

Boise State Public Radio Network

(A Public Telecommunications Entity Operated by Boise State University)



**REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
JUNE 30, 2016 AND JUNE 30, 2015**



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REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
Boise State Public Radio Network
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Boise State Public Radio Network (the "Network"), a public telecommunications entity operated by Boise State University, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Network's basic 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

MOSS ADAMS LLP***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Network as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 financial statements, and other knowledge we obtained during our audit of the basic 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017 on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.

Moss Adams LLP

Eugene, Oregon
January 13, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Management's Discussion and Analysis ("MD&A") presents an overview of the financial performance of Boise State Public Radio Network (the "Network") based on currently known facts, decisions and conditions, and is designed to assist readers in understanding the accompanying financial statements. The MD&A discusses financial performance during the current year in comparison to prior years with emphasis on the current year.

Overview of the Financial Statements and Financial Analysis

The financial statements for the fiscal years ended June 30, 2016 and June 30, 2015 are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. There are three financial statements presented: the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

Statements of Net Position

The statements of net position present the assets, deferred outflows (not applicable in the current year comparative statements), liabilities, deferred inflows, and net position of the Network as of the current fiscal year-end in comparative format with the prior fiscal year-end. The purpose of the statements of net position is to present to the readers of the financial statements a point-in-time fiscal snapshot of the Network. The statements of net position present end-of-year data concerning assets (current and non-current), deferred outflows, liabilities (current and non-current), deferred inflows and net position (assets plus deferred outflows minus liabilities minus deferred inflows). The difference between current and non-current classification is discussed in the footnotes to the financial statements.

Financial Statements Presentation

From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the Network. They are also able to determine how much the Network owes vendors, investors and lending institutions. Finally, the statements of net position provide a picture of the net position and available funds for expenditure by the Network.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the Network's equity in capital assets. The next category is restricted expendable. When restricted expendable net position is available for expenditure, the funds must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the Network for any lawful purpose of the Network.

Summary Statements of Net Position

| Summary Statements of Net Position | | | |
|--|---------------------|---------------------|---------------------|
| Fiscal Years Ended June 30, | | | |
| | 2016 | 2015 | 2014 |
| ASSETS: | | | |
| Current assets | \$ 1,286,688 | \$ 1,144,369 | \$ 903,207 |
| Capital assets, net | 1,238,672 | 1,319,241 | 1,376,311 |
| Total assets | <u>\$ 2,525,360</u> | <u>\$ 2,463,610</u> | <u>\$ 2,279,518</u> |
| LIABILITIES: | | | |
| Current liabilities | \$ 482,792 | \$ 493,353 | \$ 489,539 |
| Non-current liabilities | 454,619 | 512,434 | 560,477 |
| Total liabilities | <u>937,411</u> | <u>1,005,787</u> | <u>1,050,016</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Grants received in advance | \$ 61,394 | \$ - | \$ - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>61,394</u> | <u>-</u> | <u>-</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 732,783 | 764,944 | 776,311 |
| Restricted, expendable | 26,476 | 23,552 | - |
| Unrestricted | 767,296 | 669,327 | 453,191 |
| Total net position | <u>1,526,555</u> | <u>1,457,823</u> | <u>1,229,502</u> |
| Total liabilities and net position | <u>\$ 2,525,360</u> | <u>\$ 2,463,610</u> | <u>\$ 2,279,518</u> |

The Network's total assets increased during fiscal year 2016 by \$61,750 to \$2,525,360. Though all current asset accounts showed increases at fiscal year-end, the largest increases were in cash held by state treasurer and in cash and cash equivalents, as well as an increase in amount owed to the Network for underwriting revenues collected and held by the Foundation. These increases were offset by a decrease in capital assets, net.

Liabilities decreased by \$68,376 to \$937,411 during fiscal year 2016. This is primarily related to debt service payments associated with the note payable entered into with Boise State University to fund the capital project to renovate the studios. Deferred inflows of \$61,394 related to grant revenue received in advance was recorded as of June 30, 2016; no deferred outflows existed at fiscal year-end in either 2015 or 2016.

Statements of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented in the statements of net position are based on the activity presented in the statements of revenues, expenses and changes in net position. The purpose of the statements is to present the revenues earned by the Network, both operating and non-operating, and the expenses incurred by the Network, both operating and non-operating, and any other revenues, expenses, gains and losses incurred by the Network.

Generally speaking, operating revenues are earned by providing services to the various customers and constituencies of the Network. Operating expenses are those expenses incurred to acquire or produce the services provided in return for operating revenues, and to carry out the functions of the Network. Non-operating revenues are revenues received for which services are not provided.

The Network will always reflect a net operating loss because gifts are considered non-exchange transactions. Per GASB No. 34, *“Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”* and GASB No. 35, *“Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities,”* state general fund appropriations are defined as non-operating revenue.

| Summary Statements of Revenues, Expenses, and Changes in Net Position | | | |
|--|--------------|--------------|--------------|
| Fiscal Years Ended June 30, | | | |
| | 2016 | 2015 | 2014 |
| Operating revenues | \$ 1,129,057 | \$ 1,102,407 | \$ 1,227,632 |
| Operating expenses | 4,022,493 | 3,789,861 | 4,052,336 |
| Operating loss | (2,893,436) | (2,687,454) | (2,824,704) |
| Net non-operating revenues | 2,962,168 | 2,915,775 | 2,699,507 |
| Increase (decrease) in net position | 68,732 | 228,321 | (125,197) |
| Net position - Beginning of year | 1,457,823 | 1,229,502 | 1,354,699 |
| Net position - End of year | \$ 1,526,555 | \$ 1,457,823 | \$ 1,229,502 |

Operating revenues increased by \$26,650 to \$1,129,057 from \$1,102,407 during fiscal year 2016, chiefly due to an increase in federal grant revenue offset by a decrease in private grant revenue.

Operating expenses increased by \$232,632 from \$3,789,861 to \$4,022,493 during fiscal year 2016. This increase is primarily due to an increase in expenses for supplies and in staff salaries and benefit costs, offset by a decrease in services expenditures.

Net non-operating revenues increased by \$46,393 during fiscal year 2016. This is primarily the result of an increase in state appropriation funding for payment of salaries and recruitment of the General Manager position.

The combined impact of these changes resulted in an increase in net position in fiscal year 2016 of \$68,732 as compared to an increase in net position in fiscal year 2015 of \$228,321.

Statements of Cash Flows

The final statements presented by the Network are the statements of cash flows. These statements present detailed information about the cash activity of the Network during the year.

| Summary Statements of Cash Flows Fiscal Years Ended June 30 | | | |
|--|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2014 |
| Cash provided (used) by: | | | |
| Operating activities | \$(2,197,463) | \$(2,164,454) | \$(2,200,785) |
| Non-capital financing activities | 2,376,640 | 2,279,807 | 2,152,106 |
| Capital and related financing activities | (106,367) | (153,223) | (310,874) |
| Net change in cash | 72,810 | (37,870) | (359,553) |
| Cash—Beginning of year | 188,231 | 226,101 | 585,654 |
| Cash—End of year | <u>\$ 261,041</u> | <u>\$ 188,231</u> | <u>\$ 226,101</u> |

Cash used in operating activities increased by \$33,009 from \$2,164,454 during fiscal year 2015 to \$2,197,463 during fiscal year 2016. Payments for operating activities showed an increase in personnel costs, supplies, and other operating payments and a decrease in payments for services and for insurance, utilities and rent costs, offset by an increase in grants and contracts

receipts and other operating receipts.

Cash provided by non-capital financing activities increased by \$96,833 from \$2,279,807 during fiscal year 2015 to \$2,376,640 during fiscal year 2016. The increase is the result of higher receipts for donations and underwriting along with an increase in state appropriations.

Cash used by capital and related financing activities decreased by \$46,856 from cash used of \$153,223 during fiscal year 2015 to \$106,367 during fiscal year 2016. The decline in cash used by capital activities in fiscal year 2016 was primarily the result of a decrease in purchase of capital assets during fiscal year 2016.

Economic Outlook

State Appropriations represented approximately 14% of the Network's total revenue in fiscal year 2016. The Network remains healthy in its fundraising efforts, from Capital Campaigns to Membership pledge drives. Membership contributions represent approximately 67% of gift revenue, totaling \$1,617,966, which is a slight decrease (1%) from fiscal year 2015. Combined underwriting represents approximately 32% of gift revenue (including trades and sponsorships), totaling \$2,431,435, representing a slight increase 0.2% over fiscal year 2015. The Network continues to engage the community through its donors, through partnerships, and via station events. In 2015 the Network completed its new headquarters, the Yanke capital project studio build-out, and is in the process of repaying the loan.

**BOISE STATE PUBLIC RADIO
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND JUNE 30, 2015**

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash with Treasurer | \$ 69,988 | \$ 36,651 |
| Cash and cash equivalents | 191,053 | 151,580 |
| Accounts receivable, net | 113,754 | 98,583 |
| Prepaid expense | 39,030 | 26,743 |
| Inventories | 13,257 | 6,613 |
| Due from Boise State University Foundation | 859,606 | 824,199 |
| Total current assets | <u>1,286,688</u> | <u>1,144,369</u> |
| NON-CURRENT ASSETS: | | |
| Capital assets, net | 1,238,672 | 1,319,241 |
| Total non-current assets | <u>1,238,672</u> | <u>1,319,241</u> |
| TOTAL ASSETS | <u>\$ 2,525,360</u> | <u>\$ 2,463,610</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued liabilities | \$ 35,781 | \$ 7,346 |
| Accrued salaries and benefits payable | 116,646 | 101,651 |
| Compensated absences payable | 114,339 | 102,972 |
| Unearned revenue | 164,756 | 200,283 |
| Notes payable - current portion | 51,270 | 48,407 |
| Due to Boise State University | - | 32,694 |
| Total current liabilities | <u>482,792</u> | <u>493,353</u> |
| NON-CURRENT LIABILITIES: | | |
| Notes payable | 454,619 | 505,889 |
| Other liabilities | - | 6,545 |
| Total non-current liabilities | <u>454,619</u> | <u>512,434</u> |
| TOTAL LIABILITIES | <u>937,411</u> | <u>1,005,787</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Grants received in advance | 61,394 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>61,394</u> | <u>-</u> |
| NET POSITION: | | |
| Net investment in capital assets | 732,783 | 764,944 |
| Restricted, expendable | 26,476 | 23,552 |
| Unrestricted | 767,296 | 669,327 |
| TOTAL NET POSITION | <u>1,526,555</u> | <u>1,457,823</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 2,525,360</u> | <u>\$ 2,463,610</u> |

See notes to financial statements

**BOISE STATE PUBLIC RADIO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Federal grants and contracts | \$ 187,764 | \$ 135,119 |
| Private grants and contracts | 286,526 | 323,109 |
| Indirect administrative support | 650,534 | 642,233 |
| Other | 4,233 | 1,946 |
| Total operating revenues | <u>1,129,057</u> | <u>1,102,407</u> |
| OPERATING EXPENSES: | | |
| Personnel | 1,900,058 | 1,771,243 |
| Services | 556,073 | 784,437 |
| Supplies | 611,856 | 309,544 |
| Insurance, utilities and rent | 157,422 | 161,010 |
| Depreciation and amortization | 107,827 | 130,919 |
| Miscellaneous | 689,257 | 632,708 |
| Total operating expenses | <u>4,022,493</u> | <u>3,789,861</u> |
| OPERATING LOSS: | <u>(2,893,436)</u> | <u>(2,687,454)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | |
| State appropriations | 560,957 | 514,567 |
| Gifts | 2,431,435 | 2,426,082 |
| Net investment income | 478 | 581 |
| Interest expense | (30,702) | (33,366) |
| Other | - | 7,911 |
| Net non-operating revenues | <u>2,962,168</u> | <u>2,915,775</u> |
| INCREASE IN NET POSITION | 68,732 | 228,321 |
| NET POSITION — Beginning of year | <u>1,457,823</u> | <u>1,229,502</u> |
| NET POSITION — End of year | <u>\$ 1,526,555</u> | <u>\$ 1,457,823</u> |

See notes to financial statements.

**BOISE STATE PUBLIC RADIO
STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

| | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Grants and contracts | \$ 468,753 | \$ 449,976 |
| Other operating receipts | 1,207,691 | 986,134 |
| Payments for personnel costs | (1,897,109) | (1,757,128) |
| Payments for services | (527,332) | (738,507) |
| Payments for supplies | (599,556) | (307,139) |
| Payments for insurance, utilities and rent | (151,297) | (156,066) |
| Other operating payments | (698,613) | (641,724) |
| Net cash used in operating activities | <u>(2,197,463)</u> | <u>(2,164,454)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| State appropriations | 560,957 | 514,567 |
| Gifts | 1,815,687 | 1,757,291 |
| Other | (4) | 7,949 |
| Net cash provided by non-capital financing activities | <u>2,376,640</u> | <u>2,279,807</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of capital assets | (27,258) | (74,153) |
| Principal paid on notes payable | (48,407) | (45,704) |
| Interest paid on notes payable | (30,702) | (33,366) |
| Net cash used in capital and related financing activities | <u>(106,367)</u> | <u>(153,223)</u> |
| NET CHANGE IN CASH, CASH EQUIVALENTS AND CASH WITH TREASURER | <u>72,810</u> | <u>(37,870)</u> |
| CASH, CASH EQUIVALENTS AND CASH WITH TREASURER - BEGINNING OF THE YEAR | <u>188,231</u> | <u>226,101</u> |
| CASH, CASH EQUIVALENTS AND CASH WITH TREASURER - END OF THE YEAR | <u>\$ 261,041</u> | <u>\$ 188,231</u> |

See notes to financial statements.

BOISE STATE PUBLIC RADIO
STATEMENTS OF CASH FLOWS (continued)
FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------|-----------------------|
| RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES: | | |
| Operating loss | \$ (2,893,436) | \$ (2,687,454) |
| ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Depreciation expense/amortization of intangible | 107,827 | 130,919 |
| CHANGES IN ASSETS, LIABILITIES AND DEFERRED INFLOWS: | | |
| Receivables - operating - net | (33,267) | 3,350 |
| Due from BSU Foundation | 595,101 | 380,427 |
| Prepaid Expense | (12,287) | (1,013) |
| Accounts payable & accrued liabilities | 28,435 | (9,285) |
| Accrued salaries & benefits payable | 14,995 | 10,295 |
| Compensated absences | 4,822 | (16,135) |
| Unearned revenue | (38,353) | (8,252) |
| Due to Boise State University | (32,694) | 32,694 |
| Deferred Inflows | 61,394 | - |
| Net cash used in operating activities | <u>\$ (2,197,463)</u> | <u>\$ (2,164,454)</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS: | | |
| Indirect administrative support from Boise State University | \$ 650,492 | \$ 642,233 |
| Gifts, donated services, trade and sponsorships | 140,503 | 139,626 |
| Total non-cash transactions | <u>\$ 790,995</u> | <u>\$ 781,859</u> |

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Boise State Public Radio Network (the “Network”) is a network of noncommercial radio stations operated by Boise State University (the “University”) in Boise, Idaho. The Network consists of two qualified station grantees of the Corporation for Public Broadcasting, KBSU FM and KBSW FM.

The financial statements for fiscal years ended June 30, 2016 and June 30, 2015 are prepared in accordance with Governmental Accounting Standards Board (“GASB”) principles. The Network is not a separate legal entity. Rather it is a department of the University and these departmental financial statements are presented for the purpose of reporting to the Corporation for Public Broadcasting.

Basis of Accounting - For financial reporting purposes, the Network is considered a special-purpose government, engaged only in business-type activities. Accordingly, the Network’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (“GAAP”). Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash with Treasurer - Balances classified as cash with treasurer represent matriculation fees that have been remitted to the State of Idaho. Once remitted these balances are held by the Idaho State Treasurer until requested as a reimbursement for appropriated spending.

Cash and Cash Equivalents - The Network considers all liquid investments with a remaining maturity of three months or less at the date of acquisition to be cash equivalents.

Accounts Receivable, Net - Accounts receivable consists of underwriting and membership pledges. Receivables are shown net of allowance and are expected to be collected within the next fiscal year.

Inventories - Inventories consist of gift vouchers received and are valued at lower of cost or market, at the time received as a donation.

Due from Boise State University Foundation, Inc. - The Network’s underwriting revenues are deposited directly with the Foundation. Due from Boise State University Foundation represents the amount of cash the Foundation administers on behalf of the Network.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets, Net - Property and equipment are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at date of gift. The Network's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings and 5 to 13 years for equipment.

Intangible assets represent tower transmission rights purchased in October 2001 from Boise State University Foundation, Inc. The purchase grants the Network tower transmission rights into perpetuity. The rights were amortized over the life of the tower; a period of 13 years. The final related amortization expense of \$9,024 was recognized in fiscal year 2015.

Unearned Revenue - Unearned revenue consists of amounts received for underwriting and for fixed fee grants prior to the end of the fiscal year that will be earned in subsequent years.

Compensated Absences Payable - Employee vacation pay that is earned but unused is accrued at year end for financial statement purposes. Compensated absence costs are included in benefits expense in the statements of revenues, expenses, and changes in net position.

Non-current Liabilities - Non-current liabilities include the principal amount of notes payable and compensated absences payable.

Deferred Inflows of Resources - Deferred inflows of resources are an acquisition of net position that is applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position.

Net Position - The Network's net position is classified as follows:

- *Net Investment in Capital Assets* - This represents the Network's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted, Expendable* - Restricted expendable net position includes resources in which the Network is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

- *Unrestricted* - Unrestricted net position represents resources derived from state appropriations, and sales and services. These resources are used for transactions related to the educational and general operations of the Network, and may be used at the discretion of Network management to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Network's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Revenue Recognition - Grants and contracts and support from the University are recorded as revenue when received. Restricted grants are recorded as revenue to the extent that they have been expended for the purpose specified by the donor or grantor during the period.

In-kind contributions are recorded as revenue and expense in the financial statements. In-kind contributions consist of trades for products and services and are valued at their estimated fair market value at date of receipt.

Donated services and administrative support from the University consists of direct services provided to the Network including payroll and other operating expenditures funded through local funds and state appropriations, and an allocation of costs and certain other indirect expenses incurred by the University on behalf of the Network.

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

Operating Revenues- Operating revenues include activities that have the characteristics of exchange transactions, such as most federal, state and local grants and contracts and federal appropriations.

Non-operating Revenues- Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue resources that are defined as non-operating revenues by GASB No. 9, "*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*", and GASB Statement No. 34, such as state general appropriations and investment income.

Reclassification – Certain prior year balances have been reclassified to conform to the current year presentation.

Use of Accounting Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities, and revenues and expenses during the year at the date of the financial statements. Actual results could differ from those estimates.

2. ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at June 30:

| | 2016 | 2015 |
|--|-------------------|------------------|
| Unbilled Charges | \$ 28,577 | \$ - |
| Underwriting | 86,339 | 87,067 |
| Pledges receivable | 4,299 | 21,666 |
| Total accounts receivable | 119,215 | 108,733 |
| Less: Allowance for doubtful receivables | (5,461) | (10,150) |
| Total accounts receivable, net | \$ 113,754 | \$ 98,583 |

3. UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Underwriting | \$ 9,828 | \$ 7,001 |
| Federal, state, and private grants and contracts | 154,928 | 193,282 |
| Total unearned revenue | \$ 164,756 | \$ 200,283 |

4. CAPITAL ASSETS, NET

Following are the changes in capital assets for the year ended June 30, 2016:

| | 2016 | | | | Balance June 30, 2016 |
|--|--------------------------|--------------------|-------------|-------------|--------------------------|
| | Balance June 30, 2015 | Additions | Transfers | Retirements | |
| Capital assets not being depreciated: | | | | | |
| Construction in Progress | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total assets not being depreciated | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Other capital assets: | | | | | |
| Buildings & Improvements | \$ 1,075,395 | \$ - | \$ - | \$ - | \$ 1,075,395 |
| Furniture and equipment | 2,180,548 | 27,258 | - | - | \$ 2,207,806 |
| Intangibles | 469,199 | - | - | - | \$ 469,199 |
| Total other capital assets | <u>3,725,142</u> | <u>27,258</u> | <u>-</u> | <u>-</u> | <u>3,752,400</u> |
| Less accumulated depreciation: | | | | | |
| Buildings & Improvements | (49,755) | (28,083) | - | - | (77,838) |
| Furniture and equipment | (1,886,947) | (79,744) | - | - | (1,966,691) |
| Intangibles | (469,199) | - | - | - | (469,199) |
| Total accumulated depreciation | <u>(2,405,901)</u> | <u>(107,827)</u> | <u>-</u> | <u>-</u> | <u>(2,513,728)</u> |
| Other capital assets, net | <u>\$ 1,319,241</u> | <u>\$ (80,569)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,238,672</u> |
| Capital assets summary: | | | | | |
| Capital assets not being depreciated | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other capital assets at cost | <u>3,725,142</u> | <u>27,258</u> | <u>-</u> | <u>-</u> | <u>3,752,400</u> |
| Total cost of capital assets | <u>3,725,142</u> | <u>27,258</u> | <u>-</u> | <u>-</u> | <u>3,752,400</u> |
| Less accumulated depreciation | <u>(2,405,901)</u> | <u>(107,827)</u> | <u>-</u> | <u>-</u> | <u>(2,513,728)</u> |
| Capital assets, net | <u>\$ 1,319,241</u> | <u>\$ (80,569)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,238,672</u> |

Following are the changes in capital assets for the year ended June 30, 2015:

| | 2015 | | | | Balance June 30, 2015 |
|--|--------------------------|--------------------|--------------------|-------------|--------------------------|
| | Balance June 30, 2014 | Additions | Transfers | Retirements | |
| Capital assets not being depreciated: | | | | | |
| Construction in Progress | \$ - | \$ 43,666 | \$ (43,666) | \$ - | \$ - |
| Total assets not being depreciated | \$ - | \$ 43,666 | \$ (43,666) | \$ - | \$ - |
| Other capital assets: | | | | | |
| Buildings & Improvements | \$ 1,031,729 | \$ - | \$ 43,666 | \$ - | \$ 1,075,395 |
| Furniture and equipment | 2,139,429 | 41,119 | - | - | 2,180,548 |
| Intangibles | 469,199 | - | - | - | 469,199 |
| Total other capital assets | 3,640,357 | 41,119 | 43,666 | - | 3,725,142 |
| Less accumulated depreciation: | | | | | |
| Buildings & Improvements | (23,475) | (26,280) | - | - | (49,755) |
| Furniture and equipment | (1,780,396) | (95,615) | (10,936) | - | (1,886,947) |
| Intangibles | (460,175) | (9,024) | - | - | (469,199) |
| Total accumulated depreciation | (2,264,046) | (130,919) | (10,936) | - | (2,405,901) |
| Other capital assets, net | \$ 1,376,311 | \$ (89,800) | \$ 32,730 | \$ - | \$ 1,319,241 |
| Capital assets summary: | | | | | |
| Capital assets not being depreciated | \$ - | \$ 43,666 | \$ (43,666) | \$ - | \$ - |
| Other capital assets at cost | 3,640,357 | 41,119 | 43,666 | - | 3,725,142 |
| Total cost of capital assets | 3,640,357 | 84,785 | - | - | 3,725,142 |
| Less accumulated depreciation | (2,264,046) | (130,919) | (10,936) | - | (2,405,901) |
| Capital assets, net | \$ 1,376,311 | \$ (46,134) | \$ (10,936) | \$ - | \$ 1,319,241 |

Depreciation and amortization expense for the Network was \$107,827 and \$130,919 for the years ended June 30, 2016 and 2015, respectively.

5. NOTES PAYABLE

In June 2014, the Network entered into an unsecured \$600,000, ten-year note payable with Boise State University to finance the remodel and upgrades needed for the radio station studios.

Notes Payable – Outstanding:

| Notes Payable | June 30, 2016 | | | | | |
|-------------------------------------|---------------------|------------------------------|---------------|---------------|--------------------------|--------------------------|
| | Original Face Value | Terms | Interest Rate | Maturity Date | Outstanding Balance 2016 | Outstanding Balance 2015 |
| Boise State University note payable | \$ 600,000 | 10 year monthly amortization | 5.76% | 2024 | \$ 505,889 | \$ 554,296 |
| Total Notes Payable | | | | | <u>\$ 505,889</u> | <u>\$ 554,296</u> |

Notes Payable – Principal and interest maturities as of June 30, 2016:

| | Note Payable 2016 | | |
|--------------|-------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| 2017 | 51,270 | 27,800 | 79,070 |
| 2018 | 54,302 | 24,768 | 79,070 |
| 2019 | 57,514 | 21,556 | 79,070 |
| 2020 | 60,916 | 18,154 | 79,070 |
| 2021 | 64,519 | 14,551 | 79,070 |
| Thereafter | 217,368 | 19,840 | 237,208 |
| Total | <u>\$ 505,889</u> | <u>\$ 126,669</u> | <u>\$ 632,558</u> |

6. RELATED PARTY

The Boise State University Foundation, Inc. (the “Foundation”) was established for the purpose of soliciting donations and to hold and manage invested donations for the exclusive benefit of Boise State University, which includes the Network. In fiscal year 2016, the Network paid approximately \$42,178 to the Foundation. In fiscal year 2015, the Network paid approximately \$38,471 to the Foundation. These amounts are included in operating expenses. The Foundation owed the Network \$859,606 and \$824,199 for Network underwriting revenues collected and held by the Foundation as of June 30, 2016 and 2015, respectively.

The prior year included an undisclosed amount due to Boise State University in the amount of \$32,694 related to costs incurred for operating costs including personnel, services, supplies, insurance, utilities and rent.

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Idaho State Board of Education
Boise State Public Radio Network
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boise State University Public Radio Network (the "Network"), a public telecommunications entity operated by Boise State University, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements, and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MOSS ADAMS_{LLP}

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Eugene, Oregon
January 13, 2017