

WKAR Public Media
(A Public Telecommunications Entity
Operated by Michigan State University)

Financial Report
June 30, 2017

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Independent Auditor's Report

To the Board of Directors
WKAR Public Media
c/o Michigan State University

Report on the Financial Statements

We have audited the accompanying financial statements of WKAR Public Media (WKAR) a department of Michigan State University (the "University"), as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise WKAR Public Media'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 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 and 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 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.

To the Board of Directors
WKAR Public Media
c/o Michigan State University

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WKAR Public Media, a department of Michigan State University, as of June 30, 2017 and 2016 and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements of WKAR Public Media are intended to present the financial position, the changes in its financial position, and the changes in its cash flows of only that portion of Michigan State University's business-type activities that are attributable to the transactions of the department. They do not purport to, and do not, present fairly the financial position of Michigan State University as of June 30, 2017 and 2016, the changes in its financial position, or the changes in its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 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, which 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WKAR Public Media's basic financial statements. The other supplementary information, as identified in the table of contents as additional information, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the Board of Directors
WKAR Public Media
c/o Michigan State University

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

Plante & Morse, PLLC

December 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Michigan State University – WKAR Public Media

Introduction

The following discussion provides an overview of the financial position and activities of Michigan State University's (MSU) WKAR-TV public television and WKAR-AM-FM public radio stations (the "Stations"), collectively known as WKAR Public Media, for the years ended June 30, 2017 and 2016.

Included in this discussion is an analysis of the Stations' Statement of Net Position, which presents the assets, liabilities, and net position of the Stations, and when applicable, deferred outflows of resources and deferred inflows of resources. All are measured as of the end of the fiscal year. Further, the Statement of Revenues, Expenses, and Changes in Net Position reflects revenues and expenses recognized during the fiscal year. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

Michigan State University's Board of Trustees holds the license for its noncommercial education television station, WKAR-TV, and two noncommercial education public radio stations, WKAR-AM and WKAR-FM. WKAR-TV is the Lansing/East Lansing area's Public Broadcasting Station (PBS), providing local and national public affairs, performing arts, and youth and lifelong education programming. WKAR-AM is a news and information station featuring local and national news, sports, and Spanish-language programming. WKAR-FM provides classical, folk, and jazz music and news and information programming, including National Public Radio's (NPR's) highly acclaimed news programs, "Morning Edition" and "All Things Considered".

The Stations' financial statements, related footnote disclosures, and discussion and analysis have been prepared by management. The discussion and analysis, which is required supplemental information as required by GASB, is not audited and should be read in conjunction with the financial statements and footnotes.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged. Deferred outflows and deferred inflows of resources are recognized through the consumption or acquisition of resources by WKAR that is applicable to a future reporting period. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**Michigan State University – WKAR Public Media**

A summarized comparison of the Stations' assets, liabilities and net position at June 30, 2017, 2016, and 2015 follows (the Stations have no deferred outflows or inflows of resources):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 6,465,761	\$ 5,813,791	\$ 4,882,023
Noncurrent assets:			
Capital assets, net	1,704,716	1,922,193	2,249,102
Other	3,568,990	2,700,182	2,408,228
Total assets	<u>11,739,467</u>	<u>10,436,166</u>	<u>9,539,353</u>
Current liabilities	1,192,797	1,138,333	912,444
Noncurrent liabilities	3,339,856	2,908,655	2,483,613
Total liabilities	<u>4,532,653</u>	<u>4,046,988</u>	<u>3,396,057</u>
Net position	<u>\$ 7,206,814</u>	<u>\$ 6,389,178</u>	<u>\$ 6,143,296</u>

Current assets:

Current assets consist of cash, net accounts and pledges receivable, and prepaid expenses. The net increase in current assets is due primarily to a net increase in cash of \$523,318 and \$822,867 in 2017 and 2016, respectively, primarily a function of the Stations' operating, financing, and investing activities as reported in the Statement of Cash Flows.

Noncurrent assets:**Long-term investments**

At June 30, 2017 and 2016, the Stations' long-term investments totaled \$3,474,345 and \$2,619,561, an increase of \$854,784 and \$245,063, respectively. Endowment gifts and University-designated additions to endowment investments totaled \$577,749 in 2017 and \$489,312 in 2016, while investment gains and fair value changes (realized and unrealized) within the investment portfolio accounted for a net increase of \$277,035 in 2017 and a net decrease of \$244,249 in 2016.

Capital assets

At June 30, 2017, 2016, and 2015, the Stations' investment in capital assets was as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Building improvements	\$ 2,864,627	\$ 2,864,627	\$ 2,864,627
Equipment	4,861,420	4,818,667	6,806,510
Vehicles	79,665	79,665	79,665
Furniture and other	124,370	124,370	124,370
Less: accumulated depreciation	(6,225,366)	(5,965,136)	(7,626,070)
	<u>\$ 1,704,716</u>	<u>\$ 1,922,193</u>	<u>\$ 2,249,102</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

Net capital assets decreased \$217,477 and \$326,909 in 2017 and 2016, respectively. Capital asset additions totaled \$59,406 and \$22,795, while depreciation expense totaled \$276,883 and \$344,800 in 2017 and 2016, respectively.

Current liabilities:

Current liabilities consist of accounts payable, accrued payroll, and unearned support and revenues. The net increase in current liabilities is due primarily to a net increase in unearned support and revenues of \$333,679 and \$156,084 in 2017 and 2016, respectively, which generally represents sponsor funding received but not yet expended. Fluctuations in sponsored program unearned amounts are primarily due to timing differences of cash draws from the grantor. Partially offsetting the 2017 increase is a decrease in accrued payroll of \$198,540 due primarily to a decrease in the vacation accrual.

Noncurrent liabilities:

Noncurrent liabilities consist entirely of the net other postemployment benefit obligation. In conjunction with the University, the Stations adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, that required the University to estimate the cost (annual expense) of providing retiree health and dental care benefits through an actuarial valuation as of January 1, 2016. As allowed by GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover current year costs and amortize any unfunded actuarial liabilities over a period of thirty years. MSU's total unfunded OPEB obligation attributable to the Stations is estimated to be \$7,927,785 and has recorded a noncurrent liability of \$3,339,856 representing the net OPEB obligation (the cumulative difference between the annual required contribution less actual retiree health and dental payments made during the respective fiscal years).

Effective for the fiscal year ending June 30, 2018, the Stations will be adopting GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changes the financial reporting requirements for OPEB. GASB 75 no longer allows the unfunded OPEB obligation to be amortized over a thirty-year period as allowed by GASB 45, but will be required to report the full unfunded actuarial liability in its entirety in the financial statements. In addition, GASB 75 changes certain actuarial assumptions previously allowed under current OPEB accounting guidance, including annual updates to estimated liabilities based on current year interest rates. To prepare for these changes, the University conducted an actuarial analysis of its OPEB liabilities under the new GASB 75 standard using fiscal year 2016 information. The analysis computed the total unfunded liability amount at varying interest rates to estimate the potential impacts to the University's OPEB liability and to estimate the sensitivity of the liability to changing interest rates. For the year ending June 30, 2017, the analysis estimated the following recomputed projected unfunded OPEB obligations attributable to the Stations:

Possible Range of Interest/Discount rates:	2%	4%	6%
GASB 75 – Total projected unfunded OPEB obligation	\$20,295,000	\$13,984,000	\$10,108,000

At June 30, 2017 and 2016, the interest rate that would have been used for computing the total unfunded OPEB obligation under GASB 75 would have been 3.78% and 2.85%, respectively. As GASB 75 requires annual updates to estimated liabilities based on current year interest rates, it is likely the liability estimate will vary dramatically from year to year in future reports. Although the financial reporting of the liability will be

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

changing, MSU's approach on funding the retirement benefit on a pay-as-you-go basis will continue. Thus, there will be no impact on the payment of the benefits.

Net position:

Net position represents residual WKAR Public Media assets after liabilities are deducted. Many factors affect the increase or decrease of net position in a given year, including obtaining new endowments and gifts and the performance of the Stations' investments. The Stations' net position at June 30, 2017, 2016, and 2015 is summarized as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net investment in capital assets	\$ 1,704,716	\$ 1,922,193	\$ 2,249,102
Restricted:			
Nonexpendable	2,248,082	1,882,410	1,792,928
Expendable	930,393	766,293	824,512
Total restricted	<u>3,178,475</u>	<u>2,648,703</u>	<u>2,617,440</u>
Unrestricted	<u>2,323,623</u>	<u>1,818,282</u>	<u>1,276,754</u>
Total net position	<u>\$ 7,206,814</u>	<u>\$ 6,389,178</u>	<u>\$ 6,143,296</u>

Net investment in capital assets represents the Stations' equipment and infrastructure net of accumulated depreciation.

Restricted nonexpendable net position is subject to externally imposed stipulations that they be maintained permanently. Such net position includes the corpus portion (historical value) of gifts to the Stations' permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Such net position includes the net appreciation of the Stations' permanent endowment funds that have not been stipulated by the donor to be reinvested permanently, restricted gifts, and federal and state sponsored programs.

Unrestricted net position is not subject to externally imposed restrictions, but may be subject to internal designation to meet various specific commitments.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the operating results of the Stations, as well as the nonoperating revenues and expenses. In conformity with the Corporation for Public Broadcasting's *Financial Reporting Guidelines*, operating revenues include all major sources of revenue that constitute the principal ongoing operations of the Stations, which primarily include contributions, general appropriations from MSU, and grants from Corporation for Public Broadcasting (CPB). Although nonoperating revenues and expenses are not part of the principal ongoing operations of the Stations, they are an integral component in determining the increase or decrease in net position.

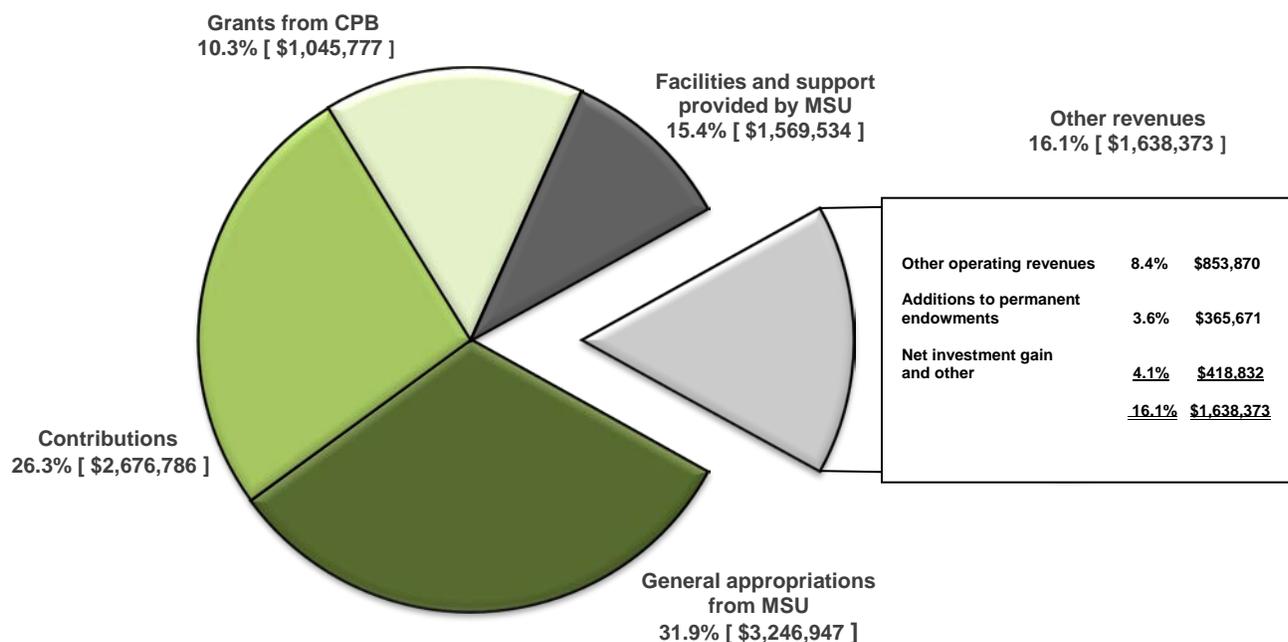
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

A summarized comparison of the Stations' revenues, expenses, and changes in net position for the years ended June 30, 2017, 2016, and 2015 follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 9,392,914	\$ 9,733,011	\$ 9,289,576
Operating expenses	<u>9,359,781</u>	<u>9,452,613</u>	<u>9,288,536</u>
Operating income	33,133	280,398	1,040
Nonoperating (expenses) revenues:			
Investment income (loss)	418,832	(119,094)	75,417
Other nonoperating revenues (expenses), net	<u>-</u>	<u>(4,904)</u>	<u>(1,928)</u>
Net nonoperating revenues (expenses)	<u>418,832</u>	<u>(123,998)</u>	<u>73,489</u>
Income before other	451,965	156,400	74,529
Capital grants and gifts	-	-	14,143
Additions to permanent endowments	<u>365,671</u>	<u>89,482</u>	<u>69,666</u>
Increase in net position	817,636	245,882	158,338
Net position, beginning of year	<u>6,389,178</u>	<u>6,143,296</u>	<u>5,984,958</u>
Net position, end of year	<u><u>\$ 7,206,814</u></u>	<u><u>\$ 6,389,178</u></u>	<u><u>\$ 6,143,296</u></u>

Total net revenue by source for the year ended June 30, 2017 is presented as follows:



TOTAL REVENUE \$10.2 MILLION

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

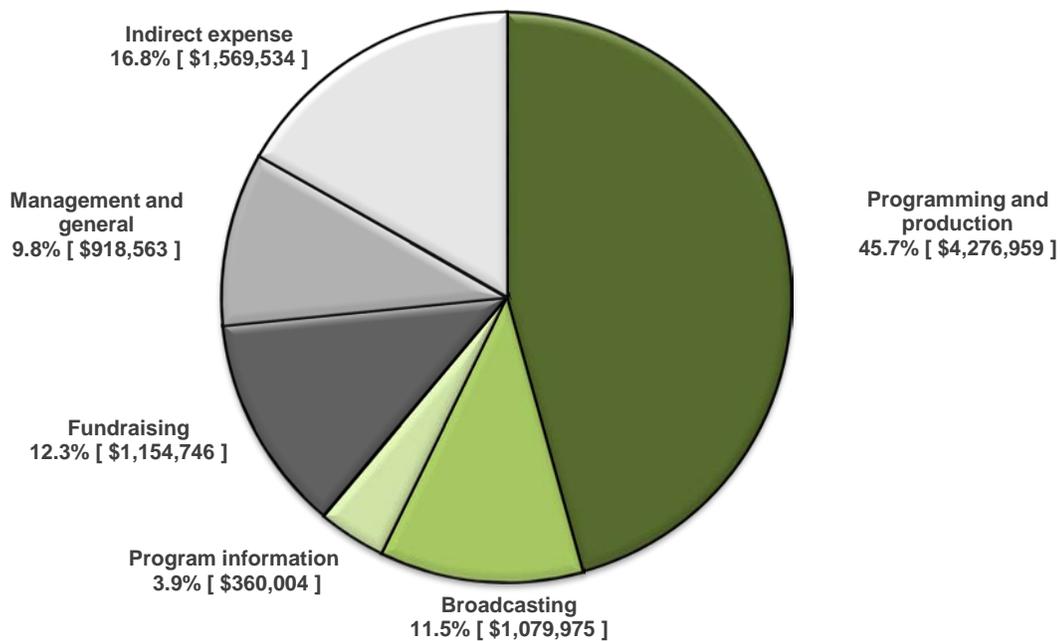
Michigan State University – WKAR Public Media

The Stations are limited in the number of sources of revenue from which they have to draw. The Stations continue the development of a variety of plans to increase revenue-raising activities including more aggressive program underwriting activities and major giving initiatives. In addition, the Stations continue to evaluate expenses and streamline services to insure funds are used in the most efficient way possible.

Operating revenues: The most significant sources of operating revenue for the Stations are general appropriations from Michigan State University (MSU) and contributions, which totaled \$3,246,947 (an increase of \$155,588) and \$2,676,786 (a decrease of \$237,516), respectively. General appropriations from MSU are approved by the University’s Board of Trustees annually. The University also provides indirect administrative support to the Stations, which consists of an allocation of costs of certain central University units that provide services or support to WKAR.

Net nonoperating and other revenues: Net nonoperating and other revenues consist primarily of additions to permanent endowments and net investment income. Net nonoperating and other revenues increased \$819,019 due primarily to increases in investment income of \$537,926.

Operating expenses by source for the year ended June 30, 2017 are presented as follows:



TOTAL EXPENSES \$9.4 MILLION

During 2017, \$5,716,938 was expended for the core missions of the Stations – programming and production, broadcasting, and program information, an increase of \$98,234 from 2016. Programming and production increased \$142,189 primarily due to increases in salary expense from 2016. In addition, broadcasting decreased \$69,633 primarily due to a decrease in non-capital technology equipment expenses from 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

Economic Outlook

It was another successful year for WKAR-AM-FM and TV. WKAR-FM was awarded the prestigious Edward R. Murrow Award and WKAR-TV original programming was recognized with three regional Emmy awards.

We remained focused on our mission to serve the community, while also exploring the opportunities afforded to us as a University Licensee. With the launch of our WKAR PBS Kids 24/7 channel in January 2017, we saw an opportunity to leverage the cutting-edge research of our faculty on campus and put it in the hands of parents, caregivers, children and families through a new initiative called “WKAR Family.” In this collaborative project, WKAR works with MSU researchers to turn findings on early childhood development into meaningful tips, resources and actions in our community. To leverage the project, we have created a new sponsorship model securing an additional \$120,000 for PBS KIDS programming and hope to replicate that model for WKAR Create and WKAR World.

We continue to look for innovative approaches that will allow us to serve our community and provide new opportunities for revenue generation. Strategic alignments with the work of our academic community have the potential to allow WKAR to be included in well-funded research endeavors to communicate outcomes and engage the public. In the coming year, we will explore these opportunities further.

In addition to fostering a more entrepreneurial spirit within the organization, we have made some staffing adjustments that reflect our need to bolster funding. We took advantage of a retirement and an additional open position to create a Director of Annual Giving position. This has allowed our Director of Development to spend more time with major donors. We have also added an additional Corporate Sales position to help secure contracts with businesses in the outlying reaches of our signal. Additionally, we have restructured the Communications office to better reflect a focus on Digital media. As a result, we are preparing to launch an app and have had a stronger focus on promoting Passport as a member benefit and incentive for giving.

During the past year, the FCC mandated Spectrum Auction concluded and WKAR is currently facilitating the “repack” process to the new assigned channel. This repacking process requires significant and costly changes to the transmission facility and tower. We estimate the cost to be \$2.2 million. The FCC has agreed to forward fund a portion of the cost, but WKAR will need to cover the remainder. Final amounts are dependent on pending congressional funding. WKAR is in the process of securing further engineering studies and estimating costs for transition to ATSC 3.0 as well.

On the radio side, we made considerable programming changes to allow more local news and an additional hour of classical music. A Digital News Director was hired to lead our efforts to have a stronger local news presence on the air and online. We are also participating in NPR’s Spark campaign and have seen solid results in higher ratings for both news magazines.

Additionally, in 2016, WKAR acquired an FM translator and we recently began to simulcast the AM signal on an FM frequency (94.5FM). This will result in increased audience and ability to raise funds around 24/7 news/talk programming. We will continue to offer a “global to local” stream of content featuring programming from the BBC and our own local news programming.

On the financial front, WKAR underwriting revenue was essentially flat; however, commitments are up over prior year. There was modest growth in total contributions with expendable donations slightly down and over \$350,000 added to endowments including four new funds. WKAR’s retention continues to exceed national average and with a focus on sustainers this past year, TV increased to 20.2% from 10.9%. We are continuing to focus on growing sustaining donors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

In addition to increasing sustaining donors and creating new opportunities for corporations to support in the coming year, we will also focus on increased functionality and ease of giving through mobile platforms and development of a comprehensive digital marketing plan with underwriting opportunities.

The overall outlook is very good for WKAR as we make the necessary adjustments to position ourselves for great change within the system and our industry. The national and local awards that the stations received in 2017 solidify the validity and effectiveness of the content and operational strategy that we've employed over the past year.

STATEMENTS OF NET POSITION**Michigan State University - WKAR Public Media**

	June 30,	
	2017	2016
ASSETS		
Current assets:		
Cash	\$ 6,057,181	\$ 5,533,863
Accounts receivable, net	220,567	131,515
Pledges receivable, net of allowance of \$35,424 and \$28,246 for 2017 and 2016, respectively	108,657	67,908
Prepaid expenses	79,356	80,505
Total current assets	<u>6,465,761</u>	<u>5,813,791</u>
Noncurrent assets:		
Pledges receivable, net of allowance of \$29,461 and \$32,264 for 2017 and 2016, respectively	94,645	80,621
Long-term investments	3,474,345	2,619,561
Capital assets, net	1,704,716	1,922,193
Total noncurrent assets	<u>5,273,706</u>	<u>4,622,375</u>
Total assets	<u>11,739,467</u>	<u>10,436,166</u>
LIABILITIES		
Current liabilities:		
Accounts payable	60,796	141,471
Accrued payroll	79,222	277,762
Unearned support and revenues	1,052,779	719,100
Total current liabilities	<u>1,192,797</u>	<u>1,138,333</u>
Noncurrent liabilities:		
Net other postemployment benefit obligation	3,339,856	2,908,655
Total noncurrent liabilities	<u>3,339,856</u>	<u>2,908,655</u>
Total liabilities	<u>4,532,653</u>	<u>4,046,988</u>
NET POSITION		
Net investment in capital assets	1,704,716	1,922,193
Restricted		
Nonexpendable	2,248,082	1,882,410
Expendable - operations	930,393	766,293
Unrestricted	2,323,623	1,818,282
	<u>7,206,814</u>	<u>6,389,178</u>
TOTAL NET POSITION	<u>\$ 7,206,814</u>	<u>\$ 6,389,178</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**Michigan State University - WKAR Public Media**

	Year ended June 30,	
	2017	2016
OPERATING REVENUES		
General appropriations from Michigan State University	\$ 3,246,947	\$ 3,091,359
Contributions	2,676,786	2,914,302
Grants from Corporation for Public Broadcasting	1,045,777	1,100,282
Program underwriting	628,278	703,994
Contract services	127,880	159,573
Facilities and support provided by Michigan State University	1,569,534	1,651,280
Donated services	46,919	15,333
Other grants and revenue	50,793	96,888
TOTAL OPERATING REVENUES	9,392,914	9,733,011
OPERATING EXPENSES		
Program services:		
Programming and production	4,276,959	4,134,770
Broadcasting	1,079,975	1,149,608
Program information	360,004	334,326
Support services:		
Fundraising	1,154,746	1,208,287
Management and general	918,563	974,342
Indirect expense	1,569,534	1,651,280
TOTAL OPERATING EXPENSES	9,359,781	9,452,613
Operating income	33,133	280,398
NONOPERATING REVENUES (EXPENSES)		
Investment income (loss)	418,832	(119,094)
Other	-	(4,904)
Net nonoperating revenues (expenses)	418,832	(123,998)
INCOME BEFORE OTHER	451,965	156,400
Additions to permanent endowments	365,671	89,482
Increase in net position	817,636	245,882
Net position, beginning of year	6,389,178	6,143,296
NET POSITION, END OF YEAR	\$ 7,206,814	\$ 6,389,178

STATEMENTS OF CASH FLOW**Michigan State University - WKAR Public Media**

	Year ended June 30,	
	2017	2016
Cash flows from operating activities		
General appropriations from Michigan State University	\$ 2,291,797	\$ 2,231,499
Contributions	2,622,013	2,862,575
Corporation for Public Broadcasting grants	1,366,856	1,356,962
Program underwriting	525,638	530,001
Contract services	128,621	159,409
Other revenue and grants	71,807	64,379
Payments to employees	(3,566,939)	(3,341,083)
Payments to suppliers	(2,619,843)	(2,622,917)
Other payments	(166,944)	(120,488)
Net cash provided by operating activities	653,005	1,120,337
Cash flows from noncapital financing activities		
Endowment contributions	365,671	89,482
Net cash provided by noncapital financing activities	365,671	89,482
Cash flows from capital and related financing activities		
Purchase of buildings and equipment	(59,406)	(22,795)
Net cash used in capital and related financing activities	(59,406)	(22,795)
Cash flows from investing activities		
Purchase of investments	(577,750)	(489,312)
Investment income	141,798	125,155
Net cash used in investing activities	(435,952)	(364,157)
Net increase in cash	523,318	822,867
Cash, beginning of year	5,533,863	4,710,996
Cash, end of year	6,057,181	5,533,863
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 33,133	\$ 280,398
<i>Adjustment to reconcile operating income to net cash provided in operating activities:</i>		
Depreciation expense	276,883	344,800
<i>Changes in assets and liabilities:</i>		
Accounts receivable	(89,052)	(106,070)
Pledges receivable	(54,773)	(51,727)
Prepaid expense	1,149	2,005
Accounts payable	(80,675)	60,774
Accrued payroll	(198,540)	9,031
Unearned support and revenues	333,679	156,084
Net postemployment benefit obligation	431,201	425,042
Net cash provided in operating activities	\$ 653,005	\$ 1,120,337

NOTES TO THE FINANCIAL STATEMENTS

Michigan State University – WKAR Public Media

1. Organization, basis of presentation, reporting entity, and summary of significant accounting policies

Basis of presentation:

WKAR-Television and WKAR-Radio (“WKAR”) are public telecommunications entities owned and operated by Michigan State University. They do not have separate legal status or existence. The financial position and the revenues and expenses of WKAR are included in the financial statements of Michigan State University.

WKAR follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and is presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 63. WKAR follows the “business-type” activities requirements of GASB Statement No. 34. This approach requires the following components of WKAR’s financial statements:

- Management’s Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements

GASB Statement No. 34, as amended by No. 63 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted:
 - Nonexpendable – Net position subject to externally imposed constraints that they be maintained permanently by WKAR. Nonexpendable net position includes the corpus portion (historical value) of gifts to WKAR’s permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.
 - Expendable – Net position whose use by WKAR is subject to externally imposed constraints that can be fulfilled by actions of WKAR pursuant to those constraints or that expire by the passage of time. Expendable net position includes net appreciation of WKAR’s permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.
- Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and research programs and initiatives, postemployment benefits, and capital asset renewals and replacements.

Summary of significant accounting policies:

Cash and investments – Cash and Investments are held in Michigan State University Funds. The amounts reflected in the accompanying balance sheet represent the net amounts due to the Station from the University’s pooled cash and investment system. Investments are stated at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The University values its investments using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University, while unobservable inputs reflect the University’s own assumptions about how market participants would value an asset or a liability based on the best information available.

Accounts Receivable – Accounts receivable consist primarily of underwriting revenues. All accounts receivable are deemed fully collectible.

Pledges receivable – Financial support in the form of pledges is received from business enterprises, foundations and individuals. Revenue from gift pledges are recorded only when there is an unconditional promise to pay and all eligibility requirements, including time requirements, have been met. Contributions to permanent and term endowments are not recognized as assets until actually received.

Capital assets – Capital assets and equipment are recorded at cost, or, in the case of donated property, at estimated acquisition value at date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 4 to 20 years, with a full-year expense in the year of acquisition and none in the year of disposal. When assets are retired or

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The cost of maintenance and repairs are expensed as incurred; significant renewals and improvements are capitalized.

Unearned Revenue – Unearned revenue consists primarily of contract and sponsored program advances that will be recognized in the period in which it is earned.

Operating and Nonoperating Revenues – Operating activities as reported on the Statements of Revenue, Expenses, and Changes in Net Position are those activities that generally result from principal ongoing operations, such as payments received from general appropriations, contributions, grants, and underwriting activities. Certain grants restricted for use for capital asset acquisitions and additions of permanent endowments are reported as nonoperating revenue. Restricted and unrestricted resources are spent and tracked within the guidelines of the donor restrictions, if any.

Donated services – Donated contributions of professional services are recorded at fair value as revenues and expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Donated facilities and administrative support from the University consist of an allocation of occupancy cost, operation and maintenance, utilities and other institutional support expenses of the University.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 reported period. Actual results could differ from those estimates.

Donor restricted endowments – Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 (“UPMIFA”), the University’s Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the University Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purpose of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. Under the University’s programmatic spending policy established by the University’s Board, 4.8% of the average market value of endowment investments for the twenty quarters of the five calendar years prior to the beginning of the fiscal year was authorized for expenditure for fiscal year 2017. For fiscal year 2018, 4.6% of the average market value of endowment investments for the twenty quarters of the five fiscal years prior to the beginning of the fiscal year was authorized for expenditure.

2. Investments

WKAR has received certain contributions that are restricted to use as endowments. Such endowment assets are held within the University’s Endowment Fund, and are held in a common investment pool that invests in high-grade equities, bonds or other marketable securities. The fair value of WKAR’s endowment investments was \$3,474,345 and \$2,619,561 at June 30, 2017 and 2016, respectively. The historical value of WKAR’s endowment investments was \$3,110,561 and \$2,532,812 at June 30, 2017 and 2016, respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

3. Capital assets

Capital asset activity for the years ended June 30, 2017 and 2016 is as follows:

	2016	Additions (Deductions)	Disposals	2017
Depreciated capital assets:				
Buildings improvements	\$ 2,864,627	\$ -	\$ -	\$ 2,864,627
Equipment	4,818,667	59,406	(16,653)	4,861,420
Vehicles	79,665	-	-	79,665
Furniture and other	124,370	-	-	124,370
Less: accumulated depreciation				
Building improvements	(1,416,624)	(116,715)	-	(1,533,339)
Equipment	(4,367,887)	(145,791)	16,653	(4,497,025)
Vehicles	(56,255)	(14,377)	-	(70,632)
Furniture and other	(124,370)	-	-	(124,370)
Total depreciated capital assets	<u>1,922,193</u>	<u>(217,477)</u>	<u>-</u>	<u>1,704,716</u>
Total capital assets	<u>\$ 1,922,193</u>	<u>\$ (217,477)</u>	<u>\$ -</u>	<u>\$ 1,704,716</u>

	2015	Additions (Deductions)	Disposals	2016
Depreciated capital assets:				
Building improvements	\$ 2,864,627	\$ -	\$ -	\$ 2,864,627
Equipment	6,806,510	22,795	(2,010,638)	4,818,667
Vehicles	79,665	-	-	79,665
Furniture and other	124,370	-	-	124,370
Less: accumulated depreciation				
Building improvements	(1,298,223)	(118,401)	-	(1,416,624)
Equipment	(6,161,599)	(212,022)	2,005,734	(4,367,887)
Vehicles	(41,878)	(14,377)	-	(56,255)
Furniture and other	(124,370)	-	-	(124,370)
Total depreciated capital assets	<u>2,249,102</u>	<u>(322,005)</u>	<u>(4,904)</u>	<u>1,922,193</u>
Total capital assets	<u>\$ 2,249,102</u>	<u>\$ (322,005)</u>	<u>\$ (4,904)</u>	<u>\$ 1,922,193</u>

For the years ended June 30, 2017 and 2016, depreciation expense for WKAR totaled \$276,883 and \$344,800, respectively. In conformity with the Corporation of Public Broadcasting's *Financial Reporting Guidelines*, depreciation expense is allocated to the various operating functional expense categories in the Statement of Revenues, Expenses and Changes in Net Position based on the operational function of each individual piece of property or equipment.

4. Donated services

In conformity with the Supplemental Guide section of the Corporation for Public Broadcasting's *Financial Reporting Guidelines*, donated professional services are reported in the appropriate expense category for the years ended June 30, 2017 and 2016 as follows:

	Year ended June 30,	
	2017	2016
Program Services:		
Program Information	46,919	15,533
Total	<u>46,919</u>	<u>15,333</u>

Also included in revenue and expenditures are donated facilities and administrative support from Michigan State University, amounting to \$1,569,534 and \$1,651,280 for the years ended June 30, 2017 and 2016, respectively. They are reported as indirect expenses in the Statement of Revenues, Expenses and Changes in Net Position. Calculations are based on instructions provided by the Corporation for Public Broadcasting.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

5. Retirement benefits

The University has a defined contribution retirement plan covering all qualified employees. This contributory plan consists of employee owned annuity contracts funded on a current basis.

In addition, the University has a single-employer defined benefit plan covering certain employees hired prior to January 1, 1973. This plan is funded in the University's Retirement Fund. The benefits are based on years of service and the employee's compensation during the last three years of employment. The University has recorded a liability of \$4,443,215 representing the total remaining pension obligation based on an actuarial valuation as of January 1, 2017. The University also funds and provides for termination benefits upon retirement resulting from unused sick days along with certain other separation benefits.

The total contributions of the University necessary to fund the above mentioned retirement benefits attributable to WKAR are estimated to be \$224,000 and \$215,000 for the years ended June 30, 2017 and 2016, respectively.

6. Other postemployment benefits (OPEB)

Plan Description: The University provides retiree health and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries. This is a closed single employer defined benefit plan administered by the University effective for employees hired prior to July 1, 2010. Benefits are provided to all faculty, academic staff and support staff who meet normal retirement requirements while still working for the University. Currently, the plan has approximately 102 members attributable to WKAR. The plan does not issue a separate stand-alone financial statement.

Funding Policy: The University's medical plans are self-funded and each plan's premiums are updated annually based on actual claims. The University contributes to the lowest cost health plan's single rate cost for which retirees are eligible. No payment is required by retirees who select the lowest cost health plan for coverage. In the event a retiree selects an alternative health plan, the retiree is responsible for payment of the difference in premium costs. Retirees are responsible for various co-payments. The University funds OPEB on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

Funding Progress: For the year ended June 30, 2017, the University has estimated the cost (annual expense) of providing retiree health and dental care benefits through an actuarial valuation as of January 1, 2016. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. This valuation's computed contribution and actual funding attributable to WKAR are summarized as follows:

	2017	2016	2015
Annual required contribution	\$ 696,544	\$ 676,238	\$ 503,465
Interest on the prior year's net OPEB obligation	206,283	183,600	142,630
Less adjustment to the annual required contribution	<u>(190,077)</u>	<u>(163,560)</u>	<u>(123,094)</u>
Annual OPEB cost	712,750	696,278	523,001
Amounts contributed:			
Payments of current premiums and claims	<u>(281,549)</u>	<u>(271,236)</u>	<u>(229,186)</u>
Increase in net OPEB obligation	431,201	425,042	293,815
OPEB obligation - beginning of year	<u>2,908,655</u>	<u>2,483,613</u>	<u>2,189,798</u>
OPEB obligation - end of year	<u>\$ 3,339,856</u>	<u>\$ 2,908,655</u>	<u>\$ 2,483,613</u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation attributable to WKAR for the current and two preceding years are as follows:

	Fiscal Year Ended June 30,		
	2017	2016	2015
Annual OPEB cost	\$ 712,750	\$ 696,278	\$ 523,001
Percentage contributed	39.5%	39.0%	43.9%
Net OPEB obligation	\$ 3,339,856	\$ 2,908,655	\$ 2,483,613

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

The funding progress attributable to WKAR as of the most recent and two preceding valuation dates are as follows:

	Valuation as of January 1,		
	2017	2016	2015
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	7,927,785	7,705,425	5,888,800
Unfunded AAL (UAAL)	<u>\$ 7,927,785</u>	<u>\$ 7,705,425</u>	<u>\$ 5,888,800</u>
Funded ratio	0.0%	0.0%	0.0%
Annual covered payroll (annual payroll of active employees covered by the plan)	\$ 3,574,029	\$ 3,342,199	\$ 3,308,673
UAAL as a percentage of covered payroll	221.8%	230.5%	178.0%

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts are determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the University's January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term and short-term investment returns on the University's own assets to be used for funding the current liability, and an annual health care cost trend rate of 5% which includes a 4% inflation assumption. As part of the January 1, 2016 valuation, the University adopted updated mortality assumptions based on the RP-2014 Generational Healthy Mortality Tables, projected back to 2007 using scale MP-2014 and then projected forward using MP-2015. The UAAL is being amortized over 30 years as a level percentage of projected payroll on a closed basis, with 20 years remaining.

The University will be required to implement the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective with the fiscal year ending June 30, 2018. While the University has not yet determined the full impact of GASB Statement No. 75 on its financial statements, the University will be required to report the full unfunded actuarial liability in its entirety in the financial statements, rather than continue to amortize the unfunded OPEB obligation over a thirty-year period as allowed by GASB Statement No. 45. In addition, GASB Statement No. 75 changes certain actuarial assumptions previously allowed under current OPEB accounting guidance, including annual updates to estimated liabilities based on current year interest rates. Based upon the latest actuarial analysis (completed July 2016), the total OPEB obligation attributable to the stations is estimated to range between \$10.5 million (6% interest rate) to \$20.9 million (2% interest rate), depending on interest rates effective at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

7. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV Community Service Grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating NFFS. This change excludes all revenues received for any capital purchases.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

The assets, liabilities and net assets of the Commission are accounted for using the following funds for CPB purposes:

Television Fund - This fund includes the resources that are available for support of WKAR’s television transmission operations.

Radio Fund - This fund includes the resources that are available for support of WKAR-FM and WKAR-AM.

Reported NFFS for WKAR was \$5,097,907 and \$5,104,357 for the television fund and \$3,645,701 and \$3,615,958 for the radio fund for the years ended June 30, 2017 and 2016, respectively.

8. New Accounting Pronouncement

The University will be required to implement the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective with the fiscal year ending June 30, 2018. This GASB Statement aims to improve accounting and financial reporting of postemployment benefits other than pensions (other postemployment benefits, or OPEB). The University is in the process of determining the full impact of this standard on its financial statements, as well as the Stations’ financial statements. See footnote 6 for additional information.

The University will be required to implement the provisions of GASB Statement No. 87, *Leases*, effective with the fiscal year ending June 30, 2021. This GASB Statement aims to improve accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University is in the process of determining the full impact of this standard on its financial statements.

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Additional Information

Michigan State University – WKAR Public Media

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CONSOLIDATING STATEMENTS OF NET POSITION

Michigan State University - WKAR Public Media

	June 30, 2017			June 30, 2016		
	Television	Radio	Total	Television	Radio	Total
ASSETS						
Current assets:						
Cash	\$ 2,817,208	\$ 3,239,973	\$ 6,057,181	\$ 2,468,704	\$ 3,065,159	\$ 5,533,863
Accounts receivable, net	140,040	80,527	220,567	63,976	67,539	131,515
Pledges receivable, net of allowance of \$35,424 and \$28,246 for 2017 and 2016, respectively	59,839	48,818	108,657	28,793	39,115	67,908
Prepaid expenses	6,109	73,247	79,356	5,375	75,130	80,505
Total current assets	3,023,196	3,442,565	6,465,761	2,566,848	3,246,943	5,813,791
Noncurrent assets:						
Pledges receivable, net of allowance of \$29,461 and \$32,264 for 2017 and 2016, respectively	28,295	66,350	94,645	37,660	42,961	80,621
Long-term investments	1,608,732	1,865,613	3,474,345	1,204,664	1,414,897	2,619,561
Capital assets, net	1,605,938	98,778	1,704,716	1,803,289	118,904	1,922,193
Total noncurrent assets	3,242,965	2,030,741	5,273,706	3,045,613	1,576,762	4,622,375
Total assets	6,266,161	5,473,306	11,739,467	5,612,461	4,823,705	10,436,166
LIABILITIES						
Current liabilities:						
Accounts payable	46,613	14,183	60,796	52,437	89,034	141,471
Accrued payroll	54,458	24,764	79,222	166,272	111,490	277,762
Unearned support and revenues	900,552	152,227	1,052,779	623,875	95,225	719,100
Total current liabilities	1,001,623	191,174	1,192,797	842,584	295,749	1,138,333
Noncurrent liabilities:						
Net other postemployment benefit obligation	1,963,375	1,376,481	3,339,856	1,718,885	1,189,770	2,908,655
Total noncurrent liabilities	1,963,375	1,376,481	3,339,856	1,718,885	1,189,770	2,908,655
Total liabilities	2,964,998	1,567,655	4,532,653	2,561,469	1,485,519	4,046,988
NET POSITION						
Net investment in capital assets	1,605,938	98,778	1,704,716	1,803,289	118,904	1,922,193
Restricted						
Nonexpendable	1,146,079	1,102,003	2,248,082	910,696	971,714	1,882,410
Expendable - operations	307,459	622,934	930,393	275,730	490,563	766,293
Unrestricted	241,687	2,081,936	2,323,623	61,277	1,757,005	1,818,282
TOTAL NET POSITION	\$ 3,301,163	\$ 3,905,651	\$ 7,206,814	\$ 3,050,992	\$ 3,338,186	\$ 6,389,178

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

Michigan State University - WKAR Public Media

	Year ended June 30, 2017			Year ended June 30, 2016		
	Television	Radio	Total	Television	Radio	Total
OPERATING REVENUES						
General appropriations from Michigan State University	\$ 1,942,774	\$ 1,304,173	\$ 3,246,947	\$ 1,822,813	\$ 1,268,546	\$ 3,091,359
Contributions	1,334,099	1,342,687	2,676,786	1,618,701	1,295,601	2,914,302
Grants from Corporation for Public Broadcasting	863,762	182,015	1,045,777	915,189	185,093	1,100,282
Program underwriting	339,121	289,157	628,278	319,267	384,727	703,994
Contract services	125,972	1,908	127,880	147,693	11,880	159,573
Facilities and support provided by Michigan State University	1,113,586	455,948	1,569,534	1,145,616	505,664	1,651,280
Donated services	13,985	32,934	46,919	879	14,454	15,333
Other grants and revenue	39,701	11,092	50,793	80,594	16,294	96,888
TOTAL OPERATING REVENUES	5,773,000	3,619,914	9,392,914	6,050,752	3,682,259	9,733,011
OPERATING EXPENSES						
Program services:						
Programming and production	2,808,808	1,468,151	4,276,959	2,710,716	1,424,054	4,134,770
Broadcasting	720,410	359,565	1,079,975	675,292	474,316	1,149,608
Program information	183,851	176,153	360,004	174,286	160,040	334,326
Support services:						
Fundraising	649,187	505,559	1,154,746	679,180	529,107	1,208,287
Management and general	472,341	446,222	918,563	459,366	514,976	974,342
Indirect expense	1,113,586	455,948	1,569,534	1,145,616	505,664	1,651,280
TOTAL OPERATING EXPENSES	5,948,183	3,411,598	9,359,781	5,844,456	3,608,157	9,452,613
Operating income (loss)	(175,183)	208,316	33,133	206,296	74,102	280,398
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	189,971	228,861	418,832	(67,710)	(51,384)	(119,094)
Other	-	-	-	(4,904)	-	(4,904)
Net nonoperating revenues (expenses)	189,971	228,861	418,832	(72,614)	(51,384)	(123,998)
INCOME BEFORE OTHER	14,788	437,177	451,965	133,682	22,718	156,400
Additions to permanent endowments	235,383	130,288	365,671	45,665	43,817	89,482
Increase in net position	250,171	567,465	817,636	179,347	66,535	245,882
Net position, beginning of year	3,050,992	3,338,186	6,389,178	2,871,645	3,271,651	6,143,296
NET POSITION, END OF YEAR	\$ 3,301,163	\$ 3,905,651	\$ 7,206,814	\$ 3,050,992	\$ 3,338,186	\$ 6,389,178