

Central Michigan University Public Broadcasting Network

**Consolidated Financial Report
with Additional Information
June 30, 2017**

Central Michigan University Public Broadcasting Network

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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 (the "Network"), a department of Central Michigan University (the "University"), as of and for the years ended June 30, 2017 and 2016 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 1.43 percent, (.25) percent, and 3.95 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, 2017 and 2016 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, 2017 and 2016, 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 4-11 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's 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

February 5, 2018

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, 2017, with selected comparative information for the years ended June 30, 2016 and 2015. 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. Interorganizational 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 consolidated 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)

Factors Influencing Future Periods

The Network is in a solid financial position. The reduction in fiscal year 2017 university support was offset by contributions from listeners, viewers, and underwriters. The Network invested significantly in infrastructure to prepare for anticipated technological advancements and professional development for employees.

A number of factors could affect the future financial health of the Network. Continued federal support for public broadcasting is uncertain. The president recommended cutting all federal funding for public broadcasting. However, Congress included continued funding at previous year levels in its final budget proposals. The outcome of the federal legislative process is vital.

The discontinuance of WCMZ-TV in Flint, Michigan is expected to cause a significant loss in donor contributions. The deadline to take the station off the air is April 2018. Management has prepared for the projected revenue loss by attrition, layoffs, technology upgrades, and adjustments to fundraising efforts.

The Federal Communications Commission (FCC) approved a new broadcast standard for television. Converting to the new standard is voluntary. However, competitive pressures are likely to make the change imperative in the next three to five years. The transition is expected to cost in excess of \$3,000,000 for the Network.

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.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

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.

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Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Condensed Financial Information

Consolidated Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 4,383,735	\$ 3,771,937	\$ 2,481,017
Noncurrent assets:			
Capital	9,089,873	9,725,878	10,425,590
Other	<u>3,522,276</u>	<u>3,211,603</u>	<u>3,213,666</u>
Total assets	16,995,884	16,709,418	16,120,273
Deferred outflows	224,190	240,880	211,607
Current liabilities	257,029	248,962	329,744
Noncurrent liabilities	<u>2,754,418</u>	<u>2,956,292</u>	<u>2,357,115</u>
Total liabilities	3,011,447	3,205,254	2,686,859
Deferred inflows	<u>26,720</u>	<u>124,630</u>	<u>219,918</u>
Total net position	<u>\$ 14,181,907</u>	<u>\$ 13,620,414</u>	<u>\$ 13,425,103</u>

Current assets consist of cash and cash equivalents, receivables, prepaid expenses, and unexpired program rights. Current assets totaled \$4.4 million at June 30, 2017 as compared to \$3.8 million at June 30, 2016 and \$2.5 million at June 30, 2015.

Fiscal year 2017 compared to 2016

- Cash and cash equivalents increased \$0.5 million due largely to the growth in equipment reserve funds.

Fiscal year 2016 compared to 2015

- Cash and cash equivalents increased \$1.2 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 \$12.6 million at June 30, 2017 as compared to \$12.9 million at June 30, 2016 and \$13.6 million at June 30, 2015.

Fiscal year 2017 compared to 2016

- Capital assets decreased \$0.6 million due to 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 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.

Noncurrent liabilities include compensated absences for employees, net pension liability as required by GASB 68, and underwriting liability. Noncurrent liabilities totaled \$2.8 million at June 30, 2017 as compared to \$3 million at June 30, 2016 and \$2.4 million at June 30, 2015. Fiscal year 2017 decreased \$0.2 million due largely to a decrease in 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>2017</u>	<u>2016</u>	<u>2015</u>
Restricted - Nonexpendable	\$ 2,676,517	\$ 2,675,888	\$ 2,495,000
Restricted - Expendable	816,543	497,108	664,523
Unrestricted	1,598,974	721,540	(160,010)
Net investment in capital assets	<u>9,089,873</u>	<u>9,725,878</u>	<u>10,425,590</u>
 Total net position	 <u>\$14,181,907</u>	 <u>\$13,620,414</u>	 <u>\$13,425,103</u>

Fiscal year 2017 compared to 2016

- Net position increased by \$0.6 million. Restricted - nonexpendable remained consistent. Restricted - expendable increased by \$0.3 million largely due to an increase in investments. Unrestricted increased by \$0.9 million largely due to the increase in the equipment reserve fund. Net investment in capital assets decreased by \$0.6 million due largely to annual depreciation.

Fiscal year 2016 compared to 2015

- Net position increased by \$0.2 million. Restricted - nonexpendable increased by \$0.2 million due 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.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

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

	2017	2016	2015
Operating Revenue			
University support - Operating	\$ 3,092,576	\$ 3,281,676	\$ 3,077,669
Community service grants	1,399,890	1,178,466	1,335,736
Contributions and underwriting	3,041,692	2,854,365	2,964,872
Other operating revenue	<u>703,940</u>	<u>553,461</u>	<u>380,015</u>
Total operating revenue	8,238,098	7,867,968	7,758,292
Operating Expenses	<u>8,105,650</u>	<u>7,738,933</u>	<u>8,056,545</u>
Operating Income (Loss)	132,448	129,035	(298,253)
Nonoperating Revenue (Expenses)			
Other nonoperating revenues	35,000	-	-
Investment income (loss) - Net of expenses	<u>393,416</u>	<u>(114,611)</u>	<u>16,973</u>
Total nonoperating revenue (expenses)	<u>428,416</u>	<u>(114,611)</u>	<u>16,973</u>
Income (Loss) Before Other	560,864	14,424	(281,280)
Other - Additions to permanent endowments	<u>629</u>	<u>180,887</u>	<u>1,425,376</u>
Increase in Net Position	561,493	195,311	1,144,096
Net Position			
Net Position - Beginning of year	13,620,414	13,425,103	14,494,333
Adjustment for change in accounting principle	<u>-</u>	<u>-</u>	<u>(2,213,326)</u>
Net Position - End of year	<u><u>\$ 14,181,907</u></u>	<u><u>\$ 13,620,414</u></u>	<u><u>\$ 13,425,103</u></u>

Total operating revenue for fiscal years ended June 30, 2017, 2016, and 2015 was \$8.2 million, \$7.9 million, and \$7.8 million, respectively.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Fiscal year 2017 compared to 2016

- University operating support decreased \$0.2 million due to a decreased need in tower maintenance. Community service grants increased \$0.2 million due to an increase in NFFS in fiscal year 2015. Contributions and underwriting increased \$0.2 million. Other operating revenue increased \$0.1 million due largely to an increase in in-kind support.

Fiscal year 2016 compared to 2015

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

Operating expenses for fiscal year 2017 totaling \$8.1 million include compensation and benefits of \$3 million, supplies of \$3.7 million, utilities of \$0.4 million, and depreciation of \$1.0 million.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Compensation and benefits	\$ 3,040,301	\$ 2,927,662	\$ 3,051,833
Supplies	3,698,201	3,424,320	3,597,837
Utilities	419,048	428,516	442,276
Depreciation	948,100	958,435	964,599
	<u>\$ 8,105,650</u>	<u>\$ 7,738,933</u>	<u>\$ 8,056,545</u>

Fiscal year 2017 compared to 2016

- Compensation and benefits, utilities, and depreciation remained consistent with fiscal year 2016.
- Supplies increased \$0.3 million due to the purchase of a new antenna.

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 equipment purchases.

Central Michigan University Public Broadcasting Network

Management's Discussion and Analysis - Unaudited (Continued)

Consolidated Statement of Cash Flows

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash received from operations	\$ 7,027,751	\$ 6,852,663	\$ 6,941,808
Cash expended for operations	<u>(6,310,298)</u>	<u>(5,475,213)</u>	<u>(6,009,293)</u>
Net cash provided by operating activities	717,453	1,377,450	932,515
Net cash provided by noncapital financing activities	629	180,887	1,425,376
Net cash used in capital financing activities	(277,095)	(258,723)	(290,886)
Net cash provided by (used in) investing activities	<u>82,743</u>	<u>(112,548)</u>	<u>(1,342,600)</u>
Net increase in cash and cash equivalents	523,730	1,187,066	724,405
Cash and cash equivalents at beginning of year	<u>3,114,746</u>	<u>1,927,680</u>	<u>1,203,275</u>
Cash and cash equivalents at end of year	<u>\$ 3,638,476</u>	<u>\$ 3,114,746</u>	<u>\$ 1,927,680</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	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 3,638,476	\$ 3,114,746
Accounts receivable	39,468	20,361
Pledges receivable - Net	510,242	436,276
Prepaid expenses	192,632	200,554
Unexpired program rights	2,917	-
Total current assets	4,383,735	3,771,937
Noncurrent assets:		
Endowment investments (Note 2)	3,522,276	3,211,603
Capital assets - Net (Note 3)	9,089,873	9,725,878
Total noncurrent assets	12,612,149	12,937,481
Total assets	16,995,884	16,709,418
Deferred Outflows	224,190	240,880
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (Note 4)	78,561	37,052
Accrued payroll (Note 4)	73,954	57,772
Unearned revenue	9,012	10,472
Long-term liabilities current portion (Note 5)	95,502	143,666
Total current liabilities	257,029	248,962
Noncurrent liabilities:		
Long-term liabilities (Note 5)	126,352	169,416
Net pension liability (Note 7)	2,628,066	2,786,876
Total noncurrent liabilities	2,754,418	2,956,292
Total liabilities	3,011,447	3,205,254
Deferred Inflows	26,720	124,630
Net Position		
Net investment in capital assets	9,089,873	9,725,878
Restricted for:		
Nonexpendable	2,676,517	2,675,888
Expendable	816,543	497,108
Unrestricted	1,598,974	721,540
Total net position	\$ 14,181,907	\$ 13,620,414

Central Michigan University Public Broadcasting Network

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

	Year Ended June 30	
	2017	2016
Revenue		
Operating revenue:		
University appropriations - operations	\$ 2,139,612	\$ 2,114,492
University additional support - operations	77,694	322,321
University administrative support - operations	875,270	844,863
Contributions and pledges, net of allowance	2,511,724	2,382,051
Community service grants	1,399,890	1,178,466
Program underwriting	524,968	467,314
Production underwriting	5,000	5,000
Rents and royalties	400,722	382,723
Special fundraising activities	-	2,350
In-kind support	256,403	143,362
Other operating revenues	46,815	25,026
Total operating revenue	8,238,098	7,867,968
Expenses		
Operating expenses:		
Programming and local production	2,673,581	2,258,565
Broadcasting	2,183,967	2,501,717
Program information	492,674	365,512
Fundraising	1,408,663	1,220,295
Management and general	398,665	434,409
Depreciation	948,100	958,435
Total operating expenses	8,105,650	7,738,933
Operating Income	132,448	129,035
Nonoperating Revenue (Expenses)		
Other nonoperating revenues	35,000	-
Investment income (loss), net of expenses	393,416	(114,611)
Total nonoperating revenue (expenses)	428,416	(114,611)
Income Before Other	560,864	14,424
Other - Additions to permanent endowments	629	180,887
Increase in Net Position	561,493	195,311
Net Position		
Beginning of year	13,620,414	13,425,103
End of year	\$ 14,181,907	\$ 13,620,414

Central Michigan University Public Broadcasting Network

Consolidated Statement of Cash Flows

	Year Ended June 30	
	2017	2016
Cash Flows from Operating Activities		
Grants from CPB	\$ 1,399,890	\$ 1,178,466
Payments to suppliers	(2,932,595)	(2,145,003)
Payments for utilities	(428,275)	(428,516)
Payments to employees	(2,135,340)	(2,138,463)
Payments for benefits	(814,088)	(763,231)
Contributions	2,457,891	2,349,942
Underwriting	509,836	488,350
Rents and royalties	382,963	370,171
Special fundraising events	-	2,350
General University support	2,217,306	2,436,813
Other receipts	59,865	26,571
Net cash provided by operating activities	717,453	1,377,450
Cash Flows from Noncapital Financing Activities - Private gifts for endowment purposes		
	629	180,887
Net cash provided by noncapital financing activities	629	180,887
Cash Flows from Capital Financing Activities		
Proceeds from sale of capital assets	35,000	-
Purchases of capital assets	(312,095)	(258,723)
Net cash used in capital financing activities	(277,095)	(258,723)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	29,434	58,155
Investment income	91,449	34,516
Purchases of investments	(26,402)	(55,475)
Endowment pool investments	(11,738)	(149,744)
Net cash provided by (used in) investing activities	82,743	(112,548)
Net Increase in Cash and Cash Equivalents	523,730	1,187,066
Cash and Cash Equivalents - Beginning of year	3,114,746	1,927,680
Cash and Cash Equivalents - End of year	\$ 3,638,476	\$ 3,114,746
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 132,448	\$ 129,035
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation expense	948,100	958,435
Change in assets and liabilities:		
Receivables - net	(93,073)	(20,191)
Prepaid expenses	7,922	(86,579)
Accounts payable and accrued liabilities	41,509	(180,367)
Accrued payroll	16,182	(37,193)
Deferred revenue	(1,460)	(6,888)
Compensated absences	19,505	(1,046)
Net pension liability	(158,810)	536,517
Change in deferred outflows / inflows	(81,220)	(124,561)
Other obligations	(110,733)	207,371
Unexpired program rights	(2,917)	2,917
Net cash provided by operating activities	\$ 717,453	\$ 1,377,450

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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 2017 and 2016, 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 consolidated for financial reporting purposes, as allowed by the CPB.

During the year ended June 30, 2017, Central Michigan University Board of Trustees, the FCC license holder of WCMZ-TV, sold the station's rights to broadcast on channel 28 in the FCC's Spectrum Auction for \$14.2 million. As a result of the sale, the Network is scheduled to cease operation of WCMZ-TV located in Flint, Michigan by April 23, 2018. The proceeds from the sale of the broadcast rights have been recorded as part of the University's revenue.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

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 The Corporation for Public Broadcasting's (CPB) *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

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.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

- 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.

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, 2017 and 2016 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:

Classification	Life
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

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

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

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.

Pensions - For the purpose 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.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

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 \$224,190 and \$240,880 as of June 30, 2017 and 2016, respectively. See Notes 7 and 11 for more information.

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 \$26,720 and \$124,630 as of June 30, 2017 and 2016, respectively. See Notes 7 and 11 for more information.

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Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

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:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 3,638,476	\$ 3,114,746
Endowment investments	<u>3,522,276</u>	<u>3,211,603</u>
Total	<u>\$ 7,160,752</u>	<u>\$ 6,326,349</u>

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

	<u>2017</u>	<u>2016</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 3,638,476	\$ 3,114,746
Investments in securities and similar vehicles	<u>3,522,276</u>	<u>3,211,603</u>
Total	<u>\$ 7,160,752</u>	<u>\$ 6,326,349</u>

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

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, 2017 or 2016. A portion of the Network's cash is deposited in interest-bearing accounts.

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, 2017 and 2016, the fair value of the Network's investments was \$3,522,276 and \$3,211,603, 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.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

Note 3 - Capital Assets

	Beginning Balance <u>July 1, 2016</u>	Additions	Reductions	Ending Balance <u>June 30, 2017</u>
Land	\$ 197,598	\$ -	\$ -	\$ 197,598
Buildings	7,319,425	-	-	7,319,425
Furniture and equipment	14,171,125	318,317	231,337	14,258,105
Intangible assets	<u>305,612</u>	<u>-</u>	<u>-</u>	<u>305,612</u>
Total	21,993,760	318,317	231,337	22,080,740
Less accumulated depreciation:				
Buildings	3,803,828	181,566	-	3,985,394
Furniture and equipment	8,291,186	758,754	225,115	8,824,825
Intangible assets	<u>172,868</u>	<u>7,780</u>	<u>-</u>	<u>180,648</u>
Total	<u>12,267,882</u>	<u>948,100</u>	<u>225,115</u>	<u>12,990,867</u>
Capital assets - Net	<u>\$ 9,725,878</u>	<u>\$ (629,783)</u>	<u>\$ 6,222</u>	<u>\$ 9,089,873</u>

	Beginning Balance <u>July 1, 2015</u>	Additions	Reductions	Ending Balance <u>June 30, 2016</u>
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, 2017 and 2016

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:

	2017	2016
	<u> </u>	<u> </u>
Vendors	\$ 78,561	\$ 37,052
Accrued payroll	73,954	57,772
	<u> </u>	<u> </u>
Total	<u>\$ 152,515</u>	<u>\$ 94,824</u>

Note 5 - Long-term Liabilities

Long-term liabilities at June 30 were as follows:

	Beginning Balance <u>July 1, 2016</u>	<u>Change</u>	Ending Balance <u>June 30, 2017</u>	<u>Current Portion</u>
Compensated absences	\$ 105,710	\$ 19,505	\$ 125,215	\$ -
Other obligations	207,372	(110,733)	96,639	95,502
Total	<u>\$ 313,082</u>	<u>\$ (91,228)</u>	<u>\$ 221,854</u>	<u>\$ 95,502</u>

	Beginning Balance <u>July 1, 2015</u>	<u>Change</u>	Ending Balance <u>June 30, 2016</u>	<u>Current Portion</u>
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>

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

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

Note 6 - Operating Expenses

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

	2017	2016
Salaries, wages, and benefits	\$ 3,040,301	\$ 2,927,662
Supplies and support services	4,117,249	3,852,836
Depreciation	<u>948,100</u>	<u>958,435</u>
Total operating expenses	<u>\$ 8,105,650</u>	<u>\$ 7,738,933</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.

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, 2017 and 2016 was \$318,559 and \$285,712, respectively.

Michigan Public School Employees' Retirement System - The Network, through the University, participates in the Michigan Public School Employees' Retirement System (MPERS 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 MPERS 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>.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

Note 7 - Retirement Plans (Continued)

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 nonmember 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:

	<u>Normal Pension Cost</u>	<u>Unfunded Pension Rate</u>	<u>Normal Health Rate</u>	<u>Unfunded Health Rate</u>
10/01/16 - 06/30/17	4.30%	18.75%	0.38%	6.98%
10/01/15 - 09/30/16	4.87%	17.73%	0.78%	8.00%
07/01/15 - 09/30/15	4.80%	17.72%	0.89%	10.53%

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.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

Note 7 - Retirement Plans (Continued)

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2017 and 2016, the Network reported a liability of \$2,341,104 and \$2,510,677, respectively, for its allocated share of the University's net pension liability. The net pension liability for fiscal year 2017 was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. 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 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, 2016 and 2015, the University's proportion was 24.49 percent and 23.49 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 MPSERS as a percentage of the University's total number of employees covered by MPSERS. At June 30, 2017 and 2016, the Network's allocation of the University's proportion was 1.71 percent and 1.95 percent, respectively.

For the years ended June 30, 2017 and 2016, the Network's portion of the University's recognized pension expense was \$288,867 and \$716,240, respectively. At June 30, 2017 and 2016, the Network reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,748			
Changes of assumptions			\$ 34,486	
Net difference between projected and actual plan investment earnings	22,698			\$ 5,697
Changes in proportion and differences between contributions and proportionate share of contributions	18,540		25,037	92,954
Contributions subsequent to the measurement date	140,457		152,475	16,446
Total	<u>\$ 185,443</u>	<u>\$ -</u>	<u>\$ 211,998</u>	<u>\$ 115,097</u>

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

Note 7 - Retirement Plans (Continued)

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

<u>Plan Year Ending September 30</u>	<u>Amount</u>
2017	\$ 16,604
2018	(5,684)
2019	31,991
2020	<u>2,075</u>
Total	<u>\$ 44,986</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 (2018).

Actuarial Assumptions - The total pension liability as of September 30, 2016 and 2015 is based on the results of an actuarial valuation date of September 30, 2015 and 2014, respectively, and rolled forward.

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	8.00 percent, net of investment 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, 2015 and 2014 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.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

Note 7 - Retirement Plans (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent at September 30, 2015 and 2014. 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.

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, 2016		Plan Year September 30, 2015	
	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%	5.9%
Alternative Investment Pools	18.0%	9.2%	18.0%	9.2%
International Equity Pools	16.0%	7.2%	16.0%	7.2%
Fixed-income Pools	10.5%	0.9%	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%	15.5%	6.0%
Short-term Investment Pools	2.0%	0.0%	2.0%	0.0%
Total	100.0%		100.0%	

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and net pension liability will increase for the measurement period ending September 30, 2017.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Note 7 - Retirement Plans (Continued)

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)
<u>\$2,735,609</u>	<u>\$2,341,104</u>	<u>\$2,000,134</u>

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

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 \$5,667,013 and \$5,958,548 for the years ended June 30, 2017 and 2016, 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 \$875,270 and \$844,863 for the years ended June 30, 2017 and 2016, respectively.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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.

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 the accounting principles generally accepted in the United States of America 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.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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 biweekly basis at a rate that is dependent on the employee's pay class.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Note 11 - Delta College WUCX-FM (Continued)

Pensions

For the purpose 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.

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 in which 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, 2017 or 2016.

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 Delta College on behalf of the Station.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Note 11 - Delta College WUCX-FM (Continued)

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.

Reclassification

Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 75,483	\$ 76,901
Long-term investments	<u>71,526</u>	<u>67,013</u>
Total	<u>\$147,009</u>	<u>\$143,914</u>

The above amounts are classified in the following categories:

	<u>2017</u>	<u>2016</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 75,483	\$ 76,901
Investments in securities and similar vehicles	<u>71,526</u>	<u>67,013</u>
Total	<u>\$147,009</u>	<u>\$143,914</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, 2017 or 2016. A portion of the Station's cash is deposited in interest-bearing accounts.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Note 11 - Delta College WUCX-FM (Continued)

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.

At June 30, 2017 and 2016, the fair value of the Station's investments is \$71,526 and \$67,013, 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.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

Note 11 - Delta College WUCX-FM (Continued)

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, 2017

	Estimated Useful Life	Beginning Balance	Additions/ Depreciation	Deletions	Ending Balance
Buildings	40 years	\$ 80,531	\$ -	\$ -	\$ 80,531
Furniture and equipment	5-20 years	<u>166,332</u>	<u>12,961</u>	<u>53,952</u>	<u>125,341</u>
Total		246,863	<u>\$ 12,961</u>	<u>\$ 53,952</u>	205,872
Less accumulated depreciation:					
Buildings		39,977	\$ 1,680	\$ -	41,657
Furniture and equipment		<u>122,132</u>	<u>5,352</u>	<u>53,952</u>	<u>73,532</u>
Total		<u>162,109</u>	<u>\$ 7,032</u>	<u>\$ 53,952</u>	<u>115,189</u>
Capital assets - Net		<u>\$ 84,754</u>			<u>\$ 90,683</u>

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>166,332</u>
Total		201,623	<u>\$ 45,240</u>	<u>\$ -</u>	246,863
Less accumulated depreciation:					
Buildings		38,418	\$ 1,559	\$ -	39,977
Furniture and equipment		<u>120,254</u>	<u>1,878</u>	-	<u>122,132</u>
Total		<u>158,672</u>	<u>\$ 3,437</u>	<u>\$ -</u>	<u>162,109</u>
Capital assets - Net		<u>\$ 42,951</u>			<u>\$ 84,754</u>

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

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:

	2017	2016
Designated for funds functioning as endowments	\$ 71,526	\$ 67,013
Unrestricted - MPSERS	(257,582)	(256,850)
Unrestricted and unallocated	59,297	51,865
Total unrestricted net position	\$ (126,759)	\$ (137,972)

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, 2017 and 2016b the Station reported a liability of \$286,962 and \$276,199, respectively, for its share of Delta College's proportionate share of the net pension liability of MPSERS. The net pension liability at June 30, 2017 was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. Delta 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, 2016, Delta College's proportion was .36396 %, an increase of .00476 % from its proportion measured as of September 30, 2015, which was .35920 %. 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, 2017 and 2016

Note 11 - Delta College WUCX-FM (Continued)

MPSERS Defined Benefit Plan (Continued)

For the years ended June 30, 2017 and 2016, the Station recognized MPSERS retirement expense of \$32,300 and \$36,300, respectively, based on MPSERS covered payroll of \$112,300 and \$116,400, respectively. For the two respective years, the Station also reported deferred outflows of resources of \$38,747 and \$28,882 and deferred inflows of resources of \$9,367 and \$9,533 related to the MPSERS pension.

The Station reported deferred outflows of resources related to pension contributions subsequent to the measurement date of \$21,688 and \$19,706 as of June 30, 2017 and 2016, respectively, that 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
2018	\$ 1,318
2019	1,087
2020	4,326
2021	961
Total	<u>\$ 7,692</u>

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

Note 11 - Delta College WUCX-FM (Continued)

The discount rate used to measure the total pension liability for the years ended June 30, 2017 and 2016 was 8.0 % for the Basic and MIP Plans and 7.0 % for the Pension Plus Plan. The following presents the net pension liability at June 30, 2017 and 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 % point lower (7.0 % for the Basic and MIP Plans and 6.0 % for the Pension Plus Plan) or 1.0 % point higher (9.0 % for the Basic and MIP Plans and 8.0 % for the Pension Plus Plan) than the current rates:

	<u>Net Pension Liability at 1.0 % Decrease</u>	<u>Net Pension Liability at Current Discount Rate</u>	<u>Net Pension Liability at 1.0 % increase</u>
June 30, 2017	\$409,828	\$286,962	\$241,044
June 30, 2016	\$393,670	\$276,199	\$230,886

ORP Defined Contribution Plan

The Station had no ORP covered payroll for the years ended June 30, 2017 and 2016.

Additional Information

For additional information concerning the Station's retirement plans, refer to Delta College's June 30, 2017 audited financial statements.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Note 11 - Delta College WUCX-FM (Continued)

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
		2017	2016	2015	
2017	\$ 22,282	\$ 22,282	\$ -	\$ -	\$ -
2016	22,880	-	22,880	-	-
2015	29,809	-	-	29,809	-

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 \$342,122 and \$331,461 for the years ended June 30, 2017 and 2016, respectively.

Indirect Administrative Support

Indirect support from Delta College consists of allocations of Delta 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 Delta College's total institutional support and facility operation costs. The fair value of this support is recognized as operating revenue in the statements 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 statements of revenue, expenses, and changes in net position was approximately \$45,000 and \$43,000 for the years ended June 30, 2017 and 2016, respectively.

Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements June 30, 2017 and 2016

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 (MPSERS). 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, 2017

	Television	Radio	CMU Combined Total	Delta College WUCX-FM	Radio Combined Total	CMU and Delta Combined Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 2,953,291	\$ 609,702	\$ 3,562,993	\$ 75,483	\$ 685,185	\$ 3,638,476
Accounts receivable	18,292	18,063	36,355	3,113	21,176	39,468
Pledges receivable - Net	312,997	197,245	510,242	-	197,245	510,242
Prepaid expenses	107,428	85,204	192,632	-	85,204	192,632
Unexpired program rights	-	-	-	2,917	2,917	2,917
Total current assets	3,392,008	910,214	4,302,222	81,513	991,727	4,383,735
Noncurrent assets:						
Endowment investments	3,100,612	350,138	3,450,750	71,526	421,664	3,522,276
Capital assets - Net	7,913,798	1,085,392	8,999,190	90,683	1,176,075	9,089,873
Total noncurrent assets	11,014,410	1,435,530	12,449,940	162,209	1,597,739	12,612,149
Total assets	14,406,418	2,345,744	16,752,162	243,722	2,589,466	16,995,884
Deferred Outflows	157,626	27,817	185,443	38,747	66,564	224,190
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	42,003	30,425	72,428	6,133	36,558	78,561
Accrued payroll	48,897	8,974	57,871	16,083	25,057	73,954
Unearned revenue	9,012	-	9,012	-	-	9,012
Long-term liabilities - Current portion	95,502	-	95,502	-	-	95,502
Total current liabilities	195,414	39,399	234,813	22,216	61,615	257,029
Noncurrent liabilities:						
Long-term liabilities	70,863	55,489	126,352	-	55,489	126,352
Net pension liability	1,989,938	351,166	2,341,104	286,962	638,128	2,628,066
Total noncurrent liabilities	2,060,801	406,655	2,467,456	286,962	693,617	2,754,418
Total liabilities	2,256,215	446,054	2,702,269	309,178	755,232	3,011,447
Deferred Inflows	14,750	2,603	17,353	9,367	11,970	26,720
Net Position						
Invested in capital assets - Net of related debt	7,913,798	1,085,392	8,999,190	90,683	1,176,075	9,089,873
Restricted for:						
Nonexpendable	2,452,086	224,431	2,676,517	-	224,431	2,676,517
Expendable	657,836	158,707	816,543	-	158,707	816,543
Unrestricted	1,269,359	456,374	1,725,733	(126,759)	329,615	1,598,974
Total net position	\$ 12,293,079	\$ 1,924,904	\$ 14,217,983	\$ (36,076)	\$ 1,888,828	\$ 14,181,907

Central Michigan University Public Broadcasting Network

Consolidating Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Television	Radio	CMU Combined Total	Delta College WUCX-FM	Radio Combined Total	CMU and Delta Combined Total
Revenue						
Operating revenue:						
University appropriations - operations	\$ 1,197,967	\$ 827,932	\$ 2,025,899	\$ 113,713	\$ 941,645	\$ 2,139,612
University additional support - operations	45,477	32,217	77,694	-	32,217	77,694
University administrative support - operations	525,175	304,909	830,084	45,186	350,095	875,270
Contributions and pledges, net of allowance	1,670,402	701,166	2,371,568	140,156	841,322	2,511,724
Community service grants	1,108,786	291,104	1,399,890	-	291,104	1,399,890
Program underwriting and pledges	172,364	316,857	489,221	35,747	352,604	524,968
Production underwriting	5,000	-	5,000	-	-	5,000
Rents and royalties	362,104	38,618	400,722	-	38,618	400,722
In-kind support	141,682	114,721	256,403	-	114,721	256,403
Other operating revenues	37,493	9,322	46,815	-	9,322	46,815
Total operating revenue	5,266,450	2,636,846	7,903,296	334,802	2,971,648	8,238,098
Expenses						
Operating expenses:						
Programming and local production	1,583,434	936,581	2,520,015	153,566	1,090,147	2,673,581
Broadcasting	1,405,916	705,581	2,111,497	72,470	778,051	2,183,967
Program information	345,792	146,882	492,674	-	146,882	492,674
Fundraising	812,729	540,306	1,353,035	55,628	595,934	1,408,663
Management and general	308,509	53,318	361,827	36,838	90,156	398,665
Depreciation	841,200	99,868	941,068	7,032	106,900	948,100
Total operating expenses	5,297,580	2,482,536	7,780,116	325,534	2,808,070	8,105,650
Operating (Loss) Income	(31,130)	154,310	123,180	9,268	163,578	132,448
Nonoperating Revenue (Expense)						
Other nonoperating revenue	-	35,000	35,000	-	35,000	35,000
Investment income, net of expenses	345,918	39,624	385,542	7,874	47,498	393,416
Total Nonoperating Revenue	345,918	74,624	420,542	7,874	82,498	428,416
Income Before Other	314,788	228,934	543,722	17,142	246,076	560,864
Other - Additions to permanent endowments	299	330	629	-	330	629
Increase in Net Position	315,087	229,264	544,351	17,142	246,406	561,493
Net Position - Beginning of year	11,977,992	1,695,640	13,673,632	(53,218)	1,642,422	13,620,414
Net Position - End of year	\$ 12,293,079	\$ 1,924,904	\$ 14,217,983	\$ (36,076)	\$ 1,888,828	\$ 14,181,907