

Audited Financial Statements and
Other Financial Information

Central Michigan University
Public Broadcasting Network

*Years ended June 30, 2010 and 2009
with Report of Independent Auditors*



Central Michigan University
Public Broadcasting Network

Audited Financial Statements
and Other Financial Information

Years ended June 30, 2010 and 2009

Contents

Audited Financial Statements

Management's Discussion and Analysis.....	1
Independent Auditors' Report	7
Statements of Net Assets	8
Statements of Revenues, Expenses, and Changes in Net Assets	9
Statements of Cash Flows - Direct Method	10
Notes to Financial Statements	11

Other Financial Information

Report of Independent Auditors on Other Financial Information.....	26
Consolidating Statement of Net Assets	27
Consolidating Statement of Revenues, Expenses, and Changes in Net Assets	28

CENTRAL MICHIGAN UNIVERSITY PUBLIC BROADCASTING NETWORK MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Central Michigan University Public Broadcasting Network (the Network) annual financial report presents our discussion and analysis of the financial performance of the television and radio stations for the fiscal year ended June 30, 2010, with selected comparative information for the years ended June 30, 2009 and June 30, 2008. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes, and current known facts. The financial statements, footnotes, and this discussion are the responsibility of management.

Reporting Entity

Central Michigan University (the University) operates the not-for-profit Network through the Department of Public Broadcasting under licenses granted to the Board of Trustees of the University. The assets, liabilities, and net assets of the Network, excluding the Delta College portion, are included in the financial statements of Central Michigan University. The stations in the Network are identified by the following call letters:

WCMU-DT and WCMU-FM, Mount Pleasant
WCMV-DT, Cadillac
WCMW-DT, Manistee
WCMZ-DT, Flint
WCML-DT and WCML-FM, Alpena

WUCX-FM, Bay City
WCMW-FM, Harbor Springs
WCMB-FM, Oscoda
WCMZ-FM, Sault Sainte Marie
WWCM-FM, Standish

WCMZ-DT is a result of Central Michigan University acquiring WFUM-TV from the University of Michigan on May 18, 2010, after operating the station under a management agreement since January 15, 2010. The call letters were immediately changed to WCMZ-DT. The purchase price was \$1.0 million and included primarily the FCC license, tower, antenna, transmitter, and transmitter building. This station was incorporated into the Network and carries the same programming as the other four stations. This purchase was financed by a loan from Central Michigan University to the Network which is being repaid over 10 years at an annual interest cost of 5.0%. This acquisition expands the television coverage area into the greater Flint area and southeast Michigan.

WUCX-FM, Bay City, is licensed to the University and is operated jointly by Central Michigan University and Delta College. The financial statements of Delta College WUCX-FM have been audited separately and have been combined with the Network in these financial statements. Interorganizational transactions have been eliminated. See Note 15 for disclosures related to the Delta College WUCX-FM financial statements.

Only WCMU-DT and WCMU-FM are funded by the Corporation for Public Broadcasting (CPB). However, the operations of all of the stations (including Delta College WUCX-FM) have been combined for financial reporting purposes, as allowed by the CPB. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the Principles of Accounting and Financial Reporting for Public Telecommunications Entities.

In accordance with GASB Statement No. 20, the Network is required to follow all applicable GASB pronouncements. In addition, the Network should apply all applicable Financial Accounting Standards Board (FASB) Codification sections issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Network has elected not to apply FASB Codification sections applicable after November 30, 1989.

Using the Financial Report

The Network's financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows – Direct Method. The financial statements presented focus on the financial condition, the results of operations, and cash flows of the Network as a whole. These financial statements are prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

The **Statements of Net Assets** includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The **Statements of Revenues, Expenses, and Changes in Net Assets** presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The **Statements of Cash Flows – Direct Method** presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the Network during the year.

Condensed Financial Information

Statements of Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 1,164,716	\$ 1,527,244	\$ 1,236,888
Noncurrent assets:			
Capital	13,510,906	12,764,173	12,338,775
Other	1,180,658	1,084,563	1,475,044
Total assets	15,856,280	15,375,980	15,050,707
Current liabilities	401,583	807,201	664,608
Noncurrent liabilities	1,040,067	118,728	115,938
Total liabilities	1,441,650	925,929	780,546
Total net assets	\$14,414,630	\$14,450,051	\$14,270,161

Current Assets consist of cash and cash equivalents, receivables, prepaid expenses, and unexpired program rights. Current assets totaled \$1.2 million at June 30, 2010 as compared to \$1.5 million at June 30, 2009 and \$1.2 million at June 30, 2008.

Fiscal year 2010 compared to 2009

- Receivables are down \$0.3 million due to timing of grant billings.

Fiscal year 2009 compared to 2008

- Receivables are up \$0.3 million due to timing of grant billings.

Noncurrent assets include capital assets, net of accumulated depreciation, and endowment investments at fair value. Noncurrent assets totaled \$14.7 million at June 30, 2010 as compared to \$13.8 million at June 30, 2009 and June 30, 2008.

Fiscal year 2010 compared to 2009

- The addition of WCMZ-DT assets, DTV equipment, and digital radio equipment combined with the retirement of analog equipment, resulted in an increase of \$0.7 million in capital assets.

Fiscal year 2009 compared to 2008

- The addition of DTV equipment, combined with the retirement of analog equipment, resulted in an increase of \$0.4 million in capital assets.
- Endowment investments decreased \$0.4 million due to unfavorable market conditions.

Net assets represent the difference between the Network's assets and liabilities. Total net assets at June 30 are summarized as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Restricted – nonexpendable	\$ 871,654	\$ 904,814	\$ 893,889
Restricted – expendable	893,785	637,713	891,992
Unrestricted	138,285	143,351	145,505
Invested in capital assets	<u>12,510,906</u>	<u>12,764,173</u>	<u>12,338,775</u>
	<u>\$14,414,630</u>	<u>\$14,450,051</u>	<u>\$14,270,161</u>

Fiscal year 2010 compared to 2009

- Net assets remained consistent.

Fiscal year 2009 compared to 2008

- The increase in net assets of \$0.2 million for the year is associated with the DTV conversion. Included in nonoperating revenue is \$0.3 million in university support related to tower upgrades and \$1.1 million in external grants related to the DTV conversion.

Statements of Revenues, Expenses, and Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues			
University support - operating	\$ 2,830,438	\$ 2,739,151	\$ 2,425,298
Grants	1,151,923	1,020,302	1,013,035
Contributions and underwriting	2,374,643	2,142,814	2,144,009
Other operating revenues	392,957	497,586	779,586
Total operating revenues	<u>6,749,961</u>	<u>6,399,853</u>	<u>6,361,928</u>
Operating expenses	<u>8,011,751</u>	<u>7,285,187</u>	<u>6,991,829</u>
Operating loss	<u>(1,261,790)</u>	<u>(885,334)</u>	<u>(629,901)</u>
Nonoperating revenues (expenses)			
University support - capital	16,208	264,834	263,541
Investment income, net of expense	152,873	(348,218)	(112,164)
Capital grants and gifts	1,069,172	1,137,684	1,180,070
Additions to permanent endowments	2,804	10,924	58,067
Interest on capital assets related debt	(14,688)		
Total nonoperating revenues, net of expenses	<u>1,226,369</u>	<u>1,065,224</u>	<u>1,389,514</u>
Increase (decrease) in net assets	(35,421)	179,890	759,613
Net assets			
Net assets at beginning of year	<u>14,450,051</u>	<u>14,270,161</u>	<u>13,510,548</u>
Net assets at end of year	<u>\$14,414,630</u>	<u>\$14,450,051</u>	<u>\$14,270,161</u>

Total **operating revenues** for fiscal years ended June 30, 2010, 2009, and 2008 were \$6.7 million, \$6.4 million, and \$6.4 million, respectively.

Fiscal year 2010 compared to 2009

- University support is up \$0.1 million due to an annual appropriation increase.
- Contributions and underwriting increased \$0.2 million primarily due to the acquisition of WCMZ-DT Station.
- Other operating revenues are down \$0.1 million primarily due to a decrease in tower rent revenue.

Fiscal year 2009 compared to 2008

- University support is up \$0.3 million and includes an increase in the annual appropriation of \$0.1 million and an increase in indirect support of \$0.2 million primarily due to an increase in deferred maintenance.
- Contributions and underwriting remained consistent.
- Other operating revenues are down \$0.3 million and includes a decrease in rents and royalties of \$0.1 million and a decrease in other revenues of \$0.2 million.

Operating expenses for fiscal year 2010 totaling \$8.0 million includes compensation and benefits of \$3.2 million, utilities of \$0.3 million, supplies of \$3.7 million, and depreciation of \$0.8 million.

A comparative summary of the Network's expenses for the years ended June 30 is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Compensation and benefits	\$3,184,028	\$3,200,904	\$3,151,843
Supplies	3,679,573	2,999,885	2,843,321
Utilities	293,654	313,367	323,205
Depreciation	854,496	771,031	673,460
Total operating expenses	<u>\$8,011,751</u>	<u>\$7,285,187</u>	<u>\$6,991,829</u>

Fiscal year 2010 compared to 2009

- Supplies increased \$0.7 million primarily due to the analog teardown project and the increased programming expenses associated with the acquisition of WCMZ-DT Station.

Fiscal year 2009 compared to 2008

- Depreciation increased \$0.1 million primarily due to increased digital television equipment residing in fixed assets.

Statements of Cash Flows – Direct Method

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash received from operations	\$ 5,969,451	\$ 5,799,812	\$ 5,399,407
Cash expended for operations	(6,335,070)	(5,713,882)	(5,500,660)
Net cash provided (used) by operating activities	(365,619)	85,930	(101,253)
Net cash provided by noncapital financing activities	2,804	10,924	58,067
Net cash provided (used) by capital financing activities	213,274	(141,945)	18,152
Net cash provided (used) by investing activities	56,778	42,263	(3,911)
Net decrease in cash and cash equivalents	(92,763)	(2,828)	(28,945)
Cash and cash equivalents at beginning of year	581,706	584,534	613,479
Cash and cash equivalents at end of year	<u>\$ 488,943</u>	<u>\$ 581,706</u>	<u>\$ 584,534</u>

Summary

The Network operated within available resources during the year. Major sources of revenue to fund operations included the general University support, contributions and underwriting, and support from the Corporation for Public Broadcasting. Expenses were limited to correspond with available revenues.

Capital Projects: The Digital Television Conversion

The most significant capital asset activity has been the conversion to digital television. The Network was mandated by the Federal Communications Commission (FCC) to convert to a digital television signal. On March 31, 2009, the Network turned off the analog television signal and began broadcasting solely in digital. As of June 30, 2010, virtually all work on the project is complete other than dismantling some of the analog equipment. This project was funded by a \$4.0 million commitment from the University, over \$8.0 million in federal grants, and the balance from contributions and the Network's operating budget.

Independent Auditors' Report

Board of Trustees
Central Michigan University
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the Central Michigan University Public Broadcasting Network (the Network) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Network's management. 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Michigan University Public Broadcasting Network as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 1 to 6 is not a required part of the financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
January 5, 2011

Central Michigan University
Public Broadcasting Network

Statements of Net Assets

	June 30,	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 488,943	\$ 581,706
Accounts receivable, net (Note 3)	312,168	599,642
Pledges receivable, net	258,888	224,644
Prepaid expenses	101,190	112,963
Unexpired program rights	3,527	8,289
Total current assets	1,164,716	1,527,244
Noncurrent assets:		
Endowment investments (Note 2)	1,180,658	1,084,563
Capital assets, net (Note 4)	13,510,906	12,764,173
Total noncurrent assets	14,691,564	13,848,736
Total assets	15,856,280	15,375,980
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (Note 5)	121,037	29,567
Accrued payroll (Note 5)	93,889	87,644
Deferred revenue	107,152	689,990
Current portion due to CMU (Note 7)	79,505	
Total current liabilities	401,583	807,201
Noncurrent liabilities:		
Long-term liabilities (Note 6)	119,572	118,728
Due to CMU (Note 7)	920,495	
Total noncurrent liabilities	1,040,067	118,728
Total liabilities	1,441,650	925,929
Net assets		
Invested in capital assets	12,510,906	12,764,173
Restricted for:		
Nonexpendable	871,654	904,814
Expendable:		
Department uses	99,058	75,582
Capital projects	794,727	562,131
Unrestricted	138,285	143,351
Total net assets	\$ 14,414,630	\$ 14,450,051

See notes to financial statements.

Central Michigan University
Public Broadcasting Network

Statements of Revenues, Expenses, and Changes in Net Assets

	Year ended June 30,	
	2010	2009
Revenues		
Operating revenues:		
University appropriations - operations	\$ 1,865,037	\$ 1,736,273
University additional support - operations	237,091	234,199
University administrative support - operations	728,310	768,679
Contributions and pledges, net of allowance	1,895,349	1,595,308
Community service grants	1,121,009	1,013,692
Outreach grants	30,914	6,610
Program underwriting	474,294	539,506
Production underwriting	5,000	8,000
Rents and royalties	281,582	356,166
Special fundraising activities	41,584	40,836
In-kind support	34,516	43,218
Other operating revenues	35,275	57,366
Total operating revenues	6,749,961	6,399,853
Expenses		
Operating expenses:		
Programming and local production	2,166,531	1,897,664
Broadcasting	2,667,997	2,436,125
Program information	399,286	372,018
Fundraising	1,081,507	978,816
Management and general	841,934	829,533
Depreciation	854,496	771,031
Total operating expenses	8,011,751	7,285,187
Operating loss	(1,261,790)	(885,334)
Nonoperating revenues (expenses)		
University additional support - capital	16,208	264,834
Investment income, net of expenses	152,873	(348,218)
Capital gifts and pledges, net of allowance	225	275
Capital grants	1,068,947	1,137,409
Additions to permanent endowments	2,804	10,924
Interest on capital assets related debt	(14,688)	
Total nonoperating revenues, net of expenses	1,226,369	1,065,224
Increase (decrease) in net assets	(35,421)	179,890
Net assets		
Net assets at beginning of year	14,450,051	14,270,161
Net assets at end of year	\$14,414,630	\$14,450,051

See notes to financial statements.

Central Michigan University
Public Broadcasting Network

Statements of Cash Flows - Direct Method

	Year ended June 30,	
	2010	2009
Cash flow from operating activities		
Grants from CPB	\$ 1,121,009	\$ 1,013,692
Research grants and contracts	(15,547)	46,073
Payments to suppliers	(2,920,433)	(2,279,332)
Payments for utilities	(293,654)	(313,367)
Payments to employees	(2,308,787)	(2,314,321)
Payments for benefits	(796,649)	(806,862)
Contributions	1,845,740	1,586,637
Underwriting	494,659	526,850
Rents and royalties	295,540	468,632
Special fundraising events	41,584	40,836
General University support	2,102,128	1,970,472
Other receipts	68,791	146,620
Net cash provided (used) by operating activities	(365,619)	85,930
Cash flow from noncapital financing activities		
Private gifts for endowment purposes	2,804	10,924
Net cash provided by noncapital financing activities	2,804	10,924
Cash flow from capital financing activities		
Capital appropriations from University	16,208	264,834
Capital gifts and pledges	225	275
Capital grants	814,640	803,339
Proceeds from CMU Capital Financing	1,000,000	
Interest paid on capital debt	(14,688)	
Purchases of capital assets	(1,603,111)	(1,210,393)
Net cash provided (used) by capital financing activities	213,274	(141,945)
Cash flow from investing activities		
Interest on investments	56,778	42,263
Net cash provided by investing activities	56,778	42,263
Net decrease in cash and cash equivalents	(92,763)	(2,828)
Cash and cash equivalents at beginning of year	581,706	584,534
Cash and cash equivalents at end of year	\$ 488,943	\$ 581,706
Reconciliation of net operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (1,261,790)	\$ (885,334)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense and loss on disposal of capital assets	856,378	784,995
Change in assets and liabilities:		
Receivables, net	(37,721)	138,456
Prepaid expenses	11,773	4,068
Unexpired program rights	4,762	(806)
Accounts payable and accrued liabilities	91,470	(5,361)
Accrued payroll	6,245	16,590
Deferred revenue	(37,580)	30,532
Compensated absences	844	2,790
Net cash provided (used) by operating activities	\$ (365,619)	\$ 85,930

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements

June 30, 2010

Note 1. Significant Accounting Policies

Basis of Presentation

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

The Network follows the “business-type” activities requirements of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis—For State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*. These Statements require the following components of the Network’s financial statements:

- Management’s Discussion and Analysis.
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows – Direct Method for the Network as a whole.
- Notes to the financial statements.

Reporting Entity

Central Michigan University, Mount Pleasant, Michigan (the University) operates not-for-profit television and radio stations (the Network) through the Department of Public Broadcasting under licenses granted to the Board of Trustees of the University. These stations are identified by the following call letters:

WCMU-DT and WCMU-FM, Mount Pleasant
WCMV-DT, Cadillac
WCMW-DT, Manistee
WCMZ-DT, Flint
WCML-DT and WCML-FM, Alpena
WUCX-FM, Bay City
WCMW-FM, Harbor Springs
WCMB-FM, Oscoda
WCMZ-FM, Sault Sainte Marie
WWCM-FM, Standish

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 1. Significant Accounting Policies (continued)

Reporting Entity (continued)

WUCX-FM, Bay City, is operated jointly by Central Michigan University and Delta College. For 2010 and 2009, the financial statements of Delta College WUCX-FM have been audited separately and combined with the Central Michigan University Network in these financial statements. Interorganizational transactions have been eliminated. See Note 15 for disclosures related to the Delta College WUCX-FM financial statements.

Only WCMU-DT and WCMU-FM are funded by the Corporation for Public Broadcasting (CPB). However, the operations of all of the stations have been combined for financial reporting purposes, as allowed by the CPB.

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

In accordance with GASB Statement No. 20, the Network is required to follow all applicable GASB pronouncements. In addition, the Network should apply all applicable Financial Accounting Standards Board (FASB) Codification sections issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Network has elected not to apply FASB Codification sections applicable after November 30, 1989.

Operating revenues of the Network consist of general appropriations from the University, contributions, community service grants from the CPB, outreach grants, underwriting, and auxiliary enterprise revenues. Nonoperating revenues of the Network consist of capital support from the University, investing activities, capital contributions, and capital grants. Restricted and unrestricted resources are spent and tracked at the station level within the guidelines of donor restrictions.

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

Investments

Cash and cash equivalents and marketable securities are stated at fair value.

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 1. Significant Accounting Policies (continued)

Capital Assets

Institutional capital assets are stated at cost when purchased and at appraised value for other acquisitions. Building additions and improvements with a cost in excess of \$50,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 with a useful life greater than one year is capitalized.

Depreciation is provided for capital assets on a straight-line basis over the estimated useful life of the property as follows:

<u>Classification</u>	<u>Life</u>
Buildings > \$100,000	40 years
Buildings < \$100,000	10 years
Intangible Assets	40 years
Equipment-Digital TV	20 years
Equipment	8 years
Vehicles	4 years

Intangible Assets

Intangible assets acquired for the exclusive or predominant use by the Network have been recorded at cost at the date of acquisition. The cost is measured by the difference between the cost of the group of assets acquired and the sum of assigned costs of individual tangible assets acquired. The Network has determined that the assets should be amortized on a straight-line basis over 40 years.

Deferred Revenue

Deferred revenue represents tower lease revenues and unearned grant revenues received that will be recognized by the Network during the year in which they are earned.

Administrative Support

Administrative support from Central Michigan University consists of that portion of the indirect costs incurred by the University and attributable to the Network's operations (such as personnel services, purchasing, and payables). Administrative support is calculated and recorded as revenue and expense using methods mandated by the CPB.

Revenue Recognition

Revenues are recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended.

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 1. Significant Accounting Policies (continued)

Contributions and Pledges

Contributions are recorded when received. Voluntary nonexchange transactions (pledges) are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded net of allowance for uncollectible pledges.

Note 2. Cash and Cash Equivalents and Endowment Investments

The Network considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Network's deposits and investments are included on the Statements of Net Assets under the following classifications as of June 30:

	2010	2009
Cash and cash equivalents	\$ 488,943	\$ 581,706
Endowment investments, noncurrent	1,180,658	1,084,563
Total	\$1,669,601	\$1,666,269

The above amounts are classified by GASB Statement No. 3 in the following categories at June 30:

	2010	2009
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 488,943	\$ 581,706
Investments in securities and similar vehicles	1,180,658	1,084,563
Total	\$1,669,601	\$1,666,269

Deposits

The University invests and manages cash collectively by pooling cash reserves, including cash of the Network. It is not practicable to determine the amount reflected in the accounts of the banks (without recognition of checks written but not cleared, or of deposits in transit) or the amount of federal depository insurance that is applicable to the Network's portion of the pooled deposits as of June 30, 2010 or June 30, 2009. A portion of the Network's cash is deposited in interest bearing accounts.

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 2. Cash and Cash Equivalents and Endowment Investments (continued)

Endowment Investments

The Network has received certain contributions that have been designated for use as endowments. Such assets are pooled with and held within the Endowment Fund, and are invested in brokerage account cash money funds, U.S. Treasury bills, notes and bonds, and debt and equity securities. The Network's investments are stated at fair value based upon market quotations. At June 30, 2010 and 2009, respectively, the fair value of the Network's investments was \$1,180,658 and \$1,084,563. The cost of the endowment investment at June 30, 2010 and 2009 was \$1,227,474 and \$1,224,670 respectively. Information as to amount by investment type and associated risks is included in the notes to the financial statements for Central Michigan University and Delta College.

Note 3. Accounts Receivable

Accounts receivable at June 30 were as follows:

	2010	2009
Federal and private grants	\$274,757	\$558,710
Vendors	37,411	40,932
Total	\$312,168	\$599,642

Note 4. Capital Assets

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010
Land	\$ 197,598			\$ 197,598
Buildings	6,589,506	\$ 160,163		6,749,669
Furniture and equipment	13,407,796	1,442,948	832,233	14,018,511
Intangible assets	305,612			305,612
Total	20,500,512	1,603,111	832,233	21,271,390
Less accumulated depreciation:				
Buildings	2,333,439	226,290		2,559,729
Furniture and equipment	5,284,492	620,426	830,351	5,074,567
Intangible assets	118,408	7,780		126,188
Total	7,736,339	854,496	830,351	7,760,484
Capital assets, net	\$12,764,173	\$ 748,615	\$ 1,882	\$13,510,906

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 5. Accounts Payable and Accrued Liabilities and Accrued Payroll

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year. Accounts payable and accrued liabilities and accrued payroll at June 30 were as follows:

	2010	2009
Vendors	\$121,037	\$ 29,567
Accrued payroll	93,889	87,644
Total	\$214,926	\$117,211

Note 6. Long-Term Liabilities

Long-term liabilities at June 30 were as follows:

	Beginning Balance July 1, 2009	Additions	Ending Balance June 30, 2010	Current Portion
Compensated absences	\$118,728	\$844	\$119,572	\$ –

Note 7. Due to CMU

The Network acquired WFUM-TV from the University of Michigan on May 18, 2010, after operating the station under a management agreement since January 15, 2010. The call letters were immediately changed to WCMZ-DT. The purchase price was \$1.0 million and included primarily the FCC license, tower, antenna, transmitter, and transmitter building. This station was incorporated into the Network and carries the same programming as the other four stations. This acquisition expands the television coverage area into the greater Flint area and southeast Michigan. This purchase was financed by a loan from Central Michigan University to the Network which is being repaid over 10 years at an annual fixed interest cost of 5.0%. The principal and interest due to the University in each of the succeeding five years ending June 30 and thereafter are as follows:

	Principal	Interest	Total
2011	\$ 79,505	\$ 50,000	\$ 129,505
2012	83,480	46,025	129,505
2013	87,654	41,851	129,505
2014	92,037	37,468	129,505
2015	96,639	32,866	129,505
2016-2020	560,685	86,840	647,525
Total	\$1,000,000	\$295,050	\$1,295,050

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 8. Operating Expenses

Operating expenses by natural classification at June 30 were as follows:

	<u>2010</u>	<u>2009</u>
Salaries, wages, and benefits	\$3,184,028	\$3,200,904
Supplies and support services	3,973,227	3,313,252
Depreciation	854,496	771,031
Total	<u>\$8,011,751</u>	<u>\$7,285,187</u>

Note 9. Retirement Plans

The Network's employees are included in retirement plans funded by the University either through the Michigan Public School Employees' Retirement System or through the Teachers Insurance and Annuity Association/College Retirement Equities Fund and/or Fidelity Investment Tax Exempt Services Company. See the notes to the University's financial statements for details of these plans.

Total retirement expense for the Network for the years ended June 30, 2010 and 2009 was \$323,942 and \$297,240, respectively. The Network has no obligation under the plans beyond making the required payments to the respective retirement plan administrators.

Note 10. Operating Leases

The Network has entered into various operating leases for land, building space, and towers. It is expected that in the normal course of business, such leases will continue to be required.

Operating lease expense amounted to \$75,304 for 2010 and \$131,903 for 2009.

The following is a schedule of the Network's aggregate minimum rental commitment for operating leases for each of the succeeding five years ending June 30:

2011	\$32,969
2012	17,084
2013	10,250
2014	9,250
2015	5,150

The Network also has leases where they exchange tower rental for items of similar value (i.e. land rental). No amounts have been recorded in the financial statements related to these leases.

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 11. Nonfederal Financial Support (NFFS)

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS, which is defined by CPB. NFFS is defined as the total value of cash and the fair market value of services received as contributions or payments and meeting all the respective criteria for each.

Calculated in accordance with CPB guidelines, the combined Network reported total NFFS of \$5,159,511 and \$5,115,966 for the years ended June 30, 2010 and 2009, respectively.

Note 12. Indirect Administrative Support

Indirect support from Central Michigan University consists of allocations of the University's institutional support and facility operation costs that benefit the Network. It is calculated based upon the ratio of the Network's operating costs to the University's total institutional support and facility operations costs. The fair value of this support is recognized as operating revenue in the Statements of Revenues, Expenses, and Changes in Net Assets under University administrative support for operations and also in operating expenses. The combined value of this support included in the Statements of Revenues, Expenses, and Changes in Net Assets was \$728,310 and \$768,679 for the years ended June 30, 2010 and 2009, respectively.

Note 13. Digital Television

The Network has been mandated by the Federal Communications Commission (FCC) to convert to a digital television signal. On March 31, 2009, the Network turned off the analog television signal and began broadcasting solely in digital. As of June 30, 2010 virtually all work on the project is complete other than dismantling some of the analog equipment. This project was funded by a \$4.0 million commitment from the University, over \$8.0 million in federal grants, and the balance from contributions and the Network's operating budget.

Note 14. Contingencies

In the normal course of its activities, the Network is a party in various legal and administrative actions. The Network has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, the Network is in the opinion that the outcome thereof will not have a material effect on the financial statements.

Note 15. Delta College WUCX-FM

The following footnotes are taken directly from the Delta College WUCX-FM financial statements and are presented in their entirety to provide additional information regarding the Delta College financial information.

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 15. Delta College WUCX-FM (continued)

SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

WUCX-FM (the Station) is a nonprofit public radio station operated by and is a separate organizational unit of Delta College (the College), a community college located in University Center, Michigan. The Station has operated since 1989 under a Joint Operating Agreement with Central Michigan University's public radio station, WCMU-FM, which maintains the broadcast license granted by the Federal Communications Commission. The Station's financial statements have been prepared in accordance with the generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as required by the Corporation for Public Broadcasting (CPB).

Significant accounting policies followed by the Station are described below to enhance the usefulness of the financial statements to the reader:

Accrual Basis

The financial statements of the Station have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met. In accordance with GASB Statement No. 20, the Station is required to follow all applicable GASB pronouncements. In addition, the Station should apply all applicable Financial Accounting Standards Board (FASB) Codification sections applicable on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Station has elected not to apply FASB Codification sections applicable after November 30, 1989.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 15. Delta College WUCX-FM (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recorded at fair value, based on quoted market prices.

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of acquisition. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is calculated on capital assets using the straight-line method over the estimated useful lives of the assets. *The American Health Association's Estimated Useful Lives of Depreciable Hospital Assets* was utilized as a guide in establishing useful lives of the Station's capital assets.

Revenue Recognition

Restricted grant revenue is recognized only to the extent expended.

Gifts and Pledges

Gifts are recorded when received. Voluntary nonexchange transactions (pledges) are recognized in accordance with the GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded at their discounted present value, net of allowance for uncollectible pledges. The Station has no pledges receivable recorded at June 30, 2010 or June 30, 2009.

Purchased Program Rights

Purchased program rights are recorded when acquired and amortized on an accelerated basis as the programs are broadcast.

Compensated Absences

Compensated absences represent the accumulated liability to be paid under the Station's current vacation policy. Under the Station's policy, employees accrue vacation on a bi-weekly basis at a rate that is dependent on the employee's pay class.

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 15. Delta College WUCX-FM (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Activities

The Station's policy for defining operating activities as reported on the Statement of Revenue, Expenses, and Changes in Net Assets are those that generally result from the provision of public broadcasting services. Revenue restricted by donors to use for capital improvements, and revenue and expenses that result from financing and investing activities are recorded as nonoperating revenue and expenses.

Donated Facilities and Administrative Support

Donated facilities from Delta College consist of office and studio space together with related occupancy cost, and are recorded in revenue and expense based on methods mandated by CPB. Administrative support from Delta College consists of allocated costs such as financial, administrative and personnel services, and certain other institutional support expenses incurred by the College on behalf of the Station.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Station considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Station's deposits and investments are included on the balance sheet under the following classifications as of June 30, 2010 and 2009:

	2010	2009
Cash and cash equivalents	\$ 68,904	\$ 79,497
Long-term investments	89,424	81,018
Total	\$158,328	\$160,515

The above amounts are classified in the following categories:

	2010	2009
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 68,904	\$ 79,497
Investments in securities and similar vehicles	89,424	81,018
Total	\$158,328	\$160,515

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 15. Delta College WUCX-FM (continued)

CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Deposits

Delta College invests and manages cash collectively by pooling cash reserves, including cash of the Station. It is not practicable to determine the amount reflected in the accounts of the banks (without recognition of checks written but not cleared, or of deposits in transit) or the amount of federal depository insurance that is applicable to the Station's portion of the pooled deposits as of June 30, 2010 or June 30, 2009. A portion of the Station's cash is deposited in interest-bearing accounts.

Investments

The Station has received certain contributions that have been designated for use as quasi-endowments. Such assets are pooled with and held within the Delta College Endowment Fund, and are invested in brokerage account cash and money funds, U.S. Treasury bills, notes and bonds, debt and equity securities and alternative investment funds. The Station's investments are stated at fair value based upon market quotations. At June 30, 2010 and 2009, respectively, the fair value of the Station's investments is \$89,424 and \$81,018. Information as to amounts by investment type and associated risks is included in the notes to the financial statements for Delta College.

CAPITAL ASSETS

The following tables present the changes in the various capital asset class categories for the years ended June 30, 2010 and 2009:

Year Ended June 30, 2010:

	<u>Estimated Useful Life</u>	<u>Beginning Balance</u>	<u>Additions/ Depreciation</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets:					
Buildings	40 years	\$ 80,531	\$ –	\$ –	\$ 80,531
Furniture and equipment	5-20 years	129,442	–	–	129,442
Total Capital Assets		209,973	–	–	209,973
Less Accumulated Depreciation:					
Buildings		28,699	1,620	–	30,319
Furniture and equipment		125,250	559	–	125,809
Total Accumulated Depreciation		153,949	\$2,179	\$ –	156,128
Capital Assets, Net		<u>\$ 56,024</u>			<u>\$ 53,845</u>

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 15. Delta College WUCX-FM (continued)

CAPITAL ASSETS (continued)

Year Ended June 30, 2009:

	Estimated Useful Life	Beginning Balance	Additions/ Depreciation	Deletions	Ending Balance
Capital Assets:					
Buildings	40 years	\$ 80,531	\$ -	\$ -	\$ 80,531
Furniture and equipment	5-20 years	129,442	-	-	129,442
Total Capital Assets		<u>209,973</u>	<u>-</u>	<u>-</u>	<u>209,973</u>
Less Accumulated Depreciation:					
Buildings		27,080	1,619	-	28,699
Furniture and equipment		124,691	559	-	125,250
Total Accumulated Depreciation		<u>151,771</u>	<u>\$2,178</u>	<u>\$ -</u>	<u>153,949</u>
Capital Assets, Net		<u>\$ 58,202</u>			<u>\$ 56,024</u>

UNRESTRICTED NET ASSETS

The Station has designated the use of unrestricted net assets as follows as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Designated for funds functioning as endowments	\$ 89,424	\$ 81,018
Unrestricted and unallocated	48,861	62,333
Total Unrestricted Net Assets	<u>\$138,285</u>	<u>\$143,351</u>

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 15. Delta College WUCX-FM (continued)

RETIREMENT PLANS

The Station's employees are included in a retirement plan funded by Delta College either through the Michigan Public School Employees' Retirement System, a defined benefit pension plan, or the Optional Retirement Plan, a defined contribution plan, administered by TIAA-CREF. Total retirement expense for the Station for the years ended June 30, 2010 and 2009, respectively was \$19,200 and \$19,300. The Station has no obligations under the plans beyond making the required payments to the respective retirement plan administrators. For more information regarding the retirement plans, refer to Delta College's financial statements.

COMMUNITY SERVICE GRANTS

The Station operates under a Joint Operating Agreement with Central Michigan University's public radio station, WCMU-FM. This agreement allows the Station to share in annual funding from WCMU-FM's Community Service Grant from the Corporation for Public Broadcasting (CPB). The Station's share of CPB Community Service Grants received and expended during recent fiscal years were as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30
		2010	2009	2008	
2010	\$31,753	\$31,753			\$ -
2009	27,188		\$27,188		-
2008	29,939			\$29,939	-

NONFEDERAL FINANCIAL SUPPORT (NFFS)

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS, which is defined by CPB. NFFS is defined as the total value of cash and the fair market value of services received as contributions or payments and meeting all the respective criteria for each.

Calculated in accordance with CPB guidelines, the Station reported total NFFS of \$348,864 and \$362,451 for the years ended June 30, 2010 and 2009, respectively.

Central Michigan University
Public Broadcasting Network

Notes to Financial Statements
(continued)

Note 15. Delta College WUCX-FM (continued)

INDIRECT ADMINISTRATIVE SUPPORT

Indirect support from Delta College consists of allocations of the College's institutional support and facility operation costs that benefit the Station. It is calculated based upon the ratio of the Station's operating costs to the College's total institutional support and facility operation costs. The fair value of this support is recognized as operating revenue in the Statements of Revenue, Expenses and Changes in Net Assets under Donated Facilities and Administrative Support from Delta College and also in operating expenses. The value of this support included in the Statements of Revenue, Expenses and Changes in Net Assets was approximately \$48,000 and \$49,000, respectively, for the years ended June 30, 2010 and 2009.

Report of Independent Auditors
on Other Financial Information

Board of Trustees
Central Michigan University
Mt. Pleasant, Michigan

Our report on our audits of the financial statements of the Central Michigan University Public Broadcasting Network as of June 30, 2010 and 2009 and for the years then ended appears on page 7. Those audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information as listed in the table of contents for the year ended June 30, 2010 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2010 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 financial statements taken as a whole.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
January 5, 2011

Central Michigan University
Public Broadcasting Network

Consolidating Statement of Net Assets

June 30, 2010

	<u>TELEVISION</u>	<u>RADIO</u>	<u>CMU COMBINED TOTAL</u>	<u>DELTA COLLEGE WUCX-FM</u>	<u>COMBINED TOTAL RADIO</u>	<u>CMU AND DELTA COMBINED TOTAL</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ 229,030	\$ 191,009	\$ 420,039	\$ 68,904	\$ 259,913	\$ 488,943
Accounts receivable, net	284,118	28,050	312,168		28,050	312,168
Pledges receivable, net	85,059	173,829	258,888		173,829	258,888
Prepaid expenses	25,864	75,326	101,190		75,326	101,190
Unexpired program rights				3,527	3,527	3,527
Total current assets	<u>624,071</u>	<u>468,214</u>	<u>1,092,285</u>	<u>72,431</u>	<u>540,645</u>	<u>1,164,716</u>
Noncurrent assets:						
Endowment investments	1,004,223	87,011	1,091,234	89,424	176,435	1,180,658
Capital assets, net	12,128,368	1,328,693	13,457,061	53,845	1,382,538	13,510,906
Total noncurrent assets	<u>13,132,591</u>	<u>1,415,704</u>	<u>14,548,295</u>	<u>143,269</u>	<u>1,558,973</u>	<u>14,691,564</u>
Total assets	<u>13,756,662</u>	<u>1,883,918</u>	<u>15,640,580</u>	<u>215,700</u>	<u>2,099,618</u>	<u>15,856,280</u>
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	82,362	37,238	119,600	1,437	38,675	121,037
Accrued payroll	48,114	23,642	71,756	22,133	45,775	93,889
Deferred revenue	87,456	19,696	107,152		19,696	107,152
Current portion due to CMU	79,505		79,505			79,505
Total current liabilities	<u>297,437</u>	<u>80,576</u>	<u>378,013</u>	<u>23,570</u>	<u>104,146</u>	<u>401,583</u>
Noncurrent liabilities:						
Long-term liabilities	67,705	51,867	119,572		51,867	119,572
Due to CMU	920,495		920,495			920,495
Total noncurrent liabilities	<u>988,200</u>	<u>51,867</u>	<u>1,040,067</u>		<u>51,867</u>	<u>1,040,067</u>
Total liabilities	<u>1,285,637</u>	<u>132,443</u>	<u>1,418,080</u>	<u>23,570</u>	<u>156,013</u>	<u>1,441,650</u>
Net assets						
Invested in capital assets	11,128,368	1,328,693	12,457,061	53,845	1,382,538	12,510,906
Restricted for:						
Nonexpendable	815,030	56,624	871,654		56,624	871,654
Expendable:						
Department uses	40,102	58,956	99,058		58,956	99,058
Capital projects	487,525	307,202	794,727		307,202	794,727
Unrestricted				138,285	138,285	138,285
Total net assets	<u>\$ 12,471,025</u>	<u>\$ 1,751,475</u>	<u>\$ 14,222,500</u>	<u>\$ 192,130</u>	<u>\$ 1,943,605</u>	<u>\$ 14,414,630</u>

Central Michigan University
Public Broadcasting Network

Consolidating Statement of Revenues, Expenses, and Changes in Net Assets

June 30, 2010

	TELEVISION	RADIO	CMU COMBINED TOTAL	DELTA COLLEGE WUCX-FM	ELIMINATIONS	COMBINED TOTAL RADIO	CMU AND DELTA COMBINED TOTAL
Revenues							
Operating revenues:							
University appropriations - operations	\$ 1,145,343	\$ 616,723	\$ 1,762,066	\$ 102,971		\$ 719,694	\$ 1,865,037
University additional support - operations	135,557	101,534	237,091			101,534	237,091
University administrative support - operations	402,450	277,681	680,131	48,179		325,860	728,310
Contributions and pledges, net of allowance	975,154	761,416	1,736,570	158,779		920,195	1,895,349
Community service grants	816,140	304,869	1,121,009			304,869	1,121,009
Outreach grants	30,914		30,914				30,914
Program underwriting	95,997	336,114	432,111	42,183		378,297	474,294
Production underwriting	5,000		5,000				5,000
Rents and royalties	266,023	15,559	281,582			15,559	281,582
Special fundraising activities	20,792	20,792	41,584			20,792	41,584
In-kind support	9,224	25,292	34,516			25,292	34,516
Other operating revenues	26,165	8,766	34,931	7,406	\$ (7,062)	9,110	35,275
Total operating revenues	<u>3,928,759</u>	<u>2,468,746</u>	<u>6,397,505</u>	<u>359,518</u>	<u>(7,062)</u>	<u>2,821,202</u>	<u>6,749,961</u>
Expenses							
Operating expenses:							
Programming and local production	1,255,780	707,472	1,963,252	203,279		910,751	2,166,531
Broadcasting	1,832,707	769,241	2,601,948	66,049		835,290	2,667,997
Program information	270,266	129,020	399,286			129,020	399,286
Fundraising	528,673	476,011	1,004,684	76,823		552,834	1,081,507
Management and general	473,345	348,659	822,004	26,992	(7,062)	368,589	841,934
Depreciation	747,397	104,920	852,317	2,179		107,099	854,496
Total operating expenses	<u>5,108,168</u>	<u>2,535,323</u>	<u>7,643,491</u>	<u>375,322</u>	<u>(7,062)</u>	<u>2,903,583</u>	<u>8,011,751</u>
Operating loss	(1,179,409)	(66,577)	(1,245,986)	(15,804)		(82,381)	(1,261,790)
Nonoperating revenues (expenses)							
University additional support - capital	6,838	9,370	16,208			9,370	16,208
Investment income, net of expenses	133,612	10,702	144,314	8,559		19,261	152,873
Capital gifts and pledges, net of allowance	225		225				225
Capital grants	776,424	292,523	1,068,947			292,523	1,068,947
Additions to permanent endowments	1,632	1,172	2,804			1,172	2,804
Interest on capital assets related debt	(14,688)		(14,688)				(14,688)
Total nonoperating revenues, net	<u>904,043</u>	<u>313,767</u>	<u>1,217,810</u>	<u>8,559</u>	<u>-</u>	<u>322,326</u>	<u>1,226,369</u>
Increase (decrease) in net assets	(275,366)	247,190	(28,176)	(7,245)		239,945	(35,421)
Net assets at beginning of year	12,746,391	1,504,285	14,250,676	199,375		1,703,660	14,450,051
Net assets at end of year	<u>\$12,471,025</u>	<u>\$ 1,751,475</u>	<u>\$ 14,222,500</u>	<u>\$ 192,130</u>	<u>\$ -</u>	<u>\$1,943,605</u>	<u>\$14,414,630</u>