

**WVIK-FM RADIO
A PUBLIC BROADCAST STATION**

FINANCIAL REPORT
June 30, 2016 and 2015

WVIK-FM RADIO
A PUBLIC BROADCAST STATION

FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
WVIK-FM Radio
Augustana College
Rock Island, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of WVIK-FM Radio, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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.

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. 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 opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WVIK-FM Radio as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements were prepared for the purpose of complying with the financial reporting provisions of the Corporation for Public Broadcasting, and are not intended to be a complete presentation of Augustana College's assets, liabilities, revenues or expenses. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Chicago, Illinois
February 9, 2017

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
STATEMENT OF FINANCIAL POSITION
June 30, 2016

	2016						
	Unrestricted				Temporarily Restricted	Permanently Restricted	Total
	Operating Funds	Board Designated	Plant Funds	Total			
ASSETS							
Cash	\$ 336,864	\$ -	\$ -	\$ 336,864	\$ -	\$ -	\$ 336,864
Cash surrender value of life insurance	9,080	-	-	9,080	-	-	9,080
Beneficial interest in Augustana College investment pool	-	221,022	-	221,022	-	138,106	359,128
Contributions receivable, net	11,173	-	2,975	14,148	411	-	14,559
Other assets	23,500	-	-	23,500	-	-	23,500
Interfund (payable) receivable	(6,000)	-	6,000	-	-	-	-
Broadcasting equipment, net	-	-	275,345	275,345	-	-	275,345
	<u>\$ 374,617</u>	<u>\$ 221,022</u>	<u>\$ 284,320</u>	<u>\$ 879,959</u>	<u>\$ 411</u>	<u>\$ 138,106</u>	<u>\$ 1,018,476</u>
LIABILITIES AND NET ASSETS							
Liabilities							
Due to (from) Augustana College	\$ 260,210	\$ -	\$ (126,569)	\$ 133,641	\$ -	\$ -	\$ 133,641
Accrued expenses	54,127	-	-	54,127	-	-	54,127
	314,337	-	(126,569)	187,768	-	-	187,768
Net assets							
Unrestricted	60,280	221,022	410,889	692,191	-	-	692,191
Temporarily restricted	-	-	-	-	411	-	411
Permanently restricted, endowment	-	-	-	-	-	138,106	138,106
Total net assets	<u>60,280</u>	<u>221,022</u>	<u>410,889</u>	<u>692,191</u>	<u>411</u>	<u>138,106</u>	<u>830,708</u>
Total liabilities and net assets	<u>\$ 374,617</u>	<u>\$ 221,022</u>	<u>\$ 284,320</u>	<u>\$ 879,959</u>	<u>\$ 411</u>	<u>\$ 138,106</u>	<u>\$ 1,018,476</u>

See notes to financial statements.

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
STATEMENT OF FINANCIAL POSITION
June 30, 2015

	2015						
	Unrestricted				Temporarily Restricted	Permanently Restricted	Total
	Operating Funds	Board Designated	Plant Funds	Total			
ASSETS							
Cash	\$ 591,958	\$ -	\$ 1,433	\$ 593,391	\$ -	\$ -	\$ 593,391
Cash surrender value of life insurance	8,872	-	-	8,872	-	-	8,872
Beneficial interest in Augustana College investment pool	-	235,590	-	235,590	-	136,971	372,561
Contributions receivable, net	10,521	-	-	10,521	6,289	-	16,810
Grant receivable	15,000	-	-	15,000	-	-	15,000
Other assets	22,026	-	-	22,026	-	-	22,026
Interfund (payable) receivable	(6,000)	-	-	(6,000)	6,000	-	-
Broadcasting equipment, net	-	-	317,870	317,870	-	-	317,870
	<u>\$ 642,377</u>	<u>\$ 235,590</u>	<u>\$ 319,303</u>	<u>\$ 1,197,270</u>	<u>\$ 12,289</u>	<u>\$ 136,971</u>	<u>\$ 1,346,530</u>
LIABILITIES AND NET ASSETS							
Liabilities							
Due to (from) Augustana College	\$ 271,128	\$ -	\$ (110,632)	\$ 160,496	\$ -	\$ -	\$ 160,496
Accrued expenses	56,852	-	-	56,852	-	-	56,852
	<u>327,980</u>	<u>-</u>	<u>(110,632)</u>	<u>217,348</u>	<u>-</u>	<u>-</u>	<u>217,348</u>
Net assets							
Unrestricted	314,397	235,590	429,935	979,922	-	-	979,922
Temporarily restricted	-	-	-	-	12,289	-	12,289
Permanently restricted, endowment	-	-	-	-	-	136,971	136,971
Total net assets	<u>314,397</u>	<u>235,590</u>	<u>429,935</u>	<u>979,922</u>	<u>12,289</u>	<u>136,971</u>	<u>1,129,182</u>
Total liabilities and net assets	<u>\$ 642,377</u>	<u>\$ 235,590</u>	<u>\$ 319,303</u>	<u>\$ 1,197,270</u>	<u>\$ 12,289</u>	<u>\$ 136,971</u>	<u>\$ 1,346,530</u>

See notes to financial statements.

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	2016						
	Unrestricted			Total	Temporarily Restricted	Permanently Restricted	Total
	Operating Funds	Board Designated	Plant Funds				
Revenue							
Contributions	\$ 774,369	\$ -	\$ -	\$ 774,369	\$ 32,970	\$ 1,135	\$ 808,474
Donated facilities, contributed services, and administrative support from Augustana College	402,639	-	-	402,639	-	-	402,639
Illinois State Library Grants for Augustana Public Radio Information Service	22,714	-	-	22,714	-	-	22,714
Community service grants and project grants from Corporation for Public Broadcasting	123,371	-	-	123,371	-	-	123,371
Other Income	26,213	-	-	26,213	-	-	26,213
Investment income	-	2,057	-	2,057	1,327	-	3,384
Net assets released from restriction	<u>12,000</u>	<u>6,283</u>	<u>32,848</u>	<u>51,131</u>	<u>(51,131)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,361,306</u>	<u>8,340</u>	<u>32,848</u>	<u>1,402,494</u>	<u>(16,834)</u>	<u>1,135</u>	<u>1,386,795</u>
Expenses							
Program services							
Programming and production	514,653	-	-	514,653	-	-	514,653
Broadcasting	131,994	-	51,894	183,888	-	-	183,888
Program information and promotion	<u>115,095</u>	<u>-</u>	<u>-</u>	<u>115,095</u>	<u>-</u>	<u>-</u>	<u>115,095</u>
	761,742	-	51,894	813,636	-	-	813,636
Support services							
Fundraising and Membership development	256,755	-	-	256,755	-	-	256,755
Management and general Underwriting and grant solicitation	457,677	17,952	-	475,629	-	-	475,629
	<u>139,249</u>	<u>-</u>	<u>-</u>	<u>139,249</u>	<u>-</u>	<u>-</u>	<u>139,249</u>
	<u>853,681</u>	<u>17,952</u>	<u>-</u>	<u>871,633</u>	<u>-</u>	<u>-</u>	<u>871,633</u>
Total expenses	1,615,423	17,952	51,894	1,685,269	-	-	1,685,269
Transfer of underwater endowment	<u>-</u>	<u>(4,956)</u>	<u>-</u>	<u>(4,956)</u>	<u>4,956</u>	<u>-</u>	<u>-</u>
Change in net assets	(254,117)	(14,568)	(19,046)	(287,731)	(11,878)	1,135	(298,474)
Net assets (deficit)							
Beginning of year	<u>314,397</u>	<u>235,590</u>	<u>429,935</u>	<u>979,922</u>	<u>12,289</u>	<u>136,971</u>	<u>1,129,182</u>
End of year	<u>\$ 60,280</u>	<u>\$ 221,022</u>	<u>\$ 410,889</u>	<u>\$ 692,191</u>	<u>\$ 411</u>	<u>\$ 138,106</u>	<u>\$ 830,708</u>

See notes to financial statements.

WVIK-FM RADIO
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STATEMENT OF ACTIVITIES
Year ended June 30, 2015

	2015						
	Unrestricted			Total	Temporarily Restricted	Permanently Restricted	Total
	Operating Funds	Board Designated	Plant Funds				
Revenue							
Contributions	\$ 1,459,538	\$ -	\$ -	\$ 1,459,538	\$ 58,629	\$ 1,135	\$ 1,519,302
Donated facilities, contributed services, and administrative support from							
Augustana College	282,191	-	-	282,191	-	-	282,191
Illinois State Grants	34,295	-	-	34,295	-	-	34,295
Illinois State Library Grants for Augustana Public Radio Information Service	27,700	-	-	27,700	-	-	27,700
Community service grants and project grants from Corporation for Public Broadcasting	121,765	-	-	121,765	-	-	121,765
Other Income	5,098	-	-	5,098	-	-	5,098
Investment income	-	-	-	-	1,041	-	1,041
Net assets released from restriction	<u>11,000</u>	<u>1,041</u>	<u>106,020</u>	<u>118,061</u>	<u>(118,061)</u>	<u>-</u>	<u>-</u>
Total revenue	1,941,587	1,041	106,020	2,048,648	(58,391)	1,135	1,991,392
Expenses							
Program services							
Programming and production	480,442	-	-	480,442	-	-	480,442
Broadcasting	120,431	-	42,194	162,625	-	-	162,625
Program information and promotion	<u>94,133</u>	<u>-</u>	<u>-</u>	<u>94,133</u>	<u>-</u>	<u>-</u>	<u>94,133</u>
	695,006	-	42,194	737,200	-	-	737,200
Support services							
Fundraising and Membership development	164,510	3,401	-	167,911	-	-	167,911
Management and general Underwriting and grant solicitation	360,023	13,600	-	373,623	-	-	373,623
	<u>136,348</u>	<u>-</u>	<u>-</u>	<u>136,348</u>	<u>-</u>	<u>-</u>	<u>136,348</u>
	<u>660,881</u>	<u>17,001</u>	<u>-</u>	<u>677,882</u>	<u>-</u>	<u>-</u>	<u>677,882</u>
Total expenses	1,355,887	17,001	42,194	1,415,082	-	-	1,415,082
Change in net assets	585,700	(15,960)	63,826	633,566	(58,391)	1,135	576,310
Net assets (deficit)							
Beginning of year	<u>(271,303)</u>	<u>251,550</u>	<u>366,109</u>	<u>346,356</u>	<u>70,680</u>	<u>135,836</u>	<u>552,872</u>
End of year	<u>\$ 314,397</u>	<u>\$ 235,590</u>	<u>\$ 429,935</u>	<u>\$ 979,922</u>	<u>\$ 12,289</u>	<u>\$ 136,971</u>	<u>\$ 1,129,182</u>

See notes to financial statements.

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (298,474)	\$ 576,310
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	51,894	42,194
Increase in cash surrender value on life insurance	(208)	(194)
Unrealized loss on investments	14,568	15,960
Contributions restricted for long-term investments	(1,135)	(1,135)
Changes in assets and liabilities		
Grants receivable	15,000	(4,575)
Contributions receivable	2,251	5,038
Other assets	(1,474)	(641)
Due to Augustana College	(26,855)	(90,709)
Accrued expenses	<u>(2,725)</u>	<u>32,272</u>
Net cash from operating activities	(247,158)	574,520
Cash flows from investing activities		
Purchases of investments	(1,135)	(1,135)
Purchase of broadcasting equipment	<u>(9,369)</u>	<u>(64,009)</u>
Net cash from investing activities	(10,504)	(65,144)
Cash flows from financing activities		
Contributions restricted for long-term investment	<u>1,135</u>	<u>1,135</u>
Net cash from financing activities	<u>1,135</u>	<u>1,135</u>
Net change in cash	(256,527)	510,511
Cash		
Beginning of year	<u>593,391</u>	<u>82,880</u>
End of year	<u>\$ 336,864</u>	<u>\$ 593,391</u>
Supplemental disclosure of cash flow information		
Contributed services	<u>\$ 402,639</u>	<u>\$ 282,191</u>

See notes to financial statements.

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: WVIK-FM Radio (WVIK) is a department of, and is operated by, Augustana College (College), Rock Island, Illinois. These financial statements are prepared for the purpose of complying with the financial reporting provisions of the Corporation for Public Broadcasting and are not intended to be a complete presentation of the College's assets, liabilities, revenues, or expenses.

Accounting 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 expense during the reporting period. Actual results could differ from those estimates.

General: These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on WVIK as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that must be maintained permanently. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general purposes of WVIK.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of WVIK and/or the passage of time. These net assets are solicited for WVIK's operations and property and equipment purchases and are released from restriction as the funds are expended for their intended purpose or the requested time has passed.

Unrestricted Net Assets: Net assets not subject to donor-imposed stipulations.

Beneficial Interest in Augustana College Investment Pool: The College maintains an endowment fund that is restricted in use to WVIK.

Grants Receivable: Grants receivable consist of contract and other receivables. Grants receivable do not have an amount recorded as an allowance for doubtful grants, as these are one year grants and are expected to be collected.

Broadcasting Equipment: Broadcasting equipment is carried at cost. Depreciation on the equipment is computed by the straight-line method using the half year convention over the estimated useful lives of the assets. Equipment is a single item of tangible real or personal property with an individual unit cost of at least \$5,000 and a useful life clearly in excess of two full years. Long-lived assets, such as building and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management believes that currently there is no impairment of the long-lived assets.

Revenue Recognition: Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Grant revenue is recognized as the related expenses are incurred. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported in the statements of activities as net assets released from restrictions.

(Continued)

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions to be received after one year are discounted to the present value of future cash flows, at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund raising activity.

Income Tax Status: The College is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, is not subject to tax under present income tax laws.

No provision has been made for income taxes in the accompanying financial statements, as WVIK had no significant unrelated business income. If WVIK were to incur interest or penalties related to unrecognized tax benefits, these expenses would be recognized in interest and income tax expense, respectively. WVIK had no amounts accrued for interest or penalties as of June 30, 2016 and 2015. Because WVIK is a department of the College, its activities are included on the College's tax return. The College has not been examined by any tax jurisdiction.

Advertising Costs: Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2016 and 2015 were \$67,709 and \$55,645, respectively.

Reclassifications: Certain amounts previously reported in the 2015 financial statements have been reclassified to conform to the 2016 presentation. The reclassifications did not affect the net assets or the change in net assets for the year ended June 30, 2015.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2016. Management has performed their analysis through February 9, 2017, the date the financial statements were available to be issued.

NOTE 2 - CONTRIBUTIONS

Unconditional promises are included in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Unconditional promises are expected to be realized as follows:

	<u>2016</u>	<u>2015</u>
Due in one year or less	\$ 14,854	\$ 14,596
Due in one to three years	<u> -</u>	<u> 2,290</u>
	14,854	16,886
Less allowance	<u> (295)</u>	<u> (76)</u>
	<u>\$ 14,559</u>	<u>\$ 16,810</u>

(Continued)

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 3 - BROADCASTING EQUIPMENT

Broadcasting equipment is reflected at cost and consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 860,753	\$ 851,384
Accumulated Depreciation	<u>(585,408)</u>	<u>(533,514)</u>
	<u>\$ 275,345</u>	<u>\$ 317,870</u>

Depreciation expense for the years ended June 30, 2016 and 2015, was \$51,894 and \$42,194, respectively.

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurement accounting standards require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the accounting standards establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

(Continued)

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Beneficial interest in Augustana College Investment Pool: The value of the beneficial interest is based upon the number of units invested in Augustana College's pooled endowment fund. The College provides the fair value of the pooled endowment fund. For alternative investments, the College generally uses the net asset value (NAV) of the investment to determine the fair value of these investments (market approach). For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, or appraisals. WVIK has the ability to redeem their investment in the College's pooled endowment fund on a quarterly basis. The investment objective of the College's pooled endowment fund is to maintain appropriate diversification among equity, fixed income and alternative investment allocations. The purpose is to moderate the overall investment risk of the pooled endowment fund. As of June 30, 2016, there were no unfunded capital commitments.

Assets recorded at Fair Value on a Recurring Basis: The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

		Fair Value Measurements as of June 30, 2016			
		Quoted Prices in Active Markets for Identical Assets <u>Fair Value</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	
Assets	Beneficial interest in Augustana College Investment Pool	\$ 359,128	\$ -	\$ 359,128	\$ -
		Fair Value Measurements as of June 30, 2015			
		Quoted Prices in Active Markets for Identical Assets <u>Fair Value</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	
Assets	Beneficial interest in Augustana College Investment Pool	\$ 372,561	\$ -	\$ 372,561	\$ -

(Continued)

WVIK-FM RADIO
A PUBLIC BROADCAST STATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 5 - ALLOCATION OF COSTS

Costs related to the donated facilities are allocated by Augustana College based on a percentage of the square footage occupied by WVIK. Administrative costs are also allocated based on a percentage of WVIK direct expenditures to a similar total of the College's expenditures, exclusive of capital outlays. The costs related to the donated facilities and administrative costs allocated to WVIK totaled \$402,639 and \$282,191 for the years ended June 30, 2016 and 2015, respectively.

NOTE 6 - LEASE COMMITMENT AND TOTAL RENT EXPENSE

WVIK leases tower space in two locations. The first location is in Bettendorf, Iowa, and is for the purpose of broadcasting its main signal. The second location is in Dubuque, Iowa, and is to re-broadcast its signal into Dubuque, southern Wisconsin, and northeast Illinois. The lease commitments are included below.

WVIK is currently in negotiations to renew their lease that expired December 2014 for the Bettendorf tower space from a third party, Nexstar Broadcasting Group Inc., for continuance through December 2020. Transmitter space is rented from KWQC Channel 6 for annual rent of \$2,500 which expires during the year ended June 30, 2020. WVIK continues to make rental payments on a monthly basis while the lease renewal is in negotiations.

The Dubuque tower space is leased from a third party, Finley Hospital, under a lease expiring in November 2016. The total minimum rental commitment as of June 30, 2016, is \$4,000.

The total rental expense under these agreements for the years ended June 30, 2016 and 2015, was \$53,500 and \$45,211, respectively.

(Continued)

WVIK-FM RADIO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 7 - EXPENSES

Expenses incurred during the years ended June 30, 2016 and 2015, were for:

	Program Services			Support Services					Total
	Programming and <u>Production</u>	<u>Broadcasting</u>	Program Information and <u>Promotion</u>	Total Program <u>Services</u>	Fundraising and Membership <u>Development</u>	Management and <u>General</u>	Underwriting and Grant <u>Solicitation</u>	Total Support <u>Services</u>	
<u>2016</u>									
Salaries and benefits	\$ 299,714	\$ 40,223	\$ 44,009	\$ 383,946	\$ 90,611	\$ 96,729	\$ 131,840	\$ 319,180	\$ 703,126
Programming	207,086	8,953	3,206	219,245	-	-	-	-	219,245
Professional Services	4,670	-	-	4,670	25,257	10,346	2,521	38,124	42,794
Occupancy	-	-	-	-	-	11,429	-	11,429	11,429
Rental and maintenance	-	82,818	-	82,818	-	248	-	248	83,066
Advertising	-	-	67,709	67,709	-	-	-	-	67,709
Printing, publication and graphics	-	-	-	-	5,661	-	-	5,661	5,661
Office supplies	-	-	171	171	584	6,432	-	7,016	7,187
Postage and shipping	-	-	-	-	5,377	-	-	5,377	5,377
Travel	1,408	-	-	1,408	9,391	1,434	840	11,665	13,073
Miscellaneous expenses	-	-	-	-	-	17,952	-	17,952	17,952
Meeting, events, and membership	1,775	-	-	1,775	47,399	895	4,048	52,342	54,117
Depreciation	-	<u>51,894</u>	-	<u>51,894</u>	-	-	-	-	<u>51,894</u>
Subtotal	<u>514,653</u>	<u>183,888</u>	<u>115,095</u>	<u>813,636</u>	<u>184,280</u>	<u>145,465</u>	<u>139,249</u>	<u>468,994</u>	<u>1,282,630</u>
Donated facilities and administrative support	-	-	-	-	<u>72,475</u>	<u>330,164</u>	-	<u>402,639</u>	<u>402,639</u>
Total	<u>\$ 514,653</u>	<u>\$ 183,888</u>	<u>\$ 115,095</u>	<u>\$ 813,636</u>	<u>\$ 256,755</u>	<u>\$ 475,629</u>	<u>\$ 139,249</u>	<u>\$ 871,633</u>	<u>\$ 1,685,269</u>

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NOTE 7 - EXPENSES (Continued)

	Program Services			Support Services					Total
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Fundraising and Membership Development	Management and General	Underwriting and Grant Solicitation	Total Support Services	
<u>2015</u>									
Salaries and benefits	\$ 267,615	\$ 38,226	\$ 34,793	\$ 340,634	\$ 80,907	\$ 80,908	\$ 119,971	\$ 281,786	\$ 622,420
Programming	209,875	5,738	3,695	219,308	-	653	-	653	219,961
Professional services	2,510	3,978	-	6,488	-	14,108	4,747	18,855	25,343
Occupancy	-	-	-	-	-	15,605	-	15,605	15,605
Rental and maintenance	-	71,367	-	71,367	-	5,905	-	5,905	77,272
Advertising	-	-	55,645	55,645	-	-	-	-	55,645
Printing, publication and graphics	-	-	-	-	2,349	-	2,261	4,610	4,610
Office supplies	-	1,022	-	1,022	3,687	6,817	-	10,504	11,526
Postage and shipping	-	-	-	-	6,398	-	-	6,398	6,398
Travel	442	-	-	442	775	-	1,069	1,844	2,286
Miscellaneous expenses	-	-	-	-	-	17,001	-	17,001	17,001
Meeting, events, and membership	-	100	-	100	23,001	1,229	8,300	32,530	32,630
Depreciation	-	42,194	-	42,194	-	-	-	-	42,194
Subtotal	<u>480,442</u>	<u>162,625</u>	<u>94,133</u>	<u>737,200</u>	<u>117,117</u>	<u>142,226</u>	<u>136,348</u>	<u>395,691</u>	<u>1,132,891</u>
Donated facilities and administrative support	-	-	-	-	50,794	231,397	-	282,191	282,191
Total	<u>\$ 480,442</u>	<u>\$ 162,625</u>	<u>\$ 94,133</u>	<u>\$ 737,200</u>	<u>\$ 167,911</u>	<u>\$ 373,623</u>	<u>\$ 136,348</u>	<u>\$ 677,882</u>	<u>\$ 1,415,082</u>

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NOTE 8 - ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS

The WVIK Endowment Fund consists of various donor restricted and unrestricted (or quasi-endowment) endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

WVIK has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WVIK classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, (d) the present value of estimated future receipts for beneficial interest in Augustana College investment pool and (e) subsequent changes in the value of WVIK's share of trust assets in Augustana College investment pool. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by WVIK in a manner consistent with the standard of prudence prescribed by the State of Illinois in its enacted version of UPMIFA. In accordance with UPMIFA, WVIK considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the Endowment Fund; (2) the purposes of WVIK and the donor-restricted Endowment Fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of WVIK; and (7) the investment policies of WVIK.

The College has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide WVIK with a predictable funding stream for its programs while protecting the purchasing power of the Endowment Fund. The College, through its investment policy, has established a target annualized real (inflation-adjusted) rate of return over the long-term of at least equal to the spending policy in order to avoid loss of purchasing power; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the College expects to maintain appropriate diversification among equity, fixed income and alternative investment allocations. The purpose is to moderate the overall investment risk of the Endowment Fund.

The WVIK portion of the College Endowment Fund will be used for purposes related to WVIK and will be made at the discretion of the Augustana College President, with recommendations by the WVIK General Manager. The amount appropriated, the spending policy, is a Board approved percentage up to 5% applied to the average fair value of the pooled endowment fund assets during the prior twelve quarters.

In cases where the fair value of endowment fund assets fall below the original value of the gifts donated to the permanent endowment, the Board has limited, by policy, the appropriation to no more than 25% of the original value of the gifts donated to permanent endowment. The Board approved spending percentage was 5% for the fiscal years ended June 30, 2016 and 2015. For the year ended June 30, 2016, there was \$4,956 of underwater endowment amounts. There were no underwater endowment amounts for the year ended June 30, 2015.

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NOTE 8 - ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS (Continued)

Endowment net assets as of June 30, 2016 and 2015, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2016</u>				
Donor-restricted endowment funds:				
General institutional support	\$ (4,956)	\$ -	\$ 138,106	\$ 133,150
Board-designated endowment funds	<u>225,978</u>	<u>-</u>	<u>-</u>	<u>225,978</u>
Net assets, end of year	<u>\$ 221,022</u>	<u>\$ -</u>	<u>\$ 138,106</u>	<u>\$ 359,128</u>
<u>2015</u>				
Donor-restricted endowment funds:				
General institutional support	\$ -	\$ -	\$ 136,971	\$ 136,971
Board-designated endowment funds	<u>235,590</u>	<u>-</u>	<u>-</u>	<u>235,590</u>
Net assets, end of year	<u>\$ 235,590</u>	<u>\$ -</u>	<u>\$ 136,971</u>	<u>\$ 372,561</u>

The changes in endowment net assets for the years ended June 30, 2016 and 2015, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2016</u>				
Net assets, beginning of year	\$ 235,590	\$ -	\$ 136,971	\$ 372,561
Investment return:				
Investment income	2,057	1,327	-	3,384
Gifts	-	-	1,135	1,135
Appropriation of endowment assets for expenditure	(11,669)	(6,283)	-	(17,952)
Transfer of underwater endowment	<u>(4,956)</u>	<u>4,956</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 221,022</u>	<u>\$ -</u>	<u>\$ 138,106</u>	<u>\$ 359,128</u>
<u>2015</u>				
Net assets, beginning of year	\$ 251,550	\$ -	\$ 135,836	\$ 387,386
Investment return:				
Investment income	-	1,041	-	1,041
Gifts	-	-	1,135	1,135
Appropriation of endowment assets for expenditure	<u>(15,960)</u>	<u>(1,041)</u>	<u>-</u>	<u>(17,001)</u>
Net assets, end of year	<u>\$ 235,590</u>	<u>\$ -</u>	<u>\$ 136,971</u>	<u>\$ 372,561</u>

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NOTE 9 - RELATED PARTY TRANSACTIONS

WVIK is a unique department of Augustana College. Transactions between WVIK and the College are recorded as receivables and payables as due to/from balances in the statement of financial position. The purpose of these transactions is to assist in funding WVIK operations.

The transactions between WVIK and the College include gifts, investment earnings, unrealized appreciation, and payment of expenses by the College on behalf of WVIK. The due to College balance at June 30, 2016 and 2015, was \$133,641 and \$160,496, respectively. WVIK does not maintain separate bank accounts. Amounts collected on behalf of the station for restricted purposes, but not yet spent, are included as cash. There was \$336,864 and \$593,391 held by the College on behalf of WVIK for the years ended June 30, 2016 and 2015, respectively.