or 2015. A portion of the Network's cash is deposited in interest-bearing accounts.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 2 - Cash and Cash Equivalents and Endowment Investments (Continued)

Endowment Investments - The Network has received certain contributions that have been designated for use as endowments. Such assets are pooled with and held within the University's Endowment Fund and are invested in brokerage account cash money funds, U.S. Treasury bills, notes and bonds, and debt and equity securities. The Network's investments are stated at fair value based upon market quotations. At June 30, 2016 and 2015, the fair value of the Network's investments was \$3,211,603 and \$3,213,666, respectively. The cost of the endowment investment at June 30, 2016 and 2015 was \$3,038,197 and \$2,857,310, respectively. Information as to amount by investment type and associated risks is included in the notes to the financial statements for Central Michigan University and Delta College.

Donor-restricted Endowments - Under Michigan Law set forth in the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 (UPMIFA), the University Board acts in a fiduciary capacity as trustee of its endowment funds. The UPMIFA requires the University Board to exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purposes of the specific endowment regarding current expenditures and preservation of purchasing power of the funds. Endowment realized and unrealized appreciation is reported consistently with the net position categorization of the related endowment, net of spending policy distributions.

Note 3 - Capital Assets

| | Beginning Balance | | Ending Balance | |
|--------------------------------|----------------------|---------------------|-------------------|---------------------|
| | July 1, 2015 | Additions | Reductions | June 30, 2016 |
| Land | \$ 197,598 | \$ - | \$ - | \$ 197,598 |
| Buildings | 7,139,915 | 179,510 | - | 7,319,425 |
| Furniture and equipment | 14,313,586 | 87,872 | 230,333 | 14,171,125 |
| Intangible assets | <u>305,612</u> | <u>-</u> | <u>-</u> | <u>305,612</u> |
| Total | 21,956,711 | 267,382 | 230,333 | 21,993,760 |
| Less accumulated depreciation: | | | | |
| Buildings | 3,620,824 | 183,004 | - | 3,803,828 |
| Furniture and equipment | 7,745,209 | 767,651 | 221,674 | 8,291,186 |
| Intangible assets | <u>165,088</u> | <u>7,780</u> | <u>-</u> | <u>172,868</u> |
| Total | <u>11,531,121</u> | <u>958,435</u> | <u>221,674</u> | <u>12,267,882</u> |
| Capital assets - Net | <u>\$10,425,590</u> | <u>\$ (691,053)</u> | <u>\$ 8,659</u> | <u>\$ 9,725,878</u> |

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 3 - Capital Assets (Continued)

| | Beginning Balance | | Reductions | Ending Balance |
|--------------------------------|----------------------|---------------------|------------------|----------------------|
| | July 1, 2014 | Additions | | June 30, 2015 |
| Land | \$ 197,598 | \$ - | \$ - | \$ 197,598 |
| Buildings | 7,026,099 | 196,210 | 82,394 | 7,139,915 |
| Furniture and equipment | 14,596,908 | 134,868 | 418,190 | 14,313,586 |
| Intangible assets | 305,612 | - | - | 305,612 |
| Total | 22,126,217 | 331,078 | 500,584 | 21,956,711 |
| Less accumulated depreciation: | | | | |
| Buildings | 3,471,992 | 204,053 | 55,221 | 3,620,824 |
| Furniture and equipment | 7,397,614 | 752,767 | 405,172 | 7,745,209 |
| Intangible assets | 157,308 | 7,780 | - | 165,088 |
| Total | 11,026,914 | 964,600 | 460,393 | 11,531,121 |
| Capital assets - Net | <u>\$ 11,099,303</u> | <u>\$ (633,522)</u> | <u>\$ 40,191</u> | <u>\$ 10,425,590</u> |

Subsequent to June 30, 2016, the Network purchased an antenna and entered into a commitment to purchase a transmitter at a total cost of approximately \$313,000.

Note 4 - Accounts Payable, Accrued Liabilities, and Accrued Payroll

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year. Accounts payable, accrued liabilities, and accrued payroll at June 30 were as follows:

| | 2016 | 2015 |
|-----------------|------------------|-------------------|
| Vendors | \$ 37,052 | \$ 217,419 |
| Accrued payroll | 57,772 | 94,965 |
| Total | <u>\$ 94,824</u> | <u>\$ 312,384</u> |

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 5 - Long-term Liabilities

Long-term liabilities at June 30 were as follows:

| | Beginning Balance July 1, 2015 | Change | Ending Balance June 30, 2016 | Current Portion |
|----------------------|-----------------------------------|-------------------|------------------------------------|-------------------|
| Compensated absences | \$ 106,756 | \$ (1,046) | \$ 105,710 | \$ - |
| Other obligations | - | 207,372 | 207,372 | 143,666 |
| Total | <u>\$ 106,756</u> | <u>\$ 206,326</u> | <u>\$ 313,082</u> | <u>\$ 143,666</u> |

| | Beginning Balance July 1, 2014 | Change | Ending Balance June 30, 2015 | Current Portion |
|----------------------|-----------------------------------|------------|------------------------------------|-----------------|
| Compensated absences | \$ 111,802 | \$ (5,046) | \$ 106,756 | \$ - |

The other obligations represent the value of outstanding advertising credits issued by the Network.

Note 6 - Operating Expenses

Operating expenses by natural classification at June 30 were as follows:

| | 2016 | 2015 |
|-------------------------------|---------------------|---------------------|
| Salaries, wages, and benefits | \$ 2,927,662 | \$ 3,051,833 |
| Supplies and support services | 3,859,940 | 4,040,112 |
| Depreciation | <u>958,435</u> | <u>964,600</u> |
| Total operating expenses | <u>\$ 7,746,037</u> | <u>\$ 8,056,545</u> |

Note 7 - Retirement Plans

The information in this note pertains to the retirement plans offered by the University to employees of the Network who work at Central Michigan University. Delta College employees of WUCX-FM, which is operated jointly by Central Michigan University and Delta College, are covered under the Delta College retirement plans. See Note 11 for more information on Delta College.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 7 - Retirement Plans (Continued)

Defined Contribution Plans - The Network's employees are included in retirement plans funded by the University either through the Michigan Public School Employees Retirement System or through the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) and/or Fidelity Investment Tax Exempt Services Company. See the notes to the University's financial statements for details of these plans.

Total retirement expense for the Network for the years ended June 30, 2016 and 2015 was \$285,712 and \$311,032, respectively.

Michigan Public School Employees Retirement System - The Network, through the University, participates in the Michigan Public School Employees Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers some employees of the University and therefore, some of the employees of the Network. Employees hired on or after January 1, 1996 cannot participate in MPSERS unless they previously were enrolled in the plan at another participating university or college. The Michigan Public School Employees Retirement System issues a publicly available financial report that is available on the web at <http://www.michigan.gov/orsschools>.

Contributions - Public Act 300 of 1980, as amended, requires the University to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature.

The University's contributions are determined based on employee elections. There are four different benefit options included in the plan available to employees based on date of hire. The University also contributes to MPSERS a percentage of member and non-member payrolls, determined by the plan's actuaries, for the unfunded portion of future pensions. Contribution rates are adjusted annually by the ORS. The rates for the defined benefit plan are as follows:

| | Normal Pension Cost | Unfunded Portion |
|---------------------|------------------------|---------------------|
| 10/01/15 - 06/30/16 | 4.87% | 20.26% |
| 10/01/14 - 09/30/15 | 4.80% | 17.72% |
| 07/01/14 - 09/30/14 | 3.00% | 16.61% |

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 7 - Retirement Plans (Continued)

Employees starting between January 1, 1990 and December 31, 1995 are required to contribute between 3.0 percent and 4.3 percent of their annual pay. During the period from February 1, 2013 through June 30, 2013, employees could transition to a defined contribution plan.

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation, times years of service, times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire begin at the age of 55 with years of service ranging from 10 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2016 and June 30, 2015, the Network reported a liability of \$2,510,677 and \$1,998,660, respectively, for its allocated share of the University's net pension liability. The net pension liability for fiscal year 2016 was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used updated procedures to roll forward the estimated liability to September 30, 2015. The net pension liability for fiscal year 2015 was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, which used updated procedures to roll forward the estimated liability to September 30, 2014. The University's proportion of the net pension liability was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2015 and September 30, 2014, the University's proportion was 23.49 percent and 24.89 percent, respectively, of the University's reporting unit. The amount the University allocated to the Network is based on the number of the Network's employees covered by MPERS as a percentage of the University's total number of employees covered by MPERS. At June 30, 2016 and June 30, 2015, the Network's allocation of the University's proportion was 1.95 percent and 2.14 percent, respectively.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 7 - Retirement Plans (Continued)

For the years ended June 30, 2016 and June 30, 2015, the Network's portion of the University's recognized pension expense was \$716,240 and \$217,835, respectively. At June 30, 2016, the Network reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

| | 2016 | | 2015 | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 34,486 | | | |
| Changes of assumptions | | | \$ 59,525 | |
| Net difference between projected and actual earnings on pension plan assets | | \$ 5,697 | | \$ 192,093 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 25,037 | 92,954 | 103 | |
| Contributions subsequent to the measurement date | 152,475 | 16,446 | 126,587 | |
| Total | <u>\$ 211,998</u> | <u>\$ 115,097</u> | <u>\$ 186,215</u> | <u>\$ 192,093</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

| Plan Year Ending September 30 | Amount |
|----------------------------------|--------------------|
| 2016 | \$ (54,896) |
| 2017 | (8,498) |
| 2018 | (8,497) |
| 2019 | 32,763 |
| Total | <u>\$ (39,128)</u> |

In addition, the allocated contributions subsequent to the measurement date will be included as a reduction of the Network's net pension liability in the next year (2017).

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 7 - Retirement Plans (Continued)

Actuarial Assumptions - The total pension liability as of September 30, 2015 and September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2014 and September 30, 2013, respectively, and rolled forward.

| | |
|------------------------|---|
| Actuarial cost method | Entry age normal cost actuarial cost method |
| Assumed rate of return | 8.00 percent, net of investment and administrative expenses based on the groups |
| Rate of pay increases | 3.50 percent |
| Mortality basis | RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB |

The actuarial assumptions used for the September 30, 2014 and September 30, 2013 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent at September 30, 2014 and 2013. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 7 - Retirement Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, including inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Investment Category | Plan Year September 30, 2015 | | Plan Year September 30, 2014 | |
|--------------------------------------|---------------------------------|--|---------------------------------|--|
| | Target Allocation | Long-term Expected Real Rate of Return | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity Pools | 28.0% | 5.9% | 28.0% | 4.8% |
| Alternative Investment Pools | 18.0% | 9.2% | 18.0% | 8.5% |
| International Equity Pools | 16.0% | 7.2% | 16.0% | 6.1% |
| Fixed Income Pools | 10.5% | 0.9% | 10.5% | 1.5% |
| Real Estate and Infrastructure Pools | 10.0% | 4.3% | 10.0% | 5.3% |
| Absolute Return Pools | 15.5% | 6.0% | 15.5% | 6.3% |
| Short Term Investment Pools | 2.0% | 0.0% | 2.0% | -0.2% |
| Total | 100.0% | | 100.0% | |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the allocated net pension liability of the Network, calculated using the discount rate of 8.00 percent, as well as what the Network's allocated net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

| 1.00 Percent Decrease (7.00 percent) | Current Discount Rate (8.00 percent) | 1.00 percent increase (9.00 percent) |
|---|---|---|
| \$2,945,870 | \$2,510,677 | \$2,135,039 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 8 - Nonfederal Financial Support (NFFS)

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS, which is defined by CPB. NFFS is defined as the total value of cash and the fair market value of services received as contributions or payments and meeting all the respective criteria for each.

Calculated in accordance with CPB guidelines, the combined Network reported total NFFS of \$5,958,548 and \$7,063,837 for the years ended June 30, 2016 and 2015, respectively.

Note 9 - Indirect Administrative Support

Indirect support from Central Michigan University consists of allocations of the University's institutional support and facility operation costs that benefit the Network. It is calculated based upon the ratio of the Network's operating costs to the University's total institutional support and facility operations costs. The fair value of this support is recognized as operating revenue in the consolidated statement of revenue, expenses, and changes in net position under University administrative support for operations and also in operating expenses. The combined value of this support included in the consolidated statement of revenue, expenses, and changes in net position was \$844,863 and \$766,658 for the years ended June 30, 2016 and 2015, respectively.

Note 10 - Contingencies

In the normal course of its activities, the Network is a party in various legal and administrative actions. The Network has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, the Network is of the opinion that the outcome thereof will not have a material effect on the consolidated financial statements.

Note 11 - Delta College WUCX-FM

The following notes are taken directly from Delta College WUCX-FM's financial statements and are presented in their entirety to provide additional information regarding Delta College's financial information.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

Significant Accounting Policies

Reporting Entity

WUCX-FM (the “Station”) is a nonprofit public radio station, operated as a separate organizational unit of Delta College, a community college located in University Center, Michigan. The Station has operated since 1989 under a Joint Operating Agreement with Central Michigan University’s public radio station, WCMU-FM, which maintains the broadcast license granted by the Federal Communications Commission. The Station’s financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities*, as required by the Corporation for Public Broadcasting (CPB).

Significant accounting policies followed by the Station are described below to enhance the usefulness of the financial statements to the reader:

Accrual Basis

The financial statements of the Station have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Adoption of New Standard

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning of the net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information. In accordance with the statements, the Station has reported a net pension liability of \$268,000 and a deferred outflow of resources of \$13,000 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less when purchased.

Investments

Investments are recorded at fair value, based on quoted market prices.

Purchased Program Rights

Purchased program rights are recorded when acquired and amortized on an accelerated basis as the programs are broadcast.

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at the acquisition value as of the date of acquisition. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is calculated on capital assets using the straight-line method over the estimated useful lives of the assets. *The American Health Association's Estimated Useful Lives of Depreciable Hospital Assets* was utilized as a guide in establishing useful lives of the Station's capital assets.

Compensated Absences

Compensated absences represent the accumulated liability to be paid under the Station's current vacation policy. Under the Station's policy, employees accrue vacation on a bi-weekly basis at a rate that is dependent on the employee's pay class.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

Revenue Recognition

Restricted grant revenue is recognized only to the extent expended. Unearned revenue represents restricted grant funds received that will be recognized by the Station and available for expenditure during the following year.

Gifts and Pledges

Gifts are recorded when received. Voluntary nonexchange transactions (pledges) are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded at their discounted present value, net of allowance for uncollectible pledges. The Station has no pledges receivable recorded at June 30, 2016 or June 30, 2015.

Donated Facilities and Administrative Support

Donated facilities from Delta College consist of office and studio space together with related occupancy cost, and are recorded in revenue and expense based on methods mandated by CPB. Administrative support from Delta College consists of allocated costs such as financial, administrative, and personnel services and certain other institutional support expenses incurred by the College on behalf of the Station.

Operating Activities

The Station's policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net position are those that generally result from the provision of public broadcasting services. Revenue restricted by donors to use for capital improvements, and revenue and expenses that result from financing and investing activities are recorded as nonoperating revenue and expenses.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

Cash and Cash Equivalents and Investments

The Station considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Station's deposits and investments are included on the balance sheet under the following classifications as of June 30:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 76,901 | \$ 105,105 |
| Long-term investments | <u>67,013</u> | <u>72,280</u> |
| Total | <u>\$ 143,914</u> | <u>\$ 177,385</u> |

The above amounts are classified in the following categories:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Bank deposits (checking accounts, savings accounts, and certificates of deposit) | \$ 76,901 | \$ 105,105 |
| Investments in securities and similar vehicles | <u>67,013</u> | <u>72,280</u> |
| Total | <u>\$ 143,914</u> | <u>\$ 177,385</u> |

Deposits

Delta College invests and manages cash collectively by pooling cash reserves, including cash of the Station. It is not practicable to determine the amount reflected in the accounts of the banks (without recognition of checks written but not cleared, or of deposits in transit) or the amount of federal depository insurance that is applicable to the Station's portion of the pooled deposits as of June 30, 2016 or 2015. A portion of the Station's cash is deposited in interest-bearing accounts.

Investments

The Station has received certain contributions that have been designated for use as quasi-endowments. Such assets are pooled with and held within the Delta College Endowment Fund, and are invested in brokerage account cash and money funds, U.S. Treasury bills, notes and bonds, debt and equity securities, and alternative investment funds. The Station's investments are stated at fair value based upon market quotations.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

At June 30, 2016 and 2015, the fair value of the Station's investments is \$67,013 and \$72,280 respectively. Information as to amounts by investment type, associated risks and fair value measurements is included in the notes to the financial statements for Delta College.

Capital Assets

The following tables present the changes in the various capital asset class categories for the years ended June 30:

Year Ended June 30, 2016

| | Estimated Useful Life | Beginning Balance | Additions/ Depreciation | Deletions | Ending Balance |
|--------------------------------|--------------------------|----------------------|----------------------------|-------------|-------------------|
| Buildings | 40 years | \$ 80,531 | \$ - | \$ - | \$ 80,531 |
| Furniture and equipment | 5-20 years | <u>121,092</u> | <u>45,240</u> | <u>-</u> | <u>166,332.00</u> |
| Total | | 201,623 | 45,240 | - | 246,863 |
| Less accumulated depreciation: | | | | | |
| Buildings | | 38,418 | 1,559 | - | 39,977.00 |
| Furniture and equipment | | <u>120,254</u> | <u>1,878</u> | <u>-</u> | <u>122,132.00</u> |
| Total | | <u>158,672</u> | <u>\$ 3,437</u> | <u>\$ -</u> | <u>162,109.00</u> |
| Capital assets - Net | | <u>\$ 42,951</u> | | | <u>\$ 84,754</u> |

Year Ended June 30, 2015

| | Estimated Useful Life | Beginning Balance | Additions/ Depreciation | Deletions | Ending Balance |
|--------------------------------|--------------------------|----------------------|----------------------------|-------------|-------------------|
| Buildings | 40 years | \$ 80,531 | \$ - | \$ - | \$ 80,531 |
| Furniture and equipment | 5-20 years | <u>121,092</u> | <u>-</u> | <u>-</u> | <u>121,092</u> |
| Total | | 201,623 | - | - | 201,623 |
| Less accumulated depreciation: | | | | | |
| Buildings | | 36,798 | 1,620 | - | 38,418 |
| Furniture and equipment | | <u>119,695</u> | <u>559</u> | <u>-</u> | <u>120,254</u> |
| Total | | <u>156,493</u> | <u>\$ 2,179</u> | <u>\$ -</u> | <u>158,672</u> |
| Capital assets - Net | | <u>\$ 45,130</u> | | | <u>\$ 42,951</u> |

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

Unrestricted Net Position

The Station has designated the use of unrestricted net position as follows as of June 30:

| | 2016 | 2015 |
|--|--------------|--------------|
| Designated for funds functioning as endowments | \$ 67,013 | \$ 72,280 |
| Unrestricted - MPSERS | (258,850) | (254,132) |
| Unrestricted and unallocated | 53,865 | 74,273 |
| Total unrestricted net position | \$ (137,972) | \$ (107,579) |

Retirement Plans

The Station's employees are included in a retirement plan funded by Delta College either through MPSERS or the Optional Retirement Plan (ORP), a defined contribution plan, administered by TIAA-CREF. Prior to July 1, 2010, the MPSERS plan was strictly a defined benefit plan. Effective July 1, 2010, new MPSERS members participate in a hybrid plan which is both a defined benefit and defined contribution plan.

MPSERS Defined Benefit Plan

At June 30, 2016 and 2015, the Station reported a liability of \$276,199 and \$251,699, respectively, for its share of the College's proportionate share of the net pension liability of MPSERS. The net pension liability at June 30, 2016 was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The net pension liability at June 30, 2015 was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015, the College's proportion was .35920 percent, a decrease of .00716 percent from its proportion measured as of September 30, 2014, which was .36636 percent. The Station's calculated share of the net pension liability was based on its proportionate share of the College's covered employee payroll, as measured by the Station's MPSERS contributions.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

MPSERS Defined Benefit Plan (Continued)

For the years ended June 30, 2016 and 2015, the Station recognized MPSERS retirement expense of \$43,400 and \$33,200, respectively, based on MPSERS covered payroll of \$116,400 and \$109,800, respectively. For the two respective years, the Station also reported deferred outflows of resources of \$21,778 and \$25,392, respectively, and deferred inflows of resources of \$2,429 and \$27,825, respectively, related to the MPSERS pension.

The Station reported deferred outflows of resources related to pension contributions subsequent to the measurement date of \$12,602 and \$16,099, respectively, as of June 30, 2016 and 2015, respectively, which will be recognized as a reduction of the net pension liability in the College's respective subsequent fiscal year.

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

| Recognized in Year Ending June 30, | Amount |
|---------------------------------------|-----------------|
| 2017 | \$ (110) |
| 2018 | (110) |
| 2019 | (708) |
| 2020 | 7,675 |
| Total | <u>\$ 6,747</u> |

The discount rate used to measure the total pension liability for the years ended June 30, 2016 and 2015 was 8.0 percent for the Basic and MIP Plans and 7.0 percent for the Pension Plus Plan. The following presents the net pension liability at June 30, 2016 of the Station, which was calculated using the aforementioned discount rates, as well as what the Station's net pension liability would be if it were calculated using a discount rate that is 1.0 percent point lower (7.0 percent for the Basic and MIP Plans and 6.0 percent for the Pension Plus Plan) or 1.0 percent point higher (9.0 percent for the Basic and MIP Plans and 8.0 percent for the Pension Plus Plan) than the current rates:

| | Net Pension Liability at 1.0% Decrease | Net Pension Liability at Current Discount Rate | Net Pension Liability at 1.0% Increase |
|---------------|---|---|---|
| June 30, 2016 | \$ 393,670 | \$ 276,199 | \$ 230,886 |
| June 30, 2015 | 331,843 | 251,699 | 184,176 |

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

ORP Defined Contribution Plan

The Station recorded retirement expense related to the ORP of \$800 for the year ended June 30, 2015, based on ORP covered payroll of \$8,100. The Station had no ORP covered payroll for the year ended June 30, 2016.

Additional Information

For additional information concerning the Station's retirement plans, refer to Delta College's June 30, 2016 audited financial statements.

Community Service Grants

The Station operates under a Joint Operating Agreement with Central Michigan University's public radio station, WCMU-FM. This agreement allows the Station to share in annual funding from WCMU-FM's Community Service Grant from the CPB. The Station's share of CPB Community Service Grants received and expended during recent fiscal years was as follows:

| Year of Grant | Grants Received | Expended | | | Uncommitted Balance at June 30 |
|------------------|--------------------|-----------|--------|--------|--------------------------------------|
| | | 2016 | 2015 | 2014 | |
| 2016 | \$ 22,880 | \$ 22,880 | \$ - | \$ - | \$ - |
| 2015 | 29,809 | - | 29,809 | - | - |
| 2014 | 31,539 | - | - | 31,539 | - |

Nonfederal Financial Support (NFFS)

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS, which is defined by CPB. NFFS is defined as the total value of cash and the fair market value of services received as contributions or payments and meeting all the respective criteria for each.

Calculated in accordance with CPB guidelines, the Station reported total NFFS of \$331,461 and \$314,979 for the years ended June 30, 2016 and 2015, respectively.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 11 - Delta College WUCX-FM (Continued)

Indirect Administrative Support

Indirect support from Delta College consists of allocations of the College's institutional support and facility operation costs that benefit the Station. It is calculated based upon the ratio of the Station's operating costs to the College's total institutional support and facility operation costs. The fair value of this support is recognized as operating revenue in the consolidated statement of revenue, expenses, and changes in net position under donated facilities and administrative support from Delta College and also in operating expenses. The value of this support included in the consolidated statement of revenue, expenses, and changes in net position was approximately \$43,000 for the years ended June 30, 2016 and 2015.

Note 12 - New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the University to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees Retirement Plan (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The University is currently evaluating the impact this standard will have on the consolidated financial statements when adopted. The provisions of this statement are effective for the Network's consolidated financial statements for the year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which addresses the recognition and measurement of irrevocable split-interest agreements where the government is a beneficiary of the agreement. This standard will require the Network to recognize on the face of the consolidated financial statements any assets, liabilities, and deferred inflows of resources at the inception of the agreement. The Network is currently evaluating the impact this standard will have on the consolidated financial statements when adopted. The provisions of this statement are effective for the Network's consolidated financial statements for the year ending June 30, 2018.

Additional Information

Central Michigan University Public Broadcasting Network

Consolidating Statement of Net Position June 30, 2016

| | Television | Radio | CMU Combined Total | Delta College WUCX-FM | Radio Combined Total | CMU and Delta Combined Total |
|--|----------------------|---------------------|--------------------------|-----------------------------|----------------------------|---------------------------------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 2,300,737 | \$ 737,108 | \$ 3,037,845 | \$ 76,901 | \$ 814,009 | \$ 3,114,746 |
| Accounts receivable | 10,957 | 9,404 | 20,361 | - | 9,404 | 20,361 |
| Pledges receivable - Net | 222,579 | 213,697 | 436,276 | - | 213,697 | 436,276 |
| Prepaid expenses | 109,077 | 91,477 | 200,554 | - | 91,477 | 200,554 |
| Total current assets | 2,643,350 | 1,051,686 | 3,695,036 | 76,901 | 1,128,587 | 3,771,937 |
| Noncurrent assets: | | | | | | |
| Endowment investments | 2,825,582 | 319,008 | 3,144,590 | 67,013 | 386,021 | 3,211,603 |
| Capital assets - Net | 8,736,639 | 904,485 | 9,641,124 | 84,754 | 989,239 | 9,725,878 |
| Total noncurrent assets | 11,562,221 | 1,223,493 | 12,785,714 | 151,767 | 1,375,260 | 12,937,481 |
| Total assets | 14,205,571 | 2,275,179 | 16,480,750 | 228,668 | 2,503,847 | 16,709,418 |
| Deferred Outflows | 167,366 | 44,632 | 211,998 | 21,778 | 66,410 | 233,776 |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 26,391 | 5,001 | 31,392 | 5,660 | 10,661 | 37,052 |
| Accrued payroll | 28,368 | 10,028 | 38,396 | 19,376 | 29,404 | 57,772 |
| Unearned revenue | 10,472 | - | 10,472 | - | - | 10,472 |
| Long-term liabilities - Current portion | 98,613 | 45,053 | 143,666 | - | 45,053 | 143,666 |
| Total current liabilities | 163,844 | 60,082 | 223,926 | 25,036 | 85,118 | 248,962 |
| Noncurrent liabilities: | | | | | | |
| Long-term liabilities | 110,098 | 59,318 | 169,416 | - | 59,318 | 169,416 |
| Net pension liabilities | 2,050,386 | 460,291 | 2,510,677 | 276,199 | 736,490 | 2,786,876 |
| Total noncurrent liabilities | 2,160,484 | 519,609 | 2,680,093 | 276,199 | 795,808 | 2,956,292 |
| Total liabilities | 2,324,328 | 579,691 | 2,904,019 | 301,235 | 880,926 | 3,205,254 |
| Deferred Inflows | 70,617 | 44,480 | 115,097 | 2,429 | 46,909 | 117,526 |
| Net Position | | | | | | |
| Invested in capital assets - Net of related debt | 8,736,639 | 904,485 | 9,641,124 | 84,754 | 989,239 | 9,725,878 |
| Restricted for: | | | | | | |
| Nonexpendable | 2,451,787 | 224,101 | 2,675,888 | - | 224,101 | 2,675,888 |
| Expendable | 377,350 | 119,758 | 497,108 | - | 119,758 | 497,108 |
| Unrestricted | 412,216 | 447,296 | 859,512 | (137,972) | 309,324 | 721,540 |
| Total net position | <u>\$ 11,977,992</u> | <u>\$ 1,695,640</u> | <u>\$ 13,673,632</u> | <u>\$ (53,218)</u> | <u>\$ 1,642,422</u> | <u>\$ 13,620,414</u> |

Central Michigan University Public Broadcasting Network

Consolidating Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

| | Television | Radio | CMU Combined Total | Delta College WUCX-FM | Radio Combined Total | CMU and Delta Combined Total |
|--|----------------------|---------------------|--------------------------|-----------------------------|----------------------------|---------------------------------------|
| Revenue | | | | | | |
| Operating revenue: | | | | | | |
| University appropriations - Operations | \$ 1,190,685 | \$ 811,813 | \$ 2,002,498 | \$ 119,098 | \$ 930,911 | \$ 2,121,596 |
| University additional support - Operations | 189,156 | 133,165 | 322,321 | - | 133,165 | 322,321 |
| University administrative support - Operations | 498,390 | 303,631 | 802,021 | 42,842 | 346,473 | 844,863 |
| Contributions and pledges - Net of allowance | 1,533,072 | 717,801 | 2,250,873 | 131,178 | 848,979 | 2,382,051 |
| Community service grants | 904,523 | 273,943 | 1,178,466 | - | 273,943 | 1,178,466 |
| Program underwriting and pledges - Net of allowance | 109,309 | 315,743 | 425,052 | 42,262 | 358,005 | 467,314 |
| Production underwriting | 5,000 | - | 5,000 | - | - | 5,000 |
| Rents and royalties | 344,857 | 37,866 | 382,723 | - | 37,866 | 382,723 |
| Special fundraising activities | 500 | 1,850 | 2,350 | - | 1,850 | 2,350 |
| In-kind support | 59,227 | 84,135 | 143,362 | - | 84,135 | 143,362 |
| Other operating revenue | 16,043 | 8,983 | 25,026 | - | 8,983 | 25,026 |
| Total operating revenue | 4,850,762 | 2,688,930 | 7,539,692 | 335,380 | 3,024,310 | 7,875,072 |
| Expenses | | | | | | |
| Operating expenses: | | | | | | |
| Programming and local production | 1,227,989 | 876,088 | 2,104,077 | 158,128 | 1,034,216 | 2,262,205 |
| Broadcasting | 1,642,037 | 790,222 | 2,432,259 | 71,375 | 861,597 | 2,503,634 |
| Program information | 220,289 | 145,223 | 365,512 | - | 145,223 | 365,512 |
| Fundraising | 675,113 | 490,886 | 1,165,999 | 54,296 | 545,182 | 1,220,295 |
| Management and general | 289,336 | 111,575 | 400,911 | 35,045 | 146,620 | 435,956 |
| Depreciation | 858,594 | 96,404 | 954,998 | 3,437 | 99,841 | 958,435 |
| Total operating expenses | 4,913,358 | 2,510,398 | 7,423,756 | 322,281 | 2,832,679 | 7,746,037 |
| Operating (Loss) Income | (62,596) | 178,532 | 115,936 | 13,099 | 191,631 | 129,035 |
| Nonoperating Losses - Investment losses - Net of expenses | (99,739) | (13,183) | (112,922) | (1,689) | (14,872) | (114,611) |
| (Loss) Gain Before Other | (162,335) | 165,349 | 3,014 | 11,410 | 176,759 | 14,424 |
| Other - Additions to permanent endowments | 180,812 | 75 | 180,887 | - | 75 | 180,887 |
| Increase in Net Position | 18,477 | 165,424 | 183,901 | 11,410 | 176,834 | 195,311 |
| Net Position - Beginning of year | 11,959,515 | 1,530,216 | 13,489,731 | (64,628) | 1,465,588 | 13,425,103 |
| Net Position - End of year | \$ 11,977,992 | \$ 1,695,640 | \$ 13,673,632 | \$ (53,218) | \$ 1,642,422 | \$ 13,620,414 |