

**MURROW PUBLIC MEDIA COMPRISED OF  
NORTHWEST PUBLIC RADIO, NORTHWEST PUBLIC  
TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A PUBLIC TELECOMMUNICATIONS SYSTEM  
OPERATED BY WASHINGTON STATE UNIVERSITY)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)**

**TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION</b>	<b>9</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>10</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>11</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>12</b>
<b>INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION</b>	<b>22</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION     ON A DEPARTMENTAL BASIS</b>	<b>23</b>
<b>SCHEDULE OF FUNCTIONAL EXPENSES</b>	<b>24</b>

## INDEPENDENT AUDITORS' REPORT

Kirk Schulz, President  
Washington State University  
Pullman, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) (MPM), an auxiliary enterprise of Washington State University, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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. 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 auditors' 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 opinion.

Kirk Schulz, President  
Washington State University

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) as of June 30, 2016 and 2015, and the changes in net position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter***

*Reporting Entity*

As discussed in Note 1, the accompanying financial statements present only Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) and do not purport to, and do not, present fairly the financial position of Washington State University as of June 30, 2016 and 2015, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matter***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 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.



**CliftonLarsonAllen LLP**

Spokane, Washington  
January 10, 2017

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015**

## **INTRODUCTION**

The following discussion and analysis provides an overview of the financial position and operations of Murrow Public Media (MPM) for the years ended June 30, 2016 and 2015. This discussion has been prepared by management, and should be read in conjunction with MPM's financial statements and accompanying notes which follow this section.

MPM is a noncommercial educational radio and television system licensed to Washington State University (WSU) in Pullman, Washington. The MPM's financial statements include the accounts for its nineteen public radio stations, two public television stations, one student run radio station, and one student run television station for which broadcast, budget, accounting, and certain grant purposes are separately identified. MPM does share facilities and personnel and are constituent organizational departments of The Edward R. Murrow College of Communication at Washington State University.

MPM includes Northwest Public Radio and Northwest Public Television (KWSU/KTNW), but also encompasses from the academic side of the college the student arm of broadcasting in KUGR Radio and Cable 8 TV. The vision of MPM is a "teaching hospital" model which gives students a hands-on role while being mentored and supervised by professionals. MPM is responsible to the FCC, WSU, and our communities for the quality and consistency of the programming while accomplishing our public educational and outreach mission.

These financial statements present only the above-described portion of the activities of WSU, and are not intended to represent the financial position, results of operations, or changes in net position of the Murrow College of Communication nor the University taken as a whole. WSU is a public university in the state of Washington, governed by a ten-member Board of Regents appointed by the State Governor. The complete financial statements of WSU may be found at <http://genacct.wsu.edu/finstat.html>.

## **FINANCIAL HIGHLIGHTS**

### **MPM's financial position remains fairly constant to FY15 levels during the year ending June 30, 2016:**

- Total assets increased by just over \$22 thousand. This was mainly due to an increase in cash being held and contributions receivable which offset decreases in program rights receivable and capital equipment assets.
- Capital assets decreased by about \$257 thousand. We sent to WSU Surplus and retired about \$333 thousand of old equipment and added a little over \$ 75 thousand in new equipment purchased during the year.
- Accounts Receivable decreased by about \$80 thousand because we had less contracts outstanding for FY16.
- Accounts Payable decreased by about \$10 thousand because we were able to process more of our year-end TV bills within the current fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

- Unearned Revenue is down by almost \$11 thousand due to grant funding being spent within the year it was received. All unearned revenue will be spent in FY17 as allowed by the grants. There was just over \$114 thousand of grant revenue not counted as FY16 unearned revenue based on the meeting of the GASB 33 revenue recognition requirements.
- There is no longer any Long-Term Debt and all Short-Term Debt was paid in full in FY15.
- Due to the decreases in Accounts Payable and in unearned revenue, MPM's Total Liabilities had a net decrease of just over \$23 thousand.
- Net assets, which represent the residual of assets after deducting liabilities, increased by just over \$45 thousand due to our increase in cash and receivables increases and our drop in total liabilities.

**Other significant changes to operations were as follows:**

- Revenues from all sources totaled \$7,355,788 and was a decrease of just over \$349 thousand from fiscal year 2015. This decrease is attributed to decreases of revenue in contributions, grant income, donated facilities and administrative support from WSU.
- Expenses totaled \$7,310,219, a decrease of almost \$171 thousand from fiscal year 2015. Areas with the largest cost decreases were program acquisition, traded services, fundraising costs, depreciation costs and some program information costs.

**PRESENTATION OF THE FINANCIAL STATEMENTS**

MPM's financial report includes three primary financial statements: The Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on MPM as a whole.

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS**

**Financial Position – Statements of Net Position**

The Statements of Net Position is a snapshot of MPM's financial position at year-end. It lists the assets (economic resources), liabilities (creditors' claims), and net position (residual interest in assets after paying creditors) based on end-of-year data.

Assets are classified as current, noncurrent, or capital. Current assets are expected to benefit MPM within 12 months and include cash, accounts receivable, inventories, prepaid expenses, and investments that can easily be converted to cash to meet operating expenses. Noncurrent assets include licensed program rights and capital equipment with a cost exceeding \$5,000 and having a useful life exceeding one year. Capital assets are reported net of accumulated depreciation.

Liabilities are classified as current or noncurrent. Current liabilities are claims that are due and payable within 12 months, and include payroll and benefits, amounts payable to suppliers for goods and services received and debt principal payments due within one year. Noncurrent liabilities are obligations payable beyond one year.

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NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015**

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)**

**Financial Position – Statements of Net Position (Continued)**

Below is a condensed view of the Statements of Net Position as of June 30, 2016, 2015, and 2014:

**Table A-1  
Statements of Net Position**

	2016	2015	Restated 2014
Assets:			
Current Assets	\$ 1,683,191	\$ 1,553,801	\$ 1,219,296
Noncurrent Assets	767,468	874,371	1,112,005
Total Assets	<u>\$ 2,450,659</u>	<u>\$ 2,428,172</u>	<u>\$ 2,331,301</u>
Liabilities:			
Current Liabilities	\$ 364,673	\$ 387,754	\$ 515,194
Noncurrent Liabilities	-	-	-
Total Liabilities	<u>364,673</u>	<u>387,754</u>	<u>515,194</u>
Net Position:			
Invested in Capital Assets	481,419	603,625	819,341
Restricted	32,858	274,001	-
Unrestricted	1,571,709	1,162,792	996,766
Total Net Position	<u>2,085,986</u>	<u>2,040,418</u>	<u>1,816,107</u>
Total Liabilities and Net Position	<u>\$ 2,450,659</u>	<u>\$ 2,428,172</u>	<u>\$ 2,331,301</u>

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Statements of Revenues, Expenses, and Changes in Net Position reports MPM's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating, nonoperating, or other.

In general, operating revenues are those received in the form of Community Service grants funded by CPB, as well as miscellaneous sales of goods and services. Operating expenses are those costs incurred to provide the staffing, maintenance, and equipment necessary to deliver public radio and television programming to the citizens of the state of Washington and portions of Idaho, Oregon, and British Columbia.

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NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**

Nonoperating revenues are monies received for which goods and services are not provided. These funds include those provided by direct allocation from WSU in furtherance of WSU's mission, capital equipment grants, as well as contributions made by individual and business donors to sponsor public broadcasting activities.

MPM had a nonoperating revenue decrease in 2016 of just under \$ 192 thousand below 2015, which followed an increase of almost \$309 thousand above 2014. These revenues are generated by allocations and donated facilities from WSU, capital grants and contributions. General appropriations from WSU decreased by about \$24 thousand, indirect contributions which are calculated as a percentage of expenses for the fiscal year decreased by about \$11 thousand. Contributions were down by just over \$157 thousand over FY15. This decrease reflected more in TV than Radio. TV had several larger donations into their endowment and CARS accounts in FY15 that were not replicated in FY16. There was some staff turnover in both Radio and TV development positions which caused a dip in membership and underwriting revenues.

Following is a condensed view of the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2016, 2015, and 2014:

**Table A-2  
Statements of Revenues, Expenses, and Changes in Net Position**

	2016	2015	Restated 2014
Operating Revenues	\$ 1,413,324	\$ 1,570,806	\$ 1,419,461
Operating Expenses	(7,310,219)	(7,480,945)	(7,516,781)
Loss from Operations	(5,896,895)	(5,910,139)	(6,097,320)
Nonoperating Revenues, Net	5,942,463	6,134,450	5,825,309
Change in Net Position	45,568	224,311	(272,011)
Net Position - Beginning of Year	2,040,418	1,816,107	2,088,118
Net Position - End of Year	<u>\$ 2,085,986</u>	<u>\$ 2,040,418</u>	<u>\$ 1,816,107</u>

**ECONOMIC OUTLOOK**

MPM's largest revenue source is still general appropriations and donated facilities from Washington State University comprising 45.79% of the system's revenue. We expect both of these sources to remain constant in the next fiscal year. Non-university or non-Corporation for Public Broadcasting (CPB) grants were down by almost \$56 thousand from 2015 due to CPB's allocations being reduced slightly. We are pushing for more growth in this area of grants and in contributions, trades and underwriting. We have some contract revenue that we anticipate will finally come in during FY17.



**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015**

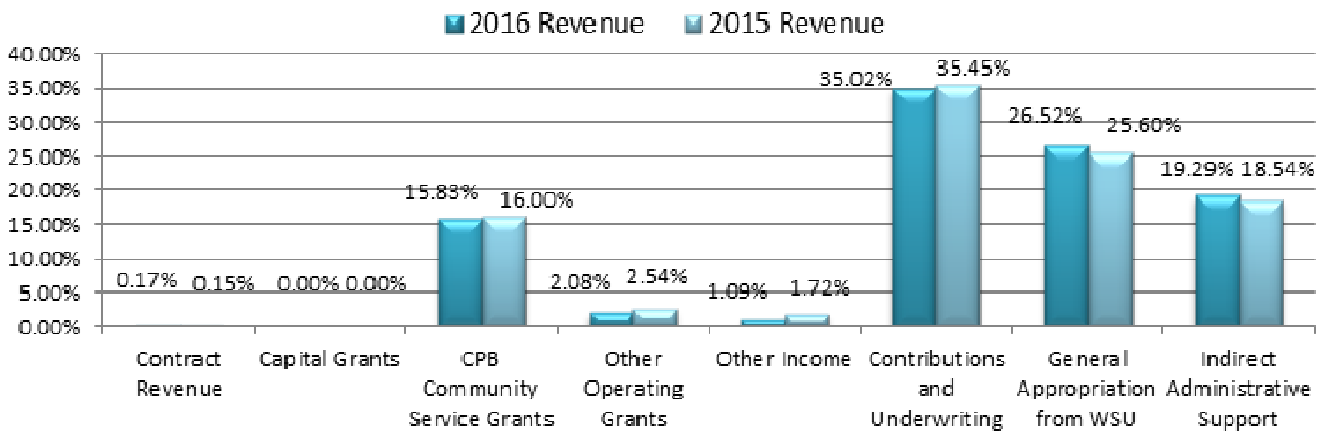
**ECONOMIC OUTLOOK (CONTINUED)**

We expect that our CPB funding commitments for the next few years might continue to drop slightly due to a more conservative congress than in past years. We also expect ups and downs as this income is based on several factors such as how much we raise in contributions, how much CPB is appropriated and how many stations are being funded.

We expect some growth in contributions and underwriting due to a strong following for our stations in our current areas and the ability to gain some market share in our newer areas. We continue to apply for grant support from varied sources and are working to increase growth in rental income and production work.

We expect our next year's expenses to align closely with this year. We are upgrading equipment as we can to hold down emergency repairs costs. We are joining with group buys on our programming to hold costs while providing the best quality to our listeners. We expect our salary, membership and routine costs to hold fairly constant for the next year

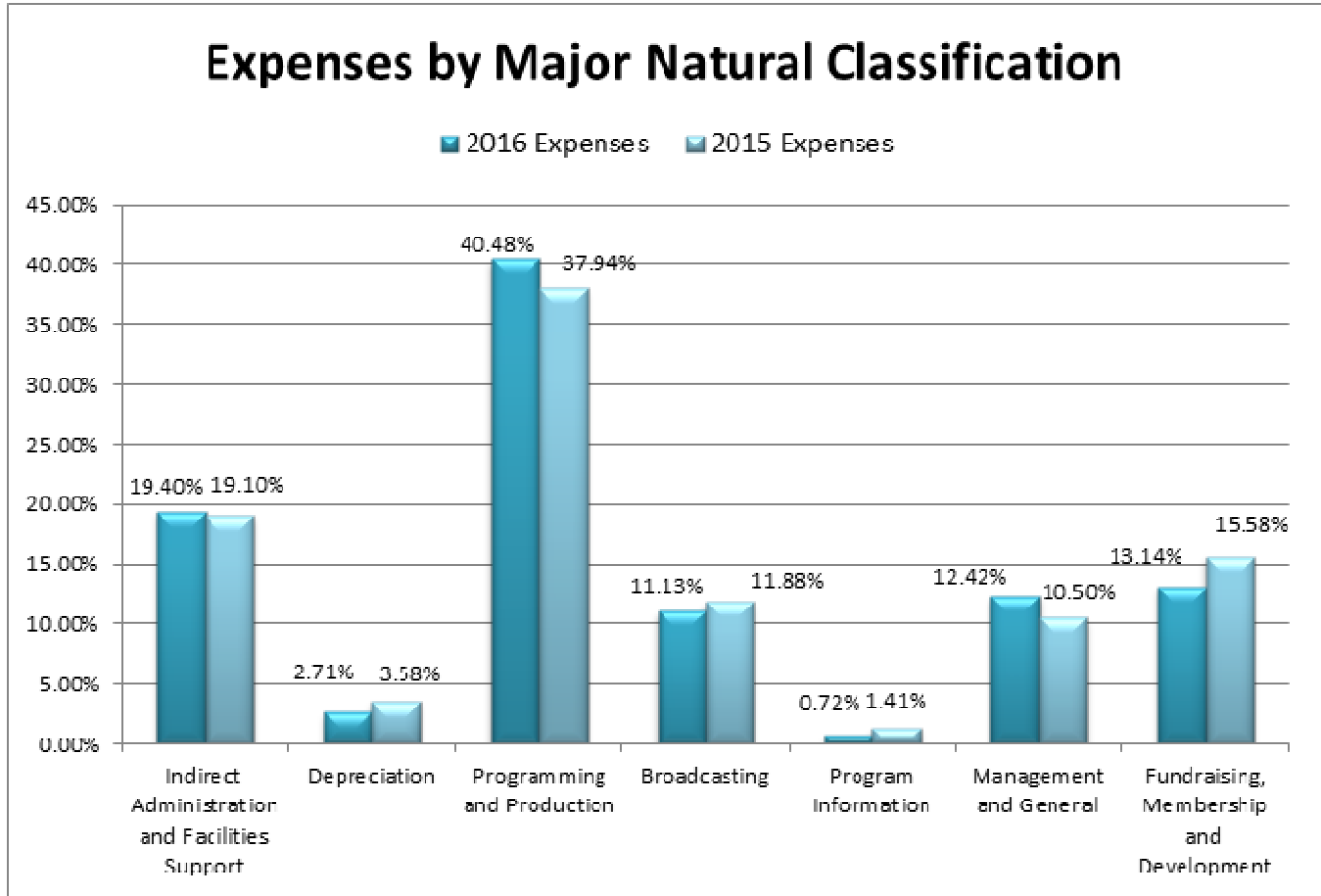
## Revenue by Major Source



FY16 was not our best year for revenue as we dipped in most categories. We were up slightly in our contract revenue, and we do expect that to increase next year due to contracts in the works. We are analyzing the trends and looking for new ways to increase revenue and hold costs.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015**

**ECONOMIC OUTLOOK (CONTINUED)**



Expenses overall were down by almost \$171 thousand from last year. The largest drop from FY15 was in our depreciation costs which were down by about \$66 thousand due to more equipment becoming fully depreciated and only small amounts of new equipment being purchased. Another area where we were able to save costs was in our programming expenses, where we are buying in groups and doing more locally. Trade costs were down from last year as we had less need.

An area where our costs rose was in benefits. Insurance costs increased and we had more employees who qualified for benefits than in the past. We understand other stations had this same experience. Other areas where we saw an increase was in site rent. Most contracts have small percentage increases built in, so this increase was expected.

In our Schedule of Functional Expenses, there was some movement between functional areas. This was mainly in the salary and wage category and was in part due to organizational changes that have employee's duties falling into more than one category.

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NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
STATEMENTS OF NET POSITION  
JUNE 30, 2016 AND 2015**

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS</b>		
Cash Pooled with WSU	\$ 1,011,682	\$ 756,029
Accounts Receivable	35,886	116,085
Contributions/Underwriting Receivables, Less Allowance for Uncollectible Amounts of \$96,951 (2016) and \$88,067 (2015)	260,262	247,323
Grants and Contracts Receivable	32,858	30,883
Licensed Program Rights	342,503	403,481
Total Current Assets	1,683,191	1,553,801
<b>NONCURRENT ASSETS</b>		
Licensed Program Rights	286,049	270,746
Capital Assets:		
Equipment	8,976,352	9,233,531
Less Accumulated Depreciation	(8,494,933)	(8,629,906)
Total Capital Assets	481,419	603,625
Total Noncurrent Assets	767,468	874,371
Total Assets	2,450,659	2,428,172
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	62,248	73,163
Accrued Payroll	103,217	103,787
Accrued Leave Liability	152,242	152,867
Unearned Revenue	46,966	57,937
Total Liabilities	364,673	387,754
<b>NET POSITION</b>		
Net Investment in Capital Assets	481,419	603,625
Restricted	32,858	274,001
Unrestricted	1,571,709	1,162,792
Total Net Position	\$ 2,085,986	\$ 2,040,418

See accompanying Notes to Financial Statements.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>OPERATING REVENUES</b>		
Contract Revenue	\$ 12,521	\$ 11,759
Community Service Grants from the Corporation for Public Broadcasting	1,177,385	1,233,004
Other Operating Grants	143,294	193,230
Other Income	80,124	132,813
Total Operating Revenues	1,413,324	1,570,806
<b>OPERATING EXPENSES</b>		
Programming and Production	2,980,376	2,838,156
Broadcasting	810,534	889,032
Program Information	51,032	105,767
Management and General	904,983	785,547
Fundraising and Membership Development	947,084	1,165,677
Indirect Administrative and Facilities Support	1,418,340	1,429,086
Depreciation	197,870	267,680
Total Operating Expenses	7,310,219	7,480,945
<b>OPERATING LOSS</b>	(5,896,895)	(5,910,139)
<b>NONOPERATING REVENUES</b>		
General Appropriation from WSU	1,949,549	1,973,355
Donated Facilities and Administrative Support from WSU	1,418,340	1,429,086
Contributions and Underwriting	2,574,574	2,732,009
Total Nonoperating Revenues	5,942,463	6,134,450
<b>CHANGES IN NET POSITION</b>	45,568	224,311
Net Position - Beginning of Year	2,040,418	1,816,107
<b>NET POSITION - END OF YEAR</b>	\$ 2,085,986	\$ 2,040,418

See accompanying Notes to Financial Statements.

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NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
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STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 172,844	\$ 31,069
Cash Received from Operating Grants and Support from the Corporation for Public Broadcasting	1,318,704	1,448,843
Cash Paid to Suppliers	(2,551,821)	(2,950,529)
Cash Paid for Employee Salaries, Wages, and Benefits	(3,108,623)	(3,034,611)
Net Cash Used by Operating Activities	(4,168,896)	(4,505,228)
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
General Appropriation from WSU	1,949,549	1,973,355
Contributions and Underwriting Received	2,550,664	2,738,991
Net Cash Provided by Noncapital and Related Financing Activities	4,500,213	4,712,346
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Equipment	(75,664)	(23,685)
Payments on Long-Term Debt	-	(28,279)
Net Cash Used by Capital and Related Financing Activities	(75,664)	(51,964)
<b>NET INCREASE IN CASH</b>	255,653	155,154
Cash - Beginning of Year	756,029	600,875
<b>CASH - END OF YEAR</b>	\$ 1,011,682	\$ 756,029
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (5,896,895)	\$ (5,910,139)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	197,870	267,680
Indirect Administrative and Facilities Support from WSU	1,418,340	1,429,086
Net Changes in Assets and Liabilities:		
Accounts Receivable	80,199	(113,503)
Grants, Contracts, Contributions, and Underwriting Receivable	(1,975)	22,609
Licensed Program Rights	45,675	(56,284)
Accounts Payable	(10,915)	(154,862)
Accrued Payroll	(570)	(3,076)
Accrued Vacation	(625)	13,261
Net Cash Used by Operating Activities	\$ (4,168,896)	\$ (4,505,228)

See accompanying Notes to Financial Statements.

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NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) (MPM) is a noncommercial educational radio and television system licensed to Washington State University (WSU) in Pullman, Washington. Its oldest television station, KWSU, has broadcast since 1962 and is a full member of the Public Broadcasting Service, America's Public Television Stations, and the Washington Educational Network. MPM's oldest radio station, KWSU, has broadcast since 1922 and is a full member of National Public Radio. MPM also encompass from the academic side of the college the student arm of broadcasting in KUGR Radio and Cable 8 TV.

**Financial Reporting Entity**

MPM's financial statements include the accounts of Northwest Public Radio (KWSU-AM / KRFA-FM / KFAE-FM / KNWR-FM / KNWY-FM / KNWO-FM / KNWV-FM / KZAZ-FM / KLWS-FM/KWWS-FM / KNWP-FM/KQWS-FM / KMWS-FM/KSWS-FM / KNWU-FM / KVTI-FM / KHNW-FM / KYVT-FM), Northwest Public Television (KWSU-TV/KTNW), KUGR Radio and Cable 8 TV, which for broadcast, budget, accounting, and certain grant purposes are separately identified. However, they share facilities and personnel and are constituent organizational departments of WSU. The vision of MPM is a "teaching hospital" model which gives students a hands-on role while being mentored and supervised by professionals. MPM is responsible to the FCC, WSU, and our communities for the quality and consistency of the programming while accomplishing our public educational and outreach mission.

**Financial Statement Presentation**

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America and follow guidance given by the Governmental Accounting Standards Board (GASB). These financial statements present only a selected portion of the activities of WSU. As such, they are not intended to and do not present the financial position, changes in net position, or cash flows of WSU.

**Basis of Accounting**

MPM's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash Pooled with WSU**

Cash pooled with WSU may include certain investments in highly liquid debt instruments with an original maturity of three months or less. Some cash balances in excess of current requirements are pooled with other WSU funds and commonly invested. Interest income earned on the investment pool is distributed on a quarterly basis based on daily cash balances in the various funds. Cash and pooled investments are stated at fair value. Bank deposits are covered by the Federal Deposit Insurance Corporation or by collateral held in multiple financial institution collateral pools administered by the Washington Public Deposit Protection Commission.

**Contributions and Underwriting Receivables**

MPM records receivables for membership contributions in the period the pledges are made. MPM records underwriting receivables as they are recorded per the underwriting agreement. All contributions, program underwriting, and other accounts receivable are unsecured donations. The majority of underwriting receivables are due from underwriters located in Washington State. Management determines the allowance for uncollectible accounts using percentages based on historical experience applied to the aging of outstanding accounts. When a pledge is deemed uncollectible, it is generally written off against the donation/revenue during that fiscal year.

**Grants and Contracts Receivable**

Accounts receivable are primarily from granting agencies, are based upon invoices rendered for services provided, and are unsecured. Grants are expense reimbursements from services that have been performed. Historical experience has shown that they are rarely uncollectible.

**Capital Assets**

Equipment is stated at cost. Consistent with state of Washington policy, MPM capitalizes equipment that has a cost greater than \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets of 4 to 15 years. Assets acquired using federal grant money are capitalized and depreciated over the estimated useful lives of such assets. Gains or losses on the sale of property and equipment are included in other income and expense. Expenditures for repairs and maintenance are charged to expense as incurred.

**Accrued Leave Liability**

Accumulated vacation, compensatory leave and sick leave, earned and unused by employees of the MPM, totaled \$152,242 and \$152,867 at June 30, 2016 and 2015, respectively. Permanent MPM employees are entitled to accrue and accumulate sick leave at the rate of eight hours per month worked. The employee is entitled to either the present value of 25% of his or her unused sick leave balance upon retirement or 25% of his or her net accumulation for the year in which it exceeds 480 hours.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Funds restricted by the donor, grantor, or other outside party for particular purposes are deemed to be earned and reported as revenues when MPM has satisfied all eligibility requirements as defined by the GASB. Such amounts received but not yet earned are reported as unearned revenue.

**Net Position**

MPM's net position is classified as follows:

*Net Investment in Capital Assets* – This represents MPM's total investment in capital assets net of depreciation. There are no debts outstanding related to them.

*Restricted* – This represents resources restricted because they are constrained by external parties. Restricted net position includes grant proceeds received but not expended. As of June 30, 2016, restricted net position for radio and TV operations and programming was \$32,858 and \$-0-, respectively.

*Unrestricted* – These represent resources derived from operations and investing activities which are available for use as management requires.

**Classification of Revenue, Expenses, and Transfers**

MPM has classified its revenue as either operating or nonoperating according to the following criteria:

*Operating Revenue and Expense* – Operating revenue and expense includes activities that have the characteristics of exchange transactions, such the proceeds from providing broadcast programming.

*Nonoperating Revenue and Expense* – Nonoperating revenue and expense includes activities that have the characteristics of nonexchange transactions, such as contributions and general appropriations from WSU.

**Administrative Support and Facilities Provided by WSU**

Administrative support from WSU consists of allocated institutional and physical plant expense incurred by WSU in support of MPM. Donated supplies and in-kind services are recorded at their estimated value as revenues and expenses in the period they are received. Donated facilities from WSU consist of office and studio space together with related occupancy costs, and are recorded as revenues and expenses at values determined using the methodology developed by the Corporation for Public Broadcasting (CPB).

**Licensed Program Rights not yet Broadcast**

Costs incurred for the majority of programs not yet broadcast relate to licensed program rights and programs acquired by MPM that are expected to be broadcast subsequent to year-end.



**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Economic Dependence**

MPM is dependent upon funding from CPB, WSU, underwriters, and contributors.

**Allocation of Costs**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated between program and supporting services based upon total direct costs or another systematic basis.

**Risk Management**

WSU participates in a state of Washington risk management self-insurance program. Premiums to the state are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. WSU assumes its potential liability and property losses for all properties except for auxiliary enterprise buildings and contents. WSU has elected to self-insure for unemployment compensation for all employees.

**Tax Exemption**

As a part of WSU, the operations of MPM are exempt from federal income tax on related income under the provisions of Section 115(a) of the Internal Revenue Code.

**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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable were as follows at June 30:

	2016	2015
Northwest Public Affairs Network	\$ 30,711	\$ 30,383
Yakima Valley Community Info Connection	2,147	-
Evergreen State Radio: Live	-	500
Total	\$ 32,858	\$ 30,883

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 3 CAPITAL ASSETS - EQUIPMENT**

The following summarizes activity related to equipment at June 30, 2016 and 2015:

	June 30, 2010 June 30, 2015	Additions	Transfers/ Disposals	June 30, 2011 June 30, 2016
Equipment	\$ 9,233,531	\$ 75,664	\$ (332,843)	\$ 8,976,352
Less: Accumulated Depreciation	(8,629,906)	(197,870)	332,843	(8,494,933)
Total	<u>\$ 603,625</u>	<u>\$ (122,206)</u>	<u>\$ -</u>	<u>\$ 481,419</u>
	June 30, 2010 June 30, 2014	Additions	Transfers/ Disposals	June 30, 2010 June 30, 2015
Equipment	\$ 10,454,141	\$ 23,685	\$ (1,244,295)	\$ 9,233,531
Less: Accumulated Depreciation	(9,606,521)	(267,680)	1,244,295	(8,629,906)
Total	<u>\$ 847,620</u>	<u>\$ (243,995)</u>	<u>\$ -</u>	<u>\$ 603,625</u>

Equipment includes the following expenditures for broadcasting equipment obtained through grants from the U.S. Department of Commerce's Public Telecommunications Facilities Program:

Year Ended June 30,	Amount
2007	\$ 52,688
2008	1,436,994
2009	(91,129)
2010	99,522
2011	186,529
2012	17,994
2013	-
2014	-
2015	-
2016	-
Total	<u>\$ 1,702,598</u>

The federal government has a 10-year priority lien on any property purchased under these grants to assure continued use for public telecommunications. Ten years from the final close out of each grant, MPM receives complete ownership of the equipment.

**NOTE 4 PENSION PLANS**

MPM employees are employees of WSU and participants in two retirement programs through WSU. WSU offers four contributory pension plans: the Washington State Public Employees Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS), and the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Department of Retirement Services, and the Washington State University Retirement Plan (WSURP), a defined contribution pension plan with a supplemental payment to beneficiaries when required. MPM has employees in two of these plans: PERS and WSURP.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

Contribution rates and contributions for the above retirement plans for employees working in the department for the years ended June 30 are as follows:

	Required Contributions		Contribution Rates					
	2016	2015	2016			2015		
			PERS	Employee	WSU	Employee	WSU	
PERS	\$ 72,907	\$ 57,140	Plan 1	6.00%	11.18%	6.00%	9.21%	
WSURP	82,592	81,787	Plan 2	4.92%	11.18%	4.92%	9.21%	
TRS	6,611	-	Plan 3	5% - 15%	11.18%	5% - 15%	9.21%	

WSU funds the obligations for these plans at the University-wide level; therefore the unfunded liability of the plan is recorded on the Washington State University Financial Statements and does not exist at the department level.

**PERS, TRS, and LEOFF**

*Plan Description* - PERS Plan 1 provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS 1 provides retirement and disability benefits, a lump-sum death benefit, and minimum benefit increases beginning at age 65 to certain eligible faculty hired prior to October 1, 1977. TRS 2 and 3 provide retirement benefits, a cost-of-living adjustment to certain eligible faculty hired on or after October 1, 1977. In addition, TRS 3 has a defined contribution component which is fully funded by employee contributions. Defined benefit plan benefits are vested after an employee completes five years of eligible service.

LEOFF 2 provides retirement benefits and a cost-of-living adjustment for eligible law enforcement officers. LEOFF System benefits are vested after an employee complete five years of eligible service.

The authority to establish and amend benefit provisions resides with the legislature. The Washington State Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS, TRS, and LEOFF. The report may be obtained by writing to the Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration>.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

**PERS, TRS, and LEOFF (CONTINUED)**

*Funding Policy* - Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute. Under LEOFF, employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund the plan. All employers are required to contribute at the level established by state law.

**Washington State University Retirement Plan**

*Plan Description* - Faculty, professional, and other staff, are eligible to participate in the Washington State University Retirement Plan (WSURP), a single-employer tax-deferred defined contribution plan. The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

The plan has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. WSU makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a nonreduced supplemental payment after the age of 65 with 10 years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

WSU's Board of Regents are authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Washington State University Retirement Plan (Continued)**

The WSURP supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. WSU makes no contributions other than benefit payments and there are no plan assets. An actuarial study of the supplemental pension benefits was performed as of July 1, 2015. The actuarial assumptions for the evaluation included an investment rate of return of 4.00% and projected salary increases of 3.00% per year for two years and 3.75% per year thereafter. Based on assumptions made regarding expected benefit payments, the actuary presents a cash flow projection rather than an actuarial funding plan to liquidate any unfunded liabilities. WSU uses this cash flow projection to budget annual amounts to provide funds for these benefits. The unfunded actuarial accrued liability calculated at June 30, 2016 was \$73,930,000 under the plan's entry age normal method and is amortized over an 11-year period. The annual required contribution (ARC) is projected at \$10,309,000. The net pension obligation is the cumulative excess, if any, of the ARC over the actual benefit payments and is reported as a liability on WSU's financial statements. The net pension obligation as of June 30, 2016 is \$58,971,316.

*Contributions* - Contribution rates for the WSURP (TIAA-CREF), which are based upon age, are 5%, 7.5%, or 10% of salary and are matched by WSU. Employee and employer contributions for the years ended June 30, 2016 and 2015 were \$24,738,242 and \$23,765,816, respectively. Supplemental payments made by WSU for the year ended June 30, 2016 were \$1,513,462.

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS**

During the 2008 fiscal year, WSU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of state and local governmental employers. GASB Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service. The statement also provides information about actuarial accrued liabilities (AAL) associated with OPEB and whether and to what extent progress is being made in funding the plan.

The state of Washington funds OPEB obligations at a state-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. The state is ultimately responsible for the obligation; therefore, the annual required contribution (ARC) is not recorded on the MPM financial statements.

The state of Washington's Comprehensive Annual Financial Report (CAFR) includes the State's measurement and recognition of OPEB expense/expenditures, liabilities, note disclosures, and required supplementary information specified by GASB Statement No. 45.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 6 COMMITMENTS**

**Grant Commitments**

During the fiscal year ended June 30, 2016, MPM received the following grant to fund specific projects as follows:

Yakima Valley Community Info Connection Phase II

This grant will continue to support a Spanish speaking reporter in the Yakima Valley area that was first underwritten by the Phase I grant that termed December 31, 2015.

Northwest News Network

This grant replaces our past NPAN grant award to NWPR to fund reporters covering many geographical parts of our listening area. This grant termed June 30, 2016 with the final invoice paid in full in August of 2016. Now that payment has been received, the account will be de-allocated and closed.

**Public Broadcasting Service Membership**

In September 2016, MPM committed to pay \$357,578 to the Public Broadcasting System for continued membership and to acquire programming for the fiscal year ending June 30, 2017.

**National Public Radio Membership**

In September 2016, MPM committed to pay \$389,785 to National Public Radio for continued membership and to acquire programming for the one-year period ending September 30, 2017.

**Lease Commitments and Total Rental Expense**

MPM has leased sites, office space and/or facilities to locate equipment necessary to support our state-wide transmission of broadcast and microwave signals under various operating lease agreements that expire between June 30, 2016 and June 30, 2022. Those leases which have expired are under negotiation.

Future minimum rental commitments estimated from our contractual commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 199,043
2018	108,974
2019	86,543
2020	58,250
2121	37,576
Thereafter	4,134
Total	<u>\$ 494,520</u>

MPM's adjusted rent expense from the attached functional report for the years ended June 30, 2016 and 2015 was \$210,465 and \$197,693, respectively, not including the value of facility space donated by WSU.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 7 LONG-TERM DEBT**

Following is a summary of activity of long-term debt:

	2016	2015
Beginning Balance	\$ -	\$ 28,279
Principal Payments	-	(28,279)
Ending Balance	\$ -	\$ -

Related interest expense was \$-0- and \$729 for the years ended June 30, 2016 and 2015, respectively, which is included in programming and production expense on the statements of revenue, expenses, and changes in net position.

**NOTE 8 INVESTMENT IN ENDOWMENT FUNDS**

Various endowments have been established at the Washington State University Foundation (Foundation). The purpose of the endowments is to distribute funds to support the operational goals of MPM. The policies of the Foundation are intended to maintain a perpetual fund, provide a stable source of support, and invest for total return and long-term growth. The market value of the permanent endowments was \$128,481 and \$ 136,246 as of June 30, 2016 and 2015, respectively.

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

Washington State University  
Pullman, Washington

We have audited the financial statements of Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) as of and for the year ended June 30, 2016, and have issued our report thereon dated January 10, 2017, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 23 and 24 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Spokane, Washington  
January 10, 2017



**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION ON A DEPARTMENTAL BASIS  
YEAR ENDED JUNE 30, 2016  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Northwest Public Radio			Northwest Public Television			Combined Totals
	KUGR Radio	Radio	Total Radio	Broadcast	Cable 8-TV	Total Television	
<b>OPERATING REVENUES</b>							
Contract Revenue	\$ -	\$ 399	\$ 399	\$ 12,122	\$ -	\$ 12,122	\$ 12,521
Community Service Grants from the Corporation for Public Broadcasting	-	390,728	390,728	786,657	-	786,657	1,177,385
Other Operating Grants	-	133,294	133,294	10,000	-	10,000	143,294
Other Income	2,006	33,551	35,557	41,629	2,938	44,567	80,124
Total Operating Revenues	<u>2,006</u>	<u>557,972</u>	<u>559,978</u>	<u>850,408</u>	<u>2,938</u>	<u>853,346</u>	<u>1,413,324</u>
<b>OPERATING EXPENSES</b>							
Programming and Production	22,629	1,754,894	1,777,523	1,165,555	37,298	1,202,853	2,980,376
Broadcasting	-	601,626	601,626	208,908	-	208,908	810,534
Program Information	-	49,962	49,962	1,070	-	1,070	51,032
Management and General	-	531,115	531,115	373,868	-	373,868	904,983
Fundraising and Membership Development	-	747,290	747,290	199,794	-	199,794	947,084
Indirect Administrative and Facilities Support	5,637	917,880	923,517	485,532	9,291	494,823	1,418,340
Depreciation	3,084	79,495	82,579	45,458	69,833	115,291	197,870
Total Operating Expenses	<u>31,350</u>	<u>4,682,262</u>	<u>4,713,612</u>	<u>2,480,185</u>	<u>116,422</u>	<u>2,596,607</u>	<u>7,310,219</u>
<b>OPERATING LOSS</b>	(29,344)	(4,124,290)	(4,153,634)	(1,629,777)	(113,484)	(1,743,261)	(5,896,895)
<b>NONOPERATING REVENUES</b>							
General Appropriation from WSU	9,026	980,138	989,164	900,385	60,000	960,385	1,949,549
Donated Facilities and Administrative Support from WSU	5,637	917,880	923,517	485,532	9,291	494,823	1,418,340
Contributions and Underwriting	-	2,291,362	2,291,362	283,212	-	283,212	2,574,574
Total Nonoperating Revenues	<u>14,663</u>	<u>4,189,380</u>	<u>4,204,043</u>	<u>1,669,129</u>	<u>69,291</u>	<u>1,738,420</u>	<u>5,942,463</u>
<b>CHANGES IN NET POSITION</b>	<u>\$ (14,681)</u>	<u>\$ 65,090</u>	<u>\$ 50,409</u>	<u>\$ 39,352</u>	<u>\$ (44,193)</u>	<u>\$ (4,841)</u>	<u>\$ 45,568</u>

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,  
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV  
(A Public Telecommunications System Operated by Washington State University)  
SCHEDULE OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Program Services				Support Services			Total
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Fundraising and Membership	Total Support Services	
Salaries and Wages	\$ 1,061,886	\$ 239,833	\$ 1,565	\$ 1,303,284	\$ 632,380	\$ 416,023	\$ 1,048,403	\$ 2,351,687
Employee Benefits and Payroll Taxes	363,643	44,461	146	408,250	199,881	147,609	347,490	755,740
Program Production and Acquisitions	1,059,437	-	-	1,059,437	-	-	-	1,059,437
Program Distribution/Transport	3,387	108,489	-	111,876	-	-	-	111,876
Professional Services	5,451	249	35,907	41,607	59,184	-	59,184	100,791
Contract Services (Includes Telemarketing and Audience Research)	281,498	(17,173)	38	264,363	108	14,873	14,981	279,344
Membership Dues	8,227	58	(413)	7,872	248	10,097	10,345	18,217
Subscriptions and Publications	-	-	-	-	119	-	119	119
Office Supplies and Photocopying	8,953	443	633	10,029	804	3,180	3,984	14,013
Computer Supplies, Software, and Line Charges	58,112	32,507	357	90,976	181	20,845	21,026	112,002
Telephone and Facsimile	6,462	9,304	-	15,766	731	16,630	17,361	33,127
Postage and Shipping	429	1,105	117	1,651	28	24,428	24,456	26,107
Repairs and Maintenance	34,735	78,853	(2,374)	111,214	655	1,140	1,795	113,009
Printing, Publications, Advertising, and Direct Mail	4,163	49	8,573	12,785	9	36,405	36,414	49,199
Travel	26,758	26,729	2,019	55,506	10,161	19,139	29,300	84,806
Motor Vehicle Operations	17,558	18,046	-	35,604	-	1,095	1,095	36,699
Site Rent	1,963	195,352	1,500	198,815	-	11,650	11,650	210,465
Site Utilities	2,626	77,525	-	80,151	-	-	-	80,151
Interest Expense	-	-	-	-	-	-	-	-
Premiums	-	-	-	-	-	27,326	27,326	27,326
Bank Card Expense	5	-	-	5	-	20,402	20,402	20,407
Uncollectible Debts	-	-	-	-	-	15,205	15,205	15,205
On-Air Advertising Trades	-	-	-	-	-	152,840	152,840	152,840
General Program Support	31,945	1,388	2,643	35,976	494	8,197	8,691	44,667
Equipment Lease Payments	-	-	-	-	-	-	-	-
Operating Equipment	3,138	(6,684)	321	(3,225)	-	-	-	(3,225)
Total	2,980,376	810,534	51,032	3,841,942	904,983	947,084	1,852,067	5,694,009
Indirect Administrative and Facilities Support	742,392	201,898	12,712	957,002	225,425	235,913	461,338	1,418,340
Depreciation	101,388	96,482	-	197,870	-	-	-	197,870
Total	<u>\$ 3,824,156</u>	<u>\$ 1,108,914</u>	<u>\$ 63,744</u>	<u>\$ 4,996,814</u>	<u>\$ 1,130,408</u>	<u>\$ 1,182,997</u>	<u>\$ 2,313,405</u>	<u>\$ 7,310,219</u>