

WAYNE STATE UNIVERSITY WDET-FM

(A Department of Wayne State University)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
Wayne State University
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne State University WDET-FM (WDET), a department of Wayne State University, as of and for the year ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise WDET's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to WDET'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.

Opinions

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

Emphasis of Matter

Regarding Department Financial Statements:

As discussed in Note 1, the financial statements of WDET are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of Wayne State University's information that is attributable to the transactions of WDET. They do not purport to, and do not present fairly the financial position of Wayne State University as of September 30, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the year 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.

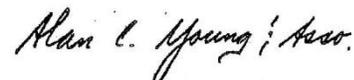
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as shown in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017 on our consideration of WDET's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WDET's internal control over financial reporting and compliance.



Detroit, Michigan
January 10, 2017



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

To the Board of Governors
Wayne State University
Detroit, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wayne State University WDET-FM (WDET), a department of Wayne State University, as of and for the year ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise WDET's basic financial statements, and have issued our report thereon dated January 10, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters based on an Audit of Financial
Statements Performed in Accordance with Government
Auditing Standards
(Continued)

Purpose of this Report

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

Alan C. Young & Assoc.

Detroit, Michigan
January 10, 2017

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Wayne State University WDET 101.9 FM ("WDET") as of and for the year ended September 30, 2016, with selected comparative information as of and for the year ended September 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and related notes for the year ended September 30, 2016 and 2015.

WDET is a public radio station licensed to Wayne State University ("the University") by the Federal Communications Commission. The station does not have a separate legal status or existence. The assets, liabilities, net position and revenues and expenses of WDET are included in the combined financial statements of Wayne State University. WDET's financial statements and accompanying notes are prepared in accordance with the Corporation for Public Broadcasting's Principles of Accounting and Financial Reporting for Public Telecommunications Entities, and principles of the Governmental Accounting Standards Board ("GASB") which establish standards for external financial reporting for public colleges and universities. These principles require that the University's financial statements be presented on a combined basis. The financial statements of WDET are presented and reported on separately in this report solely due to the separate reporting requirements of the Corporation for Public Broadcasting ("CPB").

WDET serves to enhance the visibility of the University by reaching some of southeast Michigan's most diverse and educated constituencies. WDET also streams its broadcast signal on its website (www.wdetfm.org), which allows the station a global audience. The station regularly hears from listeners from all corners of the globe and has become a source for relocated and out of town Detroiters to get local news and information about their hometown.

WDET also houses another of the University's outreach services, the Detroit Radio Information Service (DRIS). DRIS is southeast Michigan's 24-hour radio reading service, providing programming to foster independent living for people who cannot see, hold or comprehend normal printed materials, such as newspapers and magazines.

USING THIS REPORT

WDET's financial report includes three basic financial statements: the statement of net position, which presents the assets, liabilities and net position of WDET at September 30, 2016, the statement of revenues, expenses and changes in net position, which reflects revenues and expenses recognized during the fiscal year, and the statement of cash flows, which provides information on major sources and uses of cash during the fiscal year. The report also includes notes to the financial statements which are an integral component of the report.

This financial report is designed to provide a general overview of WDET's finances and to show WDET's accountability for the money it receives. Additional information can be requested by mail at the following address:

Wayne State University
Fiscal Operations – Controller's Office
5700 Cass Avenue, Suite 4602
Detroit, Michigan 48202

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited (Continued)

FINANCIAL HIGHLIGHTS

Statement of Net Position

The statement of net position presents the financial position of WDET at the end of the fiscal year and includes all assets and liabilities of WDET. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of WDET, while the change in net position is an indicator of how the current year's operations have affected its overall financial condition. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

The summary of WDET's assets, liabilities, and net position at September 30, 2016 and 2015 is presented below:

	<u>2016</u>	<u>2015</u>
	(in thousands)	
Current Assets	\$ 464.2	\$ 407.3
Noncurrent Assets:		
Investments	109.3	104.3
Noncurrent Receivables, Net	2.4	9.6
Capital Assets, Net	<u>585.4</u>	<u>503.9</u>
Total Assets	<u>\$ 1,161.3</u>	<u>\$ 1,025.1</u>
Current Liabilities:		
Due to Wayne State University	\$ 1,969.7	\$ 1,651.7
Other Current Liabilities	<u>394.1</u>	<u>254.5</u>
Total Current Liabilities	2,363.8	1,906.2
Noncurrent Portion of Compensated Absences	<u>34.0</u>	<u>18.1</u>
Total Liabilities	2,397.8	1,924.3
Total Net Position (Deficit)	<u>(1,236.5)</u>	<u>(899.2)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 1,161.3</u>	<u>\$ 1,025.1</u>

WDET's financial position consists of assets of \$1.16 million at September 30, 2016 and \$1.03 million at September 30, 2015 and liabilities of \$2.40 million at September 30, 2016 and \$1.92 million at September 30, 2015. The station's net position decreased \$337.3 thousand from a deficit of \$899.2 thousand at September 30, 2015 to a deficit of \$1.24 million at September 30, 2016.

Current assets increased \$56.9 thousand from \$407.3 thousand at September 30, 2015 to \$464.2 thousand at September 30, 2016. Non-current assets increased \$79.3 thousand from \$617.8 thousand at September 30, 2015 to \$697.1 at September 30, 2016. The investment in capital assets net of accumulated depreciation was \$585.4 thousand and \$503.9 thousand at September 30, 2016 and 2015, respectively. The increase in the investment of capital assets is attributable to the purchase of broadcast equipment.

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited (Continued)

FINANCIAL HIGHLIGHTS (Continued)

Statement of Net Position (Continued)

Current liabilities increased \$.45 million from \$1.91 million at September 30, 2015 to \$2.36 million at September 30, 2016.

As indicated in Note 2, WDET owed the University \$1.97 million and \$1.65 million at September 30, 2016 and 2015, respectively, which represents payments made by the University on WDET's behalf, which were in excess of WDET's available cash.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents WDET's revenues and expenses recognized during the fiscal year.

A summary of revenues and expenses, including operating and non-operating, for the years ended September 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
	(in thousands)	
Operating Revenues		
Grant from Corporation for Public Broadcasting	\$ 255.4	\$ 281.0
Underwriting and Other Sales	884.3	989.0
Indirect Administrative Support	492.1	461.4
Other Grants	183.9	88.5
Total Operating Revenues	<u>1,815.7</u>	<u>1,819.9</u>
Operating Expenses		
Salaries, Payroll Taxes, and Employee Benefits	2,309.0	2,149.9
Membership Dues and Other Fees	84.3	84.8
Indirect Administrative Support	492.1	461.4
Contracted Services	769.8	680.4
Equipment, Software and Maintenance	94.4	84.5
Postage	34.6	79.3
Depreciation	30.9	29.4
Minor Renovations and Repairs	97.7	-
Telephone, Supplies and Materials and Other	202.7	201.7
Total Operating Expenses	<u>4,115.5</u>	<u>3,771.4</u>
Operating Loss	<u>(2,299.8)</u>	<u>(1,951.5)</u>
Non-operating Revenues (Expenses)		
Contributions	1,479.5	1,368.4
Transfer from Wayne State University	472.4	494.7
Other Income (Loss)	10.6	(1.4)
Total Non-operating Revenues (Expenses)	<u>1,962.5</u>	<u>1,861.7</u>
Decrease in Net Position	<u>(337.3)</u>	<u>(89.8)</u>
Net Deficit, Beginning of Year	<u>(899.2)</u>	<u>(809.4)</u>
Net Deficit, End of Year	<u><u>\$ (1,236.5)</u></u>	<u><u>\$ (899.2)</u></u>

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited (Continued)

FINANCIAL HIGHLIGHTS (Continued)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Revenues (operating and non-operating) totaled \$3.78 million at September 30, 2016 and \$3.68 million at September 30, 2015. In 2016, expenses increased \$0.35 million to \$4.12 million compared to \$3.77 million in 2015. The increase was attributable principally to increases in compensation-related expenses of \$159.1 thousand, indirect administrative support \$30.7 thousand, contracted services of \$89.4 thousand and minor renovations of \$97.7 thousand partially offset by a decrease in postage of \$44.7 thousand.

Statement of Cash Flows

The statement of cash flows provides additional information about WDET's financial results, by reporting the major sources and uses of cash during the year. WDET reports cash activities in three categories: operating, noncapital financing, and capital and related financing. WDET's most significant sources of cash flows resulted from contributions, transfers from Wayne State University, and underwriting and other sales. Primary outlays of cash were payments to employees and suppliers.

FACTORS THAT WILL AFFECT THE FUTURE

For several years, Wayne State University supported WDET's financial shortfalls to ensure the continuation of this vital community service that provides both intangible and economic benefits provided to the University. This support has been predicated on the understanding that WDET is pursuing strategies that would allow the organization to resume its status as a self-sustaining entity. WDET's ability to successfully forecast, plan and invest in revenue driving activities and critical infrastructure continues to be directly impacted by its longstanding deficit.

Fiscal year 2016 has proven to be a year of significant audience growth and marks the beginning of an organizational transformation which has attracted the attention, and support, of local funders and the wider media industry. This growth can directly be attributed to significant investments in progressive local programming and authentic community engagement.

Positive indicators include:

- **Audience growth and diversity:** WDET currently reaches over 200,000 weekly listeners, up from an average of 140,000 in the previous year, and has doubled the number of listeners under 35. This is the largest and youngest audience WDET has reached in over a decade and the station continues to be recognized as a leader in new audience development.
- **Well-received local programming:** WDET's flagship daily talk show, *Detroit Today*, is outperforming previous local and national programs in its second year of production. WDET's *Culture Shift*, launched in August 2016, added 14 additional hours of weekly local arts and culture programming and further differentiated WDET's schedule.
- **Record-high foundation support:** WDET was awarded \$234,000 in grant funding in fiscal year 2016 up \$146,000 from the previous year, in support of innovative programming, journalism and community engagement. Over \$900,000 in grant funding is currently projected for fiscal year 2017 and 2018 combined.

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited (Continued)

FACTORS THAT WILL AFFECT THE FUTURE (Continued)

Positive indicators include: (Continued)

- **Increased donor support:** Contributions increased by approximately \$111,000 in fiscal year 2016 as WDET experimented with innovative fundraising approaches and exceeded campaign goals. The station has grown its donor file, with many members increasing their annual support. Over 60 annual gifts of \$1,200+ have been secured, building a pipeline for major giving. WDET expects this trend to continue alongside a renewed focus on planned giving.
- **Award-winning local journalism:** In addition to providing daily local and national election coverage, the WDET newsroom produced an award-winning enterprise series on public education, racial and economic inequality, the cultural diversity of our region, and the state of the city post-bankruptcy.
- **High-impact community engagement:** WDET hosted over 40 community meetings and cultural events across the Detroit region, attracting thousands of diverse attendees from around southeast Michigan. Over \$25,000 in free airtime was provided to area non-profits and dozens of students received hands-on training via internship programs.

Two major factors contributed to WDET's inability to maintain a balanced budget in fiscal year 2016:

- **Corporate Underwriting:** WDET's sales team fell short of their annual goal for the third consecutive year. A more competitive incentive structure was put into place at the start of the fiscal year and an additional sales representative was added in the 4th quarter. However, these changes have not produced the desired results. A departmental restructuring will take effect in fiscal year 2017 to ensure revenues are in line with industry benchmarks of \$1.25-\$1.5 million.
- **Capital investments in facilities and equipment:** In fiscal year 2016, WDET began and completed its first significant renovation in over a decade with the support of station donors. The WDET newsroom was reconfigured to house a growing staff of journalists, producers and interns. Out-of-warranty broadcast equipment was replaced, requiring significant modifications to two main studios. These projects were critical, capacity-building investments that immediately improved programming quality and worker efficiency as well as overall morale. Both projects came in under budget and were initiated before a revenue shortfall was projected. WDET has not budgeted for additional capital investments in fiscal year 2017.

The factors most affecting WDET's future will continue to be the station's ability to:

- Reach and engage new and diverse audiences through distinctive local programming
- Cultivate a donor and client base capable of sustaining a robust local media service
- Rapidly adopt new technologies and innovative approaches to fundraising and service delivery
- Attract and retain talent through competitive wages and opportunities for growth

WAYNE STATE UNIVERSITY WDET-FM

Statements of Net Position September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Current Portion of Receivables, Net (Note 3)	\$ 464,240	\$ 393,290
Prepaid Expenses	-	14,007
Total Current Assets	<u>464,240</u>	<u>407,297</u>
Investments	109,236	104,315
Noncurrent Receivables, Net (Note 3)	2,369	9,589
Capital Assets, Net (Notes 4)	<u>585,409</u>	<u>503,868</u>
Total Assets	<u>\$ 1,161,254</u>	<u>\$ 1,025,069</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Payroll	\$ 251,333	\$ 112,887
Unearned Income	47,391	45,168
Current Portion of Compensated Absences (Note 5)	95,391	96,449
Due to Wayne State University (Note 2)	<u>1,969,653</u>	<u>1,651,638</u>
Total Current Liabilities	2,363,768	1,906,142
Noncurrent Portion of Compensated Absences (Note 5)	<u>34,001</u>	<u>18,111</u>
Total Liabilities	2,397,769	1,924,253
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	585,409	503,868
Restricted - Expendable	203,087	210,645
Unrestricted - Deficit	<u>(2,025,011)</u>	<u>(1,613,697)</u>
Total Net Position (Deficit)	<u>(1,236,515)</u>	<u>(899,184)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 1,161,254</u>	<u>\$ 1,025,069</u>

The accompanying notes are an integral part of these financial statements.

WAYNE STATE UNIVERSITY WDET-FM

Statements of Revenues, Expenses and Changes in Net Position Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Grant from Corporation for Public Broadcasting	\$ 255,400	\$ 281,068
Underwriting and Other Sales	884,288	989,002
Indirect Administrative Support (Note 1)	492,053	461,418
Other Grants	183,946	88,463
Total Operating Revenues	<u>1,815,687</u>	<u>1,819,951</u>
Operating Expenses (Note 7)		
Salaries, Payroll Taxes, and Employee Benefits	2,308,950	2,149,886
Membership Dues and Other Fees	84,298	84,822
Indirect Administrative Support (Note 1)	492,053	461,418
Contracted Services	769,848	680,383
Printing, Publicity, and Advertising	71,755	56,895
Supplies and Materials	29,963	30,948
Telephone	34,016	46,856
Postage	34,568	79,257
Travel and Training	25,432	25,191
Equipment, Software and Maintenance	94,453	84,525
Minor Renovations and Repairs	97,706	-
Miscellaneous	41,575	41,808
Depreciation	30,917	29,417
Total Operating Expenses	<u>4,115,534</u>	<u>3,771,406</u>
Operating Loss	<u>(2,299,847)</u>	<u>(1,951,455)</u>
Non-operating Revenues (Expenses)		
Contributions	1,479,528	1,368,439
Transfer from Wayne State University	472,400	494,700
Other Income (Loss)	10,588	(1,431)
Total Non-operating Revenues (Expenses)	<u>1,962,516</u>	<u>1,861,708</u>
Decrease in Net Position	(337,331)	(89,747)
Net Deficit, Beginning of Year	<u>(899,184)</u>	<u>(809,437)</u>
Net Deficit, End of Year	<u>\$ (1,236,515)</u>	<u>\$ (899,184)</u>

The accompanying notes are an integral part of these financial statements.

WAYNE STATE UNIVERSITY WDET-FM

Statements of Cash Flows Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants	\$ 390,912	\$ 371,068
Underwriting and Other Sales	861,746	1,033,940
Payments to Employees	(2,273,947)	(2,123,827)
Payments to Suppliers	<u>(1,153,867)</u>	<u>(1,111,181)</u>
Net Cash Used in Operating Activities	<u>(2,175,156)</u>	<u>(1,830,000)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions	1,470,293	1,388,397
Transfer from Wayne State University	472,400	494,700
Other	<u>5,667</u>	<u>7,598</u>
Net Cash Provided by Non-Capital Financing Activities	<u>1,948,360</u>	<u>1,890,695</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	<u>(91,219)</u>	<u>(31,543)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(91,219)</u>	<u>(31,543)</u>
Net (Decrease) Increase in Due to Wayne State University	(318,015)	29,152
Due to Wayne State University, Beginning of Year	<u>(1,651,638)</u>	<u>(1,680,790)</u>
Due to Wayne State University, End of Year	<u>\$ (1,969,653)</u>	<u>\$ (1,651,638)</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (2,299,847)	\$ (1,951,455)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	30,917	29,417
(Increase) Decrease in Assets of Current Operating Funds:		
Receivables, Net	(54,495)	73,540
Prepaid Expenses	14,007	961
Increase (Decrease) in Liabilities of Current Operating Funds:		
Accounts Payable and Accrued Payroll	117,207	5,271
Unearned Income	2,223	(1,794)
Compensated Absences	<u>14,832</u>	<u>14,060</u>
Net Cash Used in Operating Activities	<u>\$ (2,175,156)</u>	<u>\$ (1,830,000)</u>

The accompanying notes are an integral part of these financial statements.

1) BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Overview

WDET-FM ("WDET") is a public telecommunications entity owned and operated by Wayne State University ("the University"). WDET does not have separate legal status or existence. The assets and liabilities and the revenues and expenses of WDET, with the exception of in-kind donations and expenses, are included in the combined financial statements of the University.

Basis of Presentation

The financial statements have been prepared in accordance with the Corporation for Public Broadcasting's Principles of Accounting and Financial Reporting for Public Telecommunications Entities, and generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Net Position - Consistent with GASB Principles, WDET reports its net position in three categories:

- **Net Investment in Capital Assets** – WDET's investment in equipment, net of accumulated depreciation. Changes from year to year result from capital additions, retirement of assets and depreciation expense.
- **Restricted - Expendable** – Gifts which are subject to externally imposed restrictions governing their use.
- **Unrestricted** – Funds which are not subject to externally imposed restrictions and are designated for public service and other programs.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University and WDET report their operations as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Consistent with GASB Principles, WDET defines operating activities, as reported in the statement of revenues, expenses, and changes in net position, as those that generally result from exchange transactions such as payments received for underwriting sales and program grants, and payments made for services or goods received. Non-operating revenues are primarily non-exchange in nature such as contributions received from the University and external donors.

1) BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments – Investments represent the portion of gifts and the related undistributed accretion from investments specifically restricted to WDET which are included in the University's endowment investment pool.

Capital Assets – Capital assets are recorded at cost, or if acquired by contribution, at the fair market value as of the date of donation. Depreciation is computed on the straight-line method over the estimated service lives of the respective assets.

Unearned Income – Unearned income represents amounts received and/or receivable in advance of an event or in advance of incurring the related costs. This includes amounts received from grant and contract sponsors which have not yet been earned under the terms of the underlying agreements. Unearned income will be recognized as revenue in subsequent periods commensurate with generally accepted accounting principles and/or the applicable grant and contract terms and conditions.

Revenue Recognition – WDET receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Endowment pledges and conditional promises do not meet eligibility requirements, as defined by GASB Statement No. 33, *Financial Reporting for Non-Exchange Transactions*, and are not recorded as assets until the related gifts are received.

Donor unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. The allowance for uncollectible pledge receivables is provided based on management's judgment of potential uncollectible amounts.

Underwriting revenue is recognized when the related programming and broadcasting services have occurred.

In-Kind Donations – Donated goods and services are recorded as both revenue and expense at the estimated fair market value as determined by the donor.

Donated personnel services of nonprofessional volunteers are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

1) BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Corporation for Public Broadcasting Community Service Grant - The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants maybe used to sustain activities begun with CSGs awarded in prior years. Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Indirect Administrative Support – Indirect administrative support consists of an allocation of costs relating to occupancy, maintenance, utilities and other institutional support provided to WDET by the University. This support is recognized in the financial statements as both revenue and expense.

2) DUE TO WAYNE STATE UNIVERSITY

The amounts due to Wayne State University at September 30, 2016 and 2015 were \$1,969,653 and \$1,651,638, respectively. These amounts represent payments made by the University on behalf of WDET in excess of WDET cash on deposit in the University's pooled cash account.

3) RECEIVABLES

Receivables at September 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Pledge Receivables, Current	\$ 315,396	\$ 301,243
Less Allowance for Doubtful Pledge Receivables - Current	<u>(45,806)</u>	<u>(48,108)</u>
	269,590	253,135
Underwriting Receivables	229,617	210,476
Less Allowance for Doubtful Underwriting Receivables	<u>(95,497)</u>	<u>(76,793)</u>
	134,120	133,683
Other Receivables	<u>60,530</u>	<u>6,472</u>
Current Receivables, Net	<u>\$ 464,240</u>	<u>\$ 393,290</u>
Pledge Receivables - Noncurrent	\$ 4,176	\$ 13,406
Less Allowance for Doubtful Pledge Receivables - Noncurrent	<u>(1,807)</u>	<u>(3,817)</u>
Noncurrent Receivables, Net	<u>\$ 2,369</u>	<u>\$ 9,589</u>

WAYNE STATE UNIVERSITY WDET-FM

Notes to Financial Statements (Continued)
September 30, 2016 and 2015

4) CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2016 and 2015 was as follows:

	2016			
	Beginning Balance	Additions	Retirements	Ending Balance
Tower	\$ 926,562	\$ -	\$ -	\$ 926,562
Furniture and Equipment	443,008	112,458	(7,479)	547,987
Subtotal	1,369,570	112,458	(7,479)	1,474,549
Less: Accumulated Depreciation	(865,702)	(30,917)	7,479	(889,140)
Capital Assets, Net	\$ 503,868	\$ 81,541	\$ -	\$ 585,409

	2015			
	Beginning Balance	Additions	Retirements	Ending Balance
Tower	\$ 926,562	\$ -	\$ -	\$ 926,562
Furniture and Equipment	411,465	31,543	-	443,008
Subtotal	1,338,027	31,543	-	1,369,570
Less: Accumulated Depreciation	(836,285)	(29,417)	-	(865,702)
Capital Assets, Net	\$ 501,742	\$ 2,126	\$ -	\$ 503,868

5) COMPENSATED ABSENCES

Compensated absences represent the liability for earned and vested employee vacation and sick time.

6) DEFINED CONTRIBUTION RETIREMENT PLAN

The University offers pension benefits for substantially all full-time employees of WDET through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after they reach 26 years of age. Eligible employees that contribute at least 1 percent of their salary will receive a University matching contribution equal to two times their contribution up to a maximum University contribution of 10 percent. The University's contribution is not vested until the employee has completed two years of service.

7) FUNCTIONAL EXPENSES

Operating expenses, reported on the Statement of Revenues, Expenses and Changes in Net Position are categorized by natural classifications. Functional breakdowns of operating expenses classified by activity for the years ended September 30, 2016 and 2015 are presented below:

7) FUNCTIONAL EXPENSES (Continued)

	2016					Total
	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	
Salaries, Payroll Taxes, and Employee Benefits	\$ 1,090,555	\$ 279,117	\$ 144,752	\$ 399,799	\$ 394,727	\$2,308,950
Membership Dues and Other Fees	45,690	-	150	8,145	30,313	84,298
Contracted Services	622,465	37,186	32,146	56,839	21,212	769,848
Printing, Publicity, and Advertising	4,081	210	11,310	55,579	575	71,755
Supplies and Materials	5,437	17,944	362	1,233	4,987	29,963
Telephone	18,433	4,904	477	3,205	6,997	34,016
Postage	-	55	11	34,160	342	34,568
Travel and Training	8,479	1,882	3,791	6,422	4,858	25,432
Equipment, Software and Maintenance	9,069	38,613	181	42,705	3,885	94,453
Minor Renovations and Repairs	-	-	-	-	97,706	97,706
Miscellaneous	198	-	5,743	2,004	33,630	41,575
Depreciation	15,458	3,092	1,855	5,256	5,256	30,917
Total Functional Expenses Before Indirect Administrative Support	1,819,865	383,003	200,778	615,347	604,488	3,623,481
Indirect Administrative Support	246,027	49,205	29,523	83,649	83,649	492,053
Total Functional Expenses	\$ 2,065,892	\$ 432,208	\$ 230,301	\$ 698,996	\$ 688,137	\$4,115,534

WAYNE STATE UNIVERSITY WDET-FM

Notes to Financial Statements (Continued)
September 30, 2016 and 2015

7) FUNCTIONAL EXPENSES (Continued)

	2015					
	<u>Programming and Production</u>	<u>Broadcasting</u>	<u>Program Information</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Salaries, Payroll Taxes, and Employee Benefits	\$ 1,106,307	\$ 174,804	\$ 89,503	\$ 438,854	\$ 340,418	\$2,149,886
Membership Dues and Other Fees	50,307	-	-	7,645	26,870	84,822
Contracted Services	516,227	1,275	19,293	103,663	39,925	680,383
Printing, Publicity, and Advertising	1,067	-	28,727	19,472	7,629	56,895
Supplies and Materials	5,317	18,016	695	2,684	4,236	30,948
Telephone	20,714	10,278	447	3,247	12,170	46,856
Postage	-	415	14	78,781	47	79,257
Travel and Training	4,740	1,440	5,150	8,165	5,696	25,191
Equipment, Software and Maintenance	1,790	38,570	3,082	39,910	1,173	84,525
Miscellaneous	836	220	6,286	1,324	33,142	41,808
Depreciation	15,002	2,059	1,765	6,178	4,413	29,417
Total Functional Expenses Before Indirect Administrative Support	<u>1,722,307</u>	<u>247,077</u>	<u>154,962</u>	<u>709,923</u>	<u>475,719</u>	<u>3,309,988</u>
Indirect Administrative Support	<u>239,937</u>	<u>32,299</u>	<u>23,071</u>	<u>101,512</u>	<u>64,599</u>	<u>461,418</u>
Total Functional Expenses	<u>\$ 1,962,244</u>	<u>\$ 279,376</u>	<u>\$ 178,033</u>	<u>\$ 811,435</u>	<u>\$ 540,318</u>	<u>\$3,771,406</u>