

**Central Michigan University  
Public Broadcasting Network**

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**Consolidated Financial Report  
with Additional Information  
June 30, 2015**

# 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 and its station operators (the "Network"), a department of Central Michigan University, as of and for the years ended June 30, 2015 and 2014, 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 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 1.38 percent, (.48) percent, and 3.45 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, 2015 and 2014 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, 2015 and 2014, 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.

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2014, the Network adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment to Statement No. 27. In accordance with Statement No. 68, the Network is now recognizing its unfunded pension benefit obligation as a liability on the consolidated statement of net position for the first time. This statement also enhances accountability and transparency through revised note disclosures. 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 consolidated financial statements. Such information, although not a part of the 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 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 consolidated financial statements, and other knowledge we obtained during our audits of the 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.

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise Central Michigan University Public Broadcasting Network and its subsidiaries' 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 consolidated financial statements.

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

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 & Morse, PLLC*

December 4, 2015

# Central Michigan University Public Broadcasting Network

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## 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, 2015, with selected comparative information for the years ended June 30, 2014 and 2013. 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 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

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## 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

	2015	2014	2013
Current assets	\$ 2,481,017	\$ 1,760,034	\$ 1,395,850
Noncurrent assets:			
Capital	10,425,590	11,099,303	11,768,545
Other	3,213,666	1,854,092	1,634,308
Total assets	16,120,273	14,713,429	14,798,703
Current liabilities	329,744	107,294	97,730
Noncurrent liabilities	2,357,115	111,802	118,491
Total liabilities	2,686,859	219,096	216,221
Deferred inflows	8,311	-	-
Total net position	<u>\$ 13,425,103</u>	<u>\$ 14,494,333</u>	<u>\$ 14,582,482</u>

**Current assets** consist of cash and cash equivalents, receivables, prepaid expenses, and unexpired program rights. Current assets totaled \$2.5 million at June 30, 2015 as compared to \$1.8 million at June 30, 2014 and \$1.4 million at June 30, 2013.

#### Fiscal year 2015 compared to 2014

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

#### Fiscal year 2014 compared to 2013

- Cash and cash equivalents increased \$0.3 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 \$13.6 million at June 30, 2015 as compared to \$13.0 million at June 30, 2014 and \$13.4 million at June 30, 2013.

#### 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.

# Central Michigan University Public Broadcasting Network

## Management's Discussion and Analysis - Unaudited (Continued)

### Fiscal year 2014 compared to 2013

- Endowment investments increased \$0.2 million, due largely to appreciation of the investments at the end of the fiscal year. 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 and, beginning in fiscal year 2015, net pension liability as required by GASB Statement No. 68. Noncurrent liabilities totaled \$2.4 million at June 30, 2015 as compared to \$0.1 million at June 30, 2014 and \$0.1 million at June 30, 2013. \$2.3 million of the increase is due to the addition of 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:

	2015	2014	2013
Restricted - Nonexpendable	\$ 2,495,000	\$ 1,071,926	\$ 1,070,587
Restricted - Expendable	664,523	940,376	771,647
Unrestricted (deficit)	(160,010)	1,382,728	971,703
Net investment in capital assets	<u>10,425,590</u>	<u>11,099,303</u>	<u>11,768,545</u>
Total net position	<u>\$ 13,425,103</u>	<u>\$ 14,494,333</u>	<u>\$ 14,582,482</u>

### 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.

### Fiscal year 2014 compared to 2013

- Net position decreased by \$0.1 million. Restricted - expendable increased by \$0.2 million due to appreciation of the investments at the end of the fiscal year. Unrestricted increased by \$0.4 million 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

	2015	2014	2013
<b>Operating Revenue</b>			
University support - Operating	\$ 3,077,669	\$ 3,005,025	\$ 3,001,785
Community Service Grants	1,335,736	1,176,619	1,116,787
Contributions and underwriting	2,964,872	2,395,103	3,235,166
Other operating revenue	<u>380,015</u>	<u>538,785</u>	<u>625,019</u>
Total operating revenue	7,758,292	7,115,532	7,978,757
<b>Operating Expenses</b>	<u>8,056,545</u>	<u>7,540,495</u>	<u>8,025,955</u>
<b>Operating Loss</b>	(298,253)	(424,963)	(47,198)
<b>Nonoperating Revenue (Expenses)</b>			
Investment income - Net of expenses	16,973	278,711	203,375
Interest on capital assets related debt	<u>-</u>	<u>-</u>	<u>(17,992)</u>
Total nonoperating revenue (expenses)	<u>16,973</u>	<u>278,711</u>	<u>185,383</u>
<b>Income (Loss) Before Other</b>	(281,280)	(146,252)	138,185
<b>Other</b>			
Capital grants and gifts - Net of allowance	-	56,764	203,980
Additions to permanent endowments	<u>1,425,376</u>	<u>1,339</u>	<u>54,086</u>
Total other	<u>1,425,376</u>	<u>58,103</u>	<u>258,066</u>
<b>Increase (Decrease) in Net Position</b>	1,144,096	(88,149)	396,251
<b>Net Position - Beginning of year</b>	14,494,333	14,582,482	14,186,231
Adjustment for change in accounting principle (Note 1)	<u>(2,213,326)</u>	<u>-</u>	<u>-</u>
<b>Net Position - End of year</b>	<u><b>\$ 13,425,103</b></u>	<u><b>\$ 14,494,333</b></u>	<u><b>\$ 14,582,482</b></u>

Total operating revenue for fiscal years ended June 30, 2015, 2014, and 2013 was \$7.8 million, \$7.1 million, and \$8.0 million, respectively.

#### Fiscal year 2015 compared to 2014

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

# Central Michigan University Public Broadcasting Network

## Management's Discussion and Analysis - Unaudited (Continued)

### Fiscal year 2014 compared to 2013

- Contributions and underwriting decreased \$0.8 million due to the large number of bequests received in 2013.

**Operating expenses** for fiscal year 2015, totaling \$8.0 million, include compensation and benefits of \$3.1 million, utilities of \$0.4 million, supplies of \$3.6 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>2015</u>	<u>2014</u>	<u>2013</u>
Compensation and benefits	\$ 3,051,833	\$ 3,102,332	\$ 3,185,317
Supplies	3,597,837	3,013,665	3,421,714
Utilities	442,276	433,972	436,641
Depreciation	<u>964,599</u>	<u>990,525</u>	<u>982,283</u>
Total operating expenses	<u><b>\$ 8,056,545</b></u>	<u><b>\$ 7,540,494</b></u>	<u><b>\$ 8,025,955</b></u>

### 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.

### Fiscal year 2014 compared to 2013

- Compensation and benefits, utilities, and depreciation remained consistent with fiscal year 2013.
- Supplies decreased \$0.4 million due to a decrease in grant activity, in-kind expenses, and tower maintenance projects.

# Central Michigan University Public Broadcasting Network

## Management's Discussion and Analysis - Unaudited (Continued)

### Consolidated Statement of Cash Flows

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash received from operations	\$ 6,941,808	\$ 6,260,807	\$ 7,309,236
Cash expended for operations	<u>(6,009,293)</u>	<u>(5,821,066)</u>	<u>(6,407,662)</u>
Net cash provided by operating activities	932,515	439,741	901,574
Net cash provided by noncapital financing activities	1,425,376	1,339	54,086
Net cash used in capital financing activities	(290,886)	(264,519)	(548,159)
Net cash (used in) provided by investing activities	<u>(1,342,600)</u>	<u>58,926</u>	<u>2,602</u>
Net increase in cash and cash equivalents	724,405	235,487	410,103
Cash and cash equivalents at beginning of year	<u>1,203,275</u>	<u>967,788</u>	<u>557,685</u>
Cash and cash equivalents at end of year	<u><b>\$ 1,927,680</b></u>	<u><b>\$ 1,203,275</b></u>	<u><b>\$ 967,788</b></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

	Year Ended June 30	
	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,927,680	\$ 1,203,275
Accounts receivable	16,242	17,239
Pledges receivable - Net	420,204	391,567
Prepaid expenses	113,974	145,036
Unexpired program rights	2,917	2,917
Total current assets	2,481,017	1,760,034
Noncurrent assets:		
Endowment investments (Note 2)	3,213,666	1,854,092
Capital assets - Net (Note 3)	10,425,590	11,099,303
Total noncurrent assets	13,639,256	12,953,395
Total assets	16,120,273	14,713,429
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities (Note 4)	217,419	20,004
Accrued payroll (Note 4)	94,965	81,065
Unearned revenue	17,360	6,225
Total current liabilities	329,744	107,294
Noncurrent liabilities:		
Long-term liabilities (Note 5)	106,756	111,802
Net pension liability (Note 7)	2,250,359	-
Total noncurrent liabilities	2,357,115	111,802
Total liabilities	2,686,859	219,096
<b>Deferred Inflows</b>	8,311	-
<b>Net Position</b>		
Net investment in capital assets	10,425,590	11,099,303
Restricted for:		
Nonexpendable	2,495,000	1,071,926
Expendable	664,523	940,376
Unrestricted (deficit)	(160,010)	1,382,728
Total net position	<b>\$ 13,425,103</b>	<b>\$ 14,494,333</b>

# Central Michigan University Public Broadcasting Network

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

	Year Ended June 30	
	2015	2014
<b>Revenue</b>		
Operating revenue:		
University appropriations - Operations	\$ 2,021,875	\$ 1,955,285
University additional support - Operations	289,136	268,759
University administrative support - Operations	766,658	780,981
Contributions and pledges - Net of allowance	2,455,108	1,892,999
Community service grants	1,335,736	1,176,619
Program underwriting	504,764	495,104
Production underwriting	5,000	7,000
Rents and royalties	304,784	429,162
Special fundraising activities	-	36,636
In-kind support	27,696	27,696
Other operating revenue	47,535	45,291
Total operating revenue	7,758,292	7,115,532
<b>Expenses</b>		
Operating expenses:		
Programming and local production	2,407,881	2,177,014
Broadcasting	2,424,340	2,241,541
Program information	338,716	334,802
Fundraising	1,115,839	1,039,104
Management and general	805,169	757,509
Depreciation	964,600	990,525
Total operating expenses	8,056,545	7,540,495
<b>Operating Loss</b>	(298,253)	(424,963)
<b>Nonoperating Revenue</b> - Investment income	16,973	278,711
<b>Loss Before Other</b>	(281,280)	(146,252)
<b>Other</b>		
Capital grants	-	56,764
Additions to permanent endowments	1,425,376	1,339
Total other	1,425,376	58,103
<b>Increase (Decrease) in Net Position</b>	1,144,096	(88,149)
<b>Net Position</b>		
Beginning of year	14,494,333	14,582,482
Adjustment for change in accounting principle (Note 1)	(2,213,326)	-
End of year	<u>\$ 13,425,103</u>	<u>\$ 14,494,333</u>

# Central Michigan University Public Broadcasting Network

## Consolidated Statement of Cash Flows

	Year Ended June 30	
	2015	2014
<b>Cash Flow from Operating Activities</b>		
Grants from CPB	\$ 1,335,736	\$ 1,176,619
Payments to suppliers	(2,581,021)	(2,342,921)
Payments for utilities	(442,276)	(433,972)
Payments to employees	(2,212,528)	(2,217,191)
Payments for benefits	(773,468)	(826,982)
Contributions	2,429,724	1,799,866
Underwriting	506,511	499,982
Rents and royalties	316,756	442,886
Special fundraising events	-	36,635
General University support	2,311,011	2,224,044
Other receipts	42,070	80,775
Net cash provided by operating activities	932,515	439,741
<b>Cash Flow from Noncapital Financing Activities</b> - Private gifts for endowment purposes	1,425,376	1,339
<b>Cash Flow from Capital Financing Activities</b>		
Capital grants	-	56,764
Purchases of capital assets	(290,886)	(321,283)
Net cash used in capital financing activities	(290,886)	(264,519)
<b>Cash Flow from Investing Activities</b>		
Proceeds from sales and maturities of investments	90,576	60,161
Investment income	206,837	136,730
Purchases of investments	(71,147)	(57,625)
Endowment pool investments	(1,568,866)	(80,340)
Net cash (used in) provided by investing activities	(1,342,600)	58,926
<b>Net Increase in Cash and Cash Equivalents</b>	724,405	235,487
<b>Cash and Cash Equivalents</b> - Beginning of year	1,203,275	967,788
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 1,927,680</u>	<u>\$ 1,203,275</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities</b>		
Operating loss	\$ (298,253)	\$ (424,962)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	964,599	990,525
Changes in assets and liabilities:		
Receivables - Net	(27,641)	(80,524)
Prepaid expenses	31,062	(48,173)
Accounts payable and accrued liabilities	197,415	2,817
Accrued payroll	13,900	5,591
Unearned revenue	11,135	1,156
Compensated absences	(5,046)	(6,689)
Net Pension Liability	45,344	-
Net cash provided by operating activities	<u>\$ 932,515</u>	<u>\$ 439,741</u>

# Central Michigan University Public Broadcasting Network

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## 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 2015 and 2014, 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.

The Network does not have separate legal status or existence. The financial position and the revenue and expenses of the Network, with the exception of WUCX-FM, are included in the financial statements of Central Michigan University.

**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

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## 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, 2015 and 2014

## 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, 2015 and 2014 included 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 T.V.	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

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## 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.

**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. June 30, 2014 amounts 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 ending June 30, 2014.

# Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

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

**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 was \$211,607 as of June 30, 2015. 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, deferred inflows of resources, 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 was \$219,918 as of June 30, 2015. 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:

	2015	2014
Cash and cash equivalents	\$ 1,927,680	\$ 1,203,275
Endowment investments	<u>3,213,666</u>	<u>1,854,092</u>
Total	<u>\$ 5,141,346</u>	<u>\$ 3,057,367</u>

# Central Michigan University Public Broadcasting Network

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

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

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

	2015	2014
Bank deposits (checking accounts and savings accounts and certificates of deposit)	\$ 1,927,680	\$ 1,203,275
Investments in securities and similar vehicles	3,213,666	1,854,092
Total	<u>\$ 5,141,346</u>	<u>\$ 3,057,367</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, 2015 or 2014. 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, 2015 and 2014, the fair value of the Network's investments was \$3,213,666 and \$1,854,092, respectively. The cost of the endowment investment at June 30, 2015 and 2014 was \$2,857,310 and \$1,431,934, 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 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, 2015 and 2014

### Note 3 - Capital Assets

	Beginning Balance			Ending Balance
	July 1, 2014	Additions	Reductions	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
<b>Total</b>	<b>22,126,217</b>	<b>331,078</b>	<b>500,584</b>	<b>21,956,711</b>
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
<b>Total</b>	<b>11,026,914</b>	<b>964,600</b>	<b>460,393</b>	<b>11,531,121</b>
Capital assets - Net	<u>\$ 11,099,303</u>	<u>\$ (633,522)</u>	<u>\$ 40,191</u>	<u>\$ 10,425,590</u>
	Beginning Balance			Ending Balance
	July 1, 2013	Additions	Reductions	June 30, 2014
Land	\$ 197,598	\$ -	\$ -	\$ 197,598
Buildings	6,716,342	309,757	-	7,026,099
Furniture and equipment	14,626,417	32,656	62,165	14,596,908
Intangible assets	305,612	-	-	305,612
<b>Total</b>	<b>21,845,969</b>	<b>342,413</b>	<b>62,165</b>	<b>22,126,217</b>
Less accumulated depreciation:				
Buildings	3,240,541	231,451	-	3,471,992
Furniture and equipment	6,687,355	751,294	41,035	7,397,614
Intangible assets	149,528	7,780	-	157,308
<b>Total</b>	<b>10,077,424</b>	<b>990,525</b>	<b>41,035</b>	<b>11,026,914</b>
Capital assets - Net	<u>\$ 11,768,545</u>	<u>\$ (648,112)</u>	<u>\$ 21,130</u>	<u>\$ 11,099,303</u>

# Central Michigan University Public Broadcasting Network

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

### 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:

	2015	2014
Vendors	\$ 217,419	\$ 20,004
Accrued payroll	<u>94,965</u>	<u>81,065</u>
Total	<u>\$ 312,384</u>	<u>\$ 101,069</u>

### Note 5 - Long-term Liabilities

Long-term liabilities at June 30 were as follows:

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

  

	Beginning Balance July 1, 2013	Change	Ending Balance June 30, 2014	Current Portion
Compensated absences	<u>\$ 118,491</u>	<u>\$ (6,689)</u>	<u>\$ 111,802</u>	<u>\$ -</u>

### Note 6 - Operating Expenses

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

	2015	2014
Salaries, wages, and benefits	\$ 3,051,833	\$ 3,102,332
Supplies and support services	4,040,112	3,447,637
Depreciation	<u>964,600</u>	<u>990,525</u>
Total operating expenses	<u>\$ 8,056,545</u>	<u>\$ 7,540,494</u>

# Central Michigan University Public Broadcasting Network

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## 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, 2015 and 2014 was \$311,032 and \$330,959, respectively.

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

**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.

# Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## Note 7 - Retirement Plans (Continued)

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 <u>Pension Cost</u>	Unfunded <u>Portion</u>
10/01/14 - 06/30/15	4.80%	17.72%
10/01/13 - 09/30/14	3.00%	16.61%
07/01/13 - 09/30/13	3.21%	13.41%

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 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, 2015 and 2014

## Note 7 - Retirement Plans (Continued)

**Net Pension Liability, Deferrals, and Pension Expense** - At June 30, 2015, the Network reported a liability of \$1,998,660 for its allocated share of the University's net pension liability. The net pension liability 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 update 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 and was 24.89 percent of the universities' 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 September 30, 2014, the Network's allocation of the University's proportion was 2.14 percent.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 59,525	\$ -
Net difference between projected and actual earnings on pension plan assets	-	192,093
Changes in proportion and differences between contributions and proportionate share of contributions	103	-
Contributions subsequent to the measurement date	126,587	-
Total	<u>\$ 186,215</u>	<u>\$ 192,093</u>

# Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## 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:

Plan Year Ended September 30	Amount
2015	\$ (11,605)
2016	48,023
2017	48,023
2018	48,023
Total	<u>\$ 132,464</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 (2016).

**Actuarial Assumptions** - The total pension liability as of September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward, was determined using the Entry Age Normal cost actuarial method, assuming inflation of 2.5 percent, salary increases of 3.50 percent, and using the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB.

The actuarial assumptions used for the September 30, 2013 valuation were based on the results of an actuarial experience study for the period 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. 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, 2015 and 2014

## 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	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28.0%	4.8%
Private Equity Pools	18.0%	8.5%
International Equity Pools	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Real Return, Opportunistic, and Absolute Pools	15.5%	6.3%
Short Term Investment Pools	2.0%	-0.2%
Total	<u>100.0%</u>	

**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>\$2,500,602</u>	<u>\$1,998,660</u>	<u>\$1,564,972</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.

# Central Michigan University Public Broadcasting Network

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## **Note 8 - Nonfederal Financial Support (NFFS) (Continued)**

Calculated in accordance with CPB guidelines, the combined Network reported total NFFS of \$7,063,837 and \$5,183,645 for the years ended June 30, 2015 and 2014, 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 \$766,658 and \$780,981 for the years ended June 30, 2015 and 2014, 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

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## 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 the 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.

#### 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.

#### 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.

# Central Michigan University Public Broadcasting Network

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## Note 11 - Delta College WUCX-FM (Continued)

### **Capital Assets**

Capital assets are recorded at cost or, if acquired by gift, at the fair market 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.

### **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, 2015 or June 30, 2014.

### **Purchased Program Rights**

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

### **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.

### **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.

# Central Michigan University Public Broadcasting Network

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## Note 11 - Delta College WUCX-FM (Continued)

### **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.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS 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 when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

### **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. 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 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, 2015 and 2014

## Note 11 - Delta College WUCX-FM (Continued)

### Cash and Cash Equivalents

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 statement of net position under the following classifications as of June 30:

	2015	2014
Cash and cash equivalents	\$ 105,105	\$ 86,863
Long-term investments	72,280	90,789
Total	\$ 177,385	\$ 177,652

The above amounts are classified in the following categories:

	2015	2014
Bank deposits (checking accounts and savings accounts and certificates of deposit)	\$ 105,105	\$ 86,863
Investments in securities and similar vehicles	72,280	90,789
Total	\$ 177,385	\$ 177,652

### 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, 2015 or 2014. 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. At June 30, 2015 and 2014, respectively, the fair value of the Station's investments is \$72,280 and \$90,789. Information as to amounts by investment type and associated risks 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, 2015 and 2014

## 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, 2015:

	Estimated Useful Life	Beginning Balance	Additions/ Depreciation	Deletions	Ending Balance
Capital assets:					
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 capital assets		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 accumulated depreciation		<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>

#### Year Ended June 30, 2014:

	Estimated Useful Life	Beginning Balance	Additions/ Depreciation	Deletions	Ending Balance
Capital assets:					
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 capital assets		201,623	-	-	201,623
Less accumulated depreciation:					
Buildings		35,178	1,620	-	36,798
Furniture and equipment		<u>119,136</u>	<u>559</u>	<u>-</u>	<u>119,695</u>
Total accumulated depreciation		<u>154,314</u>	<u>\$ 2,179</u>	<u>\$ -</u>	<u>156,493</u>
Capital assets - Net		<u>\$ 47,309</u>			<u>\$ 45,130</u>

# Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## 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:

	2015	2014
Designated for funds functioning as endowments	\$ 72,280	\$ 90,789
Unrestricted - MPSERS	(254,132)	-
Unrestricted and unallocated	<u>74,273</u>	<u>62,780</u>
Total unrestricted net position	<u>\$ (107,579)</u>	<u>\$ 153,569</u>

### 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, 2015, the Station reported a liability of \$251,699 for its share of the College's proportionate share of the net pension liability of MPSERS. The net pension liability 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, 2014, the College's proportion 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.

For the years ended June 30, 2015 and 2014, respectively, the Station recognized MPSERS retirement expense of \$33,200 and \$30,500, based on MPSERS covered payroll of \$109,800 and \$109,600 for the respective years. The Station also has deferred outflows of resources of \$25,392 and deferred inflows of resources of \$27,825 related to the MPSERS pension.

# Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## Note 11 - Delta College WUCX-FM (Continued)

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

Years Ending June 30	Amount
2016	\$ 4,540
2017	4,540
2018	4,540
2019	4,912
Total	<u>\$ 18,532</u>

In addition, the contributions subsequent to the measurement date of \$16,099 will be included as a reduction of the net pension liability in the next year.

The discount rate used to measure the total pension liability 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 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 percentage point lower (7.0 percent for the Basic and MIP Plans and 6.0 percent for the Pension Plus Plan) or 1.0 percentage 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
\$331,843	\$251,699	\$184,176

### **ORP Defined Contribution Plan**

The Station recorded retirement expense related to the ORP of \$800 and \$1,500, respectively, for the years ended June 30, 2015 and 2014, based on ORP covered payroll of \$8,100 and \$14,700.

### **Additional Information**

For additional information concerning the Station's retirement plans, refer to Delta College's June 30, 2015 audited financial statements.

# Central Michigan University Public Broadcasting Network

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## 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 were as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30
		2015	2014	2013	
2015	\$ 29,809	\$ 29,809	\$ -	\$ -	\$ -
2014	31,539	-	31,539	-	-
2013	29,785	-	-	29,785	-

### 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 \$314,979 and \$317,268 for the years ended June 30, 2015 and 2014, respectively.

### 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 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 statement of revenue, expenses, and changes in net position was approximately \$43,000 and \$44,000, respectively, for the years ended June 30, 2015 and 2014.

**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 financial statements when adopted. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2017.

## **Additional Information**

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# Central Michigan University Public Broadcasting Network

## Consolidating Statement of Net Position June 30, 2015

	Television	Radio	CMU Combined Total	Delta College WUCX-FM	Combined Total Radio	CMU and Delta Combined Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 1,294,221	\$ 528,354	\$ 1,822,575	\$ 105,105	\$ 633,459	\$ 1,927,680
Accounts receivable	4,491	11,751	16,242	-	11,751	16,242
Pledges receivable - Net	208,321	211,883	420,204	-	211,883	420,204
Prepaid expenses	87,824	26,150	113,974	-	26,150	113,974
Unexpired program rights	-	-	-	2,917	2,917	2,917
Total current assets	1,594,857	778,138	2,372,995	108,022	886,160	2,481,017
Noncurrent assets:						
Endowment investments	2,800,623	340,763	3,141,386	72,280	413,043	3,213,666
Capital assets - Net	9,465,238	917,401	10,382,639	42,951	960,352	10,425,590
Total noncurrent assets	12,265,861	1,258,164	13,524,025	115,231	1,373,395	13,639,256
Total assets	13,860,718	2,036,302	15,897,020	223,253	2,259,555	16,120,273
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued liabilities	183,521	18,371	201,892	15,527	33,898	217,419
Accrued payroll	55,601	21,142	76,743	18,222	39,364	94,965
Unearned revenue	17,360	-	17,360	-	-	17,360
Total current liabilities	256,482	39,513	295,995	33,749	73,262	329,744
Noncurrent liabilities:						
Long-term liabilities	69,727	37,029	106,756	-	37,029	106,756
Net pension liabilities	1,570,376	428,284	1,998,660	251,699	679,983	2,250,359
Total liabilities	1,896,585	504,826	2,401,411	285,448	790,274	2,686,859
<b>Deferred Inflows</b>	4,618	1,260	5,878	2,433	3,693	8,311
<b>Net Position</b>						
Net investment in capital	9,465,238	917,401	10,382,639	42,951	960,352	10,425,590
Restricted for:						
Nonexpendable	2,270,974	224,026	2,495,000	-	224,026	2,495,000
Expendable	530,622	133,901	664,523	-	133,901	664,523
Unrestricted (deficit)	(307,319)	254,888	(52,431)	(107,579)	147,309	(160,010)
Total net position	<u>\$ 11,959,515</u>	<u>\$ 1,530,216</u>	<u>\$ 13,489,731</u>	<u>\$ (64,628)</u>	<u>\$ 1,465,588</u>	<u>\$ 13,425,103</u>

# Central Michigan University Public Broadcasting Network

## Consolidating Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Television	Radio	CMU Combined Total	Delta College WUCX-FM	Combined Total Radio	CMU and Delta Combined Total
<b>Revenue</b>						
Operating revenue:						
University appropriations - Operations	\$ 1,145,076	\$ 780,716	\$ 1,925,792	\$ 96,083	\$ 876,799	\$ 2,021,875
University additional support - Operations	103,791	185,345	289,136	-	185,345	289,136
University administrative support - Operations	438,852	284,995	723,847	42,811	327,806	766,658
Contributions and pledges - Net of allowance	1,450,668	871,994	2,322,662	132,446	1,004,440	2,455,108
Community service grants	1,046,895	288,841	1,335,736	-	288,841	1,335,736
Program underwriting and pledges - Net of allowance	138,251	323,851	462,102	42,662	366,513	504,764
Production underwriting	5,000	-	5,000	-	-	5,000
Rents and royalties	267,724	37,060	304,784	-	37,060	304,784
In-kind support	27,696	-	27,696	-	-	27,696
Other operating revenue	35,175	12,360	47,535	-	12,360	47,535
<b>Total operating revenue</b>	<b>4,659,128</b>	<b>2,785,162</b>	<b>7,444,290</b>	<b>314,002</b>	<b>3,099,164</b>	<b>7,758,292</b>
<b>Expenses</b>						
Operating expenses:						
Programming and local production	1,417,254	853,112	2,270,366	137,515	990,627	2,407,881
Broadcasting	1,527,683	807,504	2,335,187	89,153	896,657	2,424,340
Program information	199,464	139,252	338,716	-	139,252	338,716
Fundraising	625,987	423,288	1,049,275	66,565	489,853	1,115,840
Management and general	458,946	316,234	775,180	29,988	346,222	805,168
Depreciation	866,068	96,353	962,421	2,179	98,532	964,600
<b>Total operating expenses</b>	<b>5,095,402</b>	<b>2,635,743</b>	<b>7,731,145</b>	<b>325,400</b>	<b>2,961,143</b>	<b>8,056,545</b>
<b>Operating Loss</b>	<b>(436,274)</b>	<b>149,419</b>	<b>(286,855)</b>	<b>(11,398)</b>	<b>138,021</b>	<b>(298,253)</b>
<b>Nonoperating Revenue - Investment income -</b>						
Net of expenses	11,590	2,935	14,525	2,448	5,383	16,973
<b>Total nonoperating revenues</b>	<b>11,590</b>	<b>2,935</b>	<b>14,525</b>	<b>2,448</b>	<b>5,383</b>	<b>16,973</b>
<b>(Loss) Income Before Other</b>	<b>(424,684)</b>	<b>152,354</b>	<b>(272,330)</b>	<b>(8,950)</b>	<b>143,404</b>	<b>(281,280)</b>
<b>Other - Additions to permanent endowments</b>	<b>1,424,591</b>	<b>785</b>	<b>1,425,376</b>	<b>-</b>	<b>785</b>	<b>1,425,376</b>
<b>Increase (Decrease) in Net Position</b>	<b>999,907</b>	<b>153,139</b>	<b>1,153,046</b>	<b>(8,950)</b>	<b>144,189</b>	<b>1,144,096</b>
<b>Net Position - Beginning of year</b>	<b>12,498,782</b>	<b>1,796,852</b>	<b>14,295,634</b>	<b>198,699</b>	<b>1,995,551</b>	<b>14,494,333</b>
Adjustment for change in accounting principle (Note 1)	(1,539,174)	(419,775)	(1,958,949)	(254,377)	(674,152)	(2,213,326)
<b>Net Position - End of year</b>	<b>\$ 11,959,515</b>	<b>\$ 1,530,216</b>	<b>\$ 13,489,731</b>	<b>\$ (64,628)</b>	<b>\$ 1,465,588</b>	<b>\$ 13,425,103</b>