

**WUSF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY
THE UNIVERSITY OF SOUTH FLORIDA**

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

WUSF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF SOUTH FLORIDA
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JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
University of South Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of WUSF-FM (the "Station"), a public telecommunications entity operated by the University of South Florida, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's basic financial statements. The Schedule of Functional Expenses (Exhibit I) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Station'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 the Station's internal control over financial reporting and compliance.

Gainesville, Florida
December 22, 2017

James Moore & Co., P.L.

WUSF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF SOUTH FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016

This report is provided for your convenience and understanding of WUSF-FM's (the Station) financial condition and operating activities for the years ended June 30, 2017, June 30, 2016 and June 30, 2015. The Governmental Accounting Standards Board has not developed accounting standards for presentation of auxiliary (or departmental) entities. The Station's accounting policies and practices do, however, conform to those permitted or allowed by the Corporation for Public Broadcasting, which generally follow published Governmental Accounting Standards. Our discussion and analysis is required by accounting principles generally accepted in the United States of America in Governmental Accounting Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Colleges and Universities*. The overview presented below highlights the significant financial activities which occurred during the past year and describes changes in financial activity from the prior year. Please read this overview in conjunction with our comparative summaries of net position and revenues, expenses and changes in net position on pages 4 – 5 and our financial statements which begin on page 7.

FINANCIAL HIGHLIGHTS

The financial position of the Station at June 30, 2017 (FY 2017) remains strong. Net position totaled \$4,916,078 for the year ended June 30, 2017 compared to \$3,786,531 for the year ended June 30, 2016 (FY 2016) and \$1,893,822 for the year ended June 30, 2015 (FY 2015). The Station's net position increased by \$1,129,547 or 29.8% in FY 2017 compared to a increase of \$1,892,709 or 99.9% in FY 2016. Causes for the increases are detailed below in the revenue and expense discussions.

During the year, the Station's operating revenues increased by \$570,782 or 6.4% compared to an increase of \$1,145,876 or 14.8% for FY 2016. Operating revenues totaled \$9,481,849 in FY 2017 compared to \$8,911,067 in FY 2016 and \$7,765,191 in FY 2015. When comparing FY 2017 to FY 2016, the increase in operating revenue is mainly due to an increase in membership income of \$723,961. This increase was offset by a decrease in donated support services from the University of \$187,231. When comparing FY 2016 to FY 2015, the increase in operating revenue is mainly due to an increase in Underwriting of \$464,914; an overall increase in membership income of \$371,121; an increase in in-kind contributions of \$153,485; and an increase in donated support services from the University of \$250,697. These increases were offset by a change in the allocation between Radio and Television of the University appropriation in the amount of \$133,231. Non-operating revenues totaled \$69,045 in FY 2017 compared to \$1,330,213 in FY 2016. When comparing FY 2017 to FY 2016, the decrease in non-operating revenue is due to a decrease of \$1,268,526 in grant revenue from the Florida Department of Education for construction of a new FM tower in Riverview. Non-operating revenues increased significantly in FY 2016 as compared to FY 2015 mainly due to this same grant from the Florida Department of Education in the amount of \$1,349,263, for construction of a new FM tower in Riverview.

Station expenses increased \$72,776 in FY 2017. Operating expenses totaled \$8,421,347 in FY 2017 compared to \$8,348,571 in FY 2016 and \$6,783,186 in FY 2015. The major items contributing to the increase between FY 2017 and FY 2016 was an increase in programming and production of \$62,917; an increase in broadcasting of \$89,954; and an increase fundraising and membership development of \$139,301. These increases were offset by decreases in management and general of \$118,579 and underwriting and grant solicitation of \$107,997. Station expenses increased \$1,565,385 in FY 2016 as

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compared to FY 2015. The major items contributing to the increase between FY 2016 and FY 2015 was an increase in programming and production due to staff positions filled in FY 2016 that were vacant in FY 2015 totaling \$317,352; an increase in broadcasting of \$192,222; and increases in fundraising and membership development of \$342,361 and underwriting and grant solicitation of \$349,480, due to the reallocation of staff between Radio and Television.

USING THESE FINANCIAL STATEMENTS

These financial statements consist of statements of net position and statements of revenues, expenses, and changes in net position and statements of cash flows. The statements of net position and the statements of revenues, expenses, and changes in net position help to answer the question of whether the Station is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

THE REPORTING ENTITY

The Station is a department of the University of South Florida, and these financial statements include assets, liabilities and activity related to its public broadcasting function. This includes account activity within the University, as well as the University of South Florida Foundation, Inc., which are under the control of the Station Management.

TABLE 1
CONDENSED STATEMENTS OF NET POSITION

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| Current assets | \$ 1,561,474 | \$ 1,366,845 | \$ 2,662,419 |
| Noncurrent assets | 4,664,422 | 4,599,458 | 2,711,097 |
| Total assets | <u>6,225,896</u> | <u>5,966,303</u> | <u>5,373,516</u> |
| Current liabilities | 977,974 | 1,709,701 | 2,876,790 |
| Noncurrent liabilities | 331,844 | 470,071 | 602,904 |
| Total liabilities | <u>1,309,818</u> | <u>2,179,772</u> | <u>3,479,694</u> |
| Net position | 4,194,351 | | |
| Net investment in capital assets | | 3,996,554 | 1,980,614 |
| Restricted | 247,398 | | |
| Nonexpendable | 263,020 | 247,398 | 247,398 |
| Expendable | 211,309 | 259,935 | 142,075 |
| Unrestricted | | (717,356) | (476,265) |
| Total net position | <u>\$ 4,916,078</u> | <u>\$ 3,786,531</u> | <u>\$ 1,893,822</u> |

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JUNE 30, 2017 AND 2016
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TABLE 2
CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

| | <u>June 30,</u> <u>2017</u> | <u>June 30,</u> <u>2016</u> | <u>June 30,</u> <u>2015</u> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Operating | \$ 9,481,849 | \$ 8,911,067 | \$ 7,765,191 |
| Non-operating | 69,045 | 1,330,213 | (20,421) |
| Total revenues | <u>9,550,894</u> | <u>10,241,280</u> | <u>7,744,770</u> |
| Expenses | | | |
| Program services | | | |
| Programming and production | 3,707,462 | 3,644,545 | 3,327,193 |
| Broadcasting | 752,696 | 662,742 | 470,520 |
| Program information | 692,124 | 684,944 | 603,654 |
| Total program services | <u>5,152,282</u> | <u>4,992,231</u> | <u>4,401,367</u> |
| Supporting services | | | |
| Management and general | 964,223 | 1,082,802 | 800,122 |
| Fundraising and membership development | 1,479,920 | 1,340,619 | 998,258 |
| Underwriting and grants | 824,922 | 932,919 | 583,439 |
| Total supporting services | <u>3,269,065</u> | <u>3,356,340</u> | <u>2,381,819</u> |
| Total expenses | <u>8,421,347</u> | <u>8,348,571</u> | <u>6,783,186</u> |
| Increase in net position | <u>\$ 1,129,547</u> | <u>\$ 1,892,709</u> | <u>\$ 961,584</u> |

TABLE 3
CONDENSED STATEMENTS OF CASH FLOWS

| | <u>June 30,</u> <u>2017</u> | <u>June 30,</u> <u>2016</u> | <u>June 30,</u> <u>2015</u> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Net cash provided by operating activities | \$ 925,915 | \$ 278,298 | \$ 176,890 |
| Net cash provided by (used in) non-capital financing activities | (542,093) | (906,475) | 1,630,191 |
| Net cash used in capital and related financing activities | (393,526) | (754,501) | (192,720) |
| Net cash used in investing activities | <u>(106,419)</u> | <u>(171,430)</u> | <u>(97,309)</u> |
| Net increase (decrease) in cash and cash equivalents | (116,123) | (1,554,108) | 1,517,052 |
| Cash and cash equivalents, beginning of year | 272,161 | 1,826,269 | 309,217 |
| Cash and cash equivalents, end of year | <u>\$ 156,038</u> | <u>\$ 272,161</u> | <u>\$ 1,826,269</u> |

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(Continued)

Current assets consist primarily of cash and cash equivalents, accounts receivable, and prepaid programming expenses. Noncurrent assets consist primarily of property and equipment. Property and equipment was \$4,664,422 for FY 2017 and \$4,599,458 for FY 2016. Property and equipment are presented net of accumulated depreciation. Property and equipment additions totaled \$319,279 in FY 2017 and \$2,029,517 in FY 2016.

Current liabilities consist of accounts payable, accrued expenses, amounts due to the University of South Florida, the current portion of loan from the University of South Florida Foundation, and deferred revenue. Noncurrent liabilities consist of the long-term portion of loan from the University of South Florida Foundation.

Operating revenues in FY 2017 consist primarily of Corporation for Public Broadcasting Grants (5%), Grants donated by the Department of Education, State of Florida (1%), Appropriations from the University of South Florida (USF) (6%), Business and Industry Support (23%), Membership Support (42%), Facilities and Support provided by USF (12%), and In-kind contributions and Other (11%). Operating expenses consist primarily of Programming & Production (44%), Broadcasting (9%), Program Information & Promotion (8%), Management & General (11%), Fundraising & Membership (18%) and Underwriting and Grant Solicitation (10%).

BUDGETS

While certain Station accounts are under University budgeting control, the University of South Florida Foundation accounts and certain other expenditures, such as in-kind and indirect support amounts, are not budgeted. Accordingly, budget information amounts are not presented within these financial statements.

CONTACTING MANAGEMENT

This financial narrative is designed to provide a general overview of the Station's finances and to show accountability for the contributions received by the Station. If you have questions about this report or a need for additional financial information, contact the Station at:

WUSF-FM
4202 East Fowler Avenue
TVB 100
Tampa, Florida 33620-9951
(813) 974-8690

WUSF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF SOUTH FLORIDA
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current assets | | |
| Cash and cash equivalents | \$ 128,327 | \$ 43,219 |
| Restricted cash | 27,711 | 228,942 |
| Funds held and invested by the University of South Florida Foundation, Inc. on behalf of the Station | | |
| Unrestricted | 301,696 | 187,903 |
| Restricted | 510,418 | 507,333 |
| Accounts and underwriting receivables | 381,812 | 381,965 |
| Other prepaid assets | 211,510 | 17,483 |
| Total current assets | 1,561,474 | 1,366,845 |
| Capital asset, not being depreciated | 1,173,736 | 3,132,339 |
| Capital assets, being depreciated, net | 3,490,686 | 1,467,119 |
| Total capital assets | 4,664,422 | 4,599,458 |
| Total assets | 6,225,896 | 5,966,303 |
| <u>LIABILITIES</u> | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 98,394 | 190,489 |
| National Public Radio dues | - | 12,900 |
| Unearned revenue | 17,173 | 107,206 |
| Current portion of due to University of South Florida Foundation, Inc. | 138,227 | 132,833 |
| Due to University of South Florida | 600,474 | 1,145,420 |
| Due to affiliated station | 123,706 | 120,853 |
| Total current liabilities | 977,974 | 1,709,701 |
| Noncurrent liabilities | | |
| Due to University of South Florida Foundation, Inc., less current portion | 331,844 | 470,071 |
| Total liabilities | 1,309,818 | 2,179,772 |
| <u>NET POSITION</u> | | |
| Net position | | |
| Net investment in capital assets | 4,194,351 | 3,996,554 |
| Restricted | | |
| Nonexpendable | 247,398 | 247,398 |
| Expendable | 263,020 | 259,935 |
| Unrestricted | 211,309 | (717,356) |
| Total net position | \$ 4,916,078 | \$ 3,786,531 |

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

WUSF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF SOUTH FLORIDA
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|--------------|--------------|
| Operating revenues | | |
| Community service grants donated by the Corporation for Public Broadcasting | \$ 463,985 | \$ 456,909 |
| Other grants | 16,742 | 96,319 |
| Grants donated by the Department of Education, State of Florida | 100,000 | 100,000 |
| Appropriations from the University of South Florida | 538,088 | 525,049 |
| Business and industry support | 2,173,287 | 2,237,155 |
| Membership income | 4,024,099 | 3,300,138 |
| Donated facilities and administrative support from the University of South Florida | 1,092,014 | 1,279,245 |
| In-kind contributions | 754,884 | 771,497 |
| Other income | 318,750 | 144,755 |
| Total operating revenues | 9,481,849 | 8,911,067 |
| Operating expenses | | |
| Programming and production | 3,707,462 | 3,644,545 |
| Broadcasting | 752,696 | 662,742 |
| Program information and promotion | 692,124 | 684,944 |
| Management and general | 964,223 | 1,082,802 |
| Fundraising and membership development | 1,479,920 | 1,340,619 |
| Underwriting and grant solicitation | 824,922 | 932,919 |
| Total operating expenses | 8,421,347 | 8,348,571 |
| Operating income | 1,060,502 | 562,496 |
| Non-operating revenues (expenses) | | |
| Interest expense | (22,151) | (27,405) |
| Interest and dividends | 10,459 | 8,355 |
| Capital grants donated by the Department of Education, State of Florida | 80,737 | 1,349,263 |
| Total non-operating revenues (expenses) | 69,045 | 1,330,213 |
| Increase in net position | 1,129,547 | 1,892,709 |
| Net position, beginning of year | 3,786,531 | 1,893,822 |
| Net position, end of year | \$ 4,916,078 | \$ 3,786,531 |

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

WUSF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF SOUTH FLORIDA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Cash received from grants, donors and fundraising activities | \$ 7,006,983 | \$ 6,254,875 |
| Cash paid for salaries, benefits and payroll taxes | (3,777,431) | (3,676,421) |
| Cash paid to suppliers and others | (2,303,637) | (2,300,156) |
| Net cash provided by operating activities | 925,915 | 278,298 |
| Cash flows from non-capital financing activities | | |
| Increase (decrease) in due to affiliated station | 2,853 | (35,363) |
| Decrease in due to University of South Florida | (544,946) | (871,112) |
| Net cash used in non-capital financing activities | (542,093) | (906,475) |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | (319,279) | (2,029,517) |
| Payment on long-term debt with the University of South Florida Foundation, Inc. | (132,833) | (127,579) |
| Interest paid | (22,151) | (27,405) |
| Cash received from capital grants | 80,737 | 1,430,000 |
| Net cash used in capital and related financing activities | (393,526) | (754,501) |
| Cash flows from investing activities | | |
| Increase in funds held by the University of South Florida Foundation, Inc. on behalf of the Station | (116,878) | (179,785) |
| Interest and dividends | 10,459 | 8,355 |
| Net cash used in investing activities | (106,419) | (171,430) |
| Net decrease in cash and cash equivalents | (116,123) | (1,554,108) |
| Cash and cash equivalents, beginning of year | 272,161 | 1,826,269 |
| Cash and cash equivalents, end of year | \$ 156,038 | \$ 272,161 |
| Shown on the statement of net position as: | | |
| Cash and cash equivalents | \$ 128,327 | \$ 43,219 |
| Restricted cash | 27,711 | 228,942 |
| Total cash and cash equivalents | \$ 156,038 | \$ 272,161 |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 1,060,502 | \$ 562,496 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 254,315 | 141,156 |
| Decrease (increase) in certain assets: | | |
| Accounts and underwriting receivables | 153 | (86,556) |
| Other prepaid assets | (194,027) | 7,807 |
| Increase (decrease) in certain liabilities: | | |
| Accounts payable and accrued expenses | (92,095) | 9,623 |
| National Public Radio dues | (12,900) | (362,383) |
| Unearned revenue | (90,033) | 6,155 |
| Total adjustments | (134,587) | (284,198) |
| Net cash provided by operating activities | \$ 925,915 | \$ 278,298 |

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

WUSF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of WUSF-FM (the “Station”), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Station is a department of the University of South Florida (the “University”) located in Tampa, Florida and conducts various public broadcasting functions. The President of the University of South Florida is responsible for the management of the University, and the Station operates as a department of the University under the control of the Station manager. The financial statements include only those funds, under the administrative control of the Division of Broadcast Services, that relate directly to the operations of the Station, including funds held by the University of South Florida Foundation, Inc. (the “Foundation”). These statements do not purport to present the financial position or results of operations of the University as a whole.

(b) **Basis of accounting**—For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The Station’s accounting policies conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

(c) **Net position**—In the statement of net position, net position includes the following:

Net investment in capital assets—consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.

Restricted—consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

Nonexpendable restricted net position—consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Expendable restricted net position—includes resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted—consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Station’s policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash and investments with original maturities of three months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool in accordance with Florida statutes.

(e) **Restricted cash**—Restricted cash represents cash held with the University that is restricted as to withdrawal or use under the terms of external donor restrictions or certain contractual agreements. As of June 30, 2017 and 2016, \$27,711 and \$138,447 of the restricted cash is for funds received as part of a loan for construction of a new tower from the University of South Florida, as described in Note 14. As of June 30, 2016, the remaining \$90,495 represents unearned grants funds, which are included in unearned revenue.

(f) **Accounts receivable**—Accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest. Based on the Station's historical information, credit losses, when realized, have not been significant.

(g) **Costs incurred for programs not yet broadcast**—Costs incurred for programs not yet broadcast (included in other prepaid assets) are recorded as an asset. Such costs relate to programs purchased or produced by the Station that will be broadcast subsequent to year end. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as non-current assets. At June 30, 2017 and 2016, there were no long-term costs incurred for programs not yet broadcast. As the programs are broadcast, the costs incurred will be included in operating expenses. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value.

(h) **Capital assets**—Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets ranging from 3 – 40 years. Depreciation expense for the years ended June 30, 2017 and 2016, was \$254,315 and \$141,156, respectively.

(i) **Revenue recognition**—State appropriations are recorded as revenue in the statements of revenues, expenses and changes in net position when an expenditure is recorded.

Membership contributions are recognized as revenues in the period they are received.

Program production grants are reported as unearned revenues for programs not yet broadcast until the specific program is broadcast. At such time, amounts are included as revenues and the expenditures are recorded.

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(1) **Summary of Significant Accounting Policies:** (Continued)

Revenue related to program underwriting for subsequent fiscal years is reflected as unearned revenues in the accompanying statements of net position. Revenue is recognized when the related program is aired.

Contributed support represents expenses paid on behalf of the Station by others outside the reporting entity, and includes contributed professional services, donated materials, facilities, and indirect administrative support. These amounts are recorded in revenue during the period in which the support is provided.

(j) **In-kind contributions**—Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, materials, professional services and other nonmonetary contributions as operating revenue in the accompanying statements of revenues, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

(k) **Pledges and contributions**—The Station engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors and are not shown as assets on the statements of net position. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

(l) **Corporation for Public Broadcasting Community Service Grants**—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.

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(1) **Summary of Significant Accounting Policies:** (Continued)

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 may be 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. *General Provisions* mainly pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Any remaining CSG funds and other CPB grant funds at fiscal year-end are reported as restricted cash and restricted-expendable net position on the statements of net position.

(m) **Indirect support provided by the University of South Florida**—Indirect support from the University consists of allocated institutional support and physical plant costs incurred by the University for which the Station receives benefits. The fair value of this support is recognized in the statements of revenues, expenses, and changes in net position as donated facilities and administrative support from the University and is allocated as an expense to each of the functional expense categories.

(n) **Production revenue**—The Station uses the percentage-of-completion method of accounting for production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred. Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

(o) **Operating activities**—The Station's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting and instructional technology services and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

(p) **Program and production underwriting**—Revenue for program underwriting is recorded on a pro-rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis.

(q) **Income taxes**—The Station is owned and operated by the University, which is a part of the State of Florida's educational system. Accordingly, the Station is exempt from Federal income taxes. Any taxable income is aggregated at the University level and taxes paid, if any, are paid by the University.

(r) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

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(1) **Summary of Significant Accounting Policies:** (Continued)

(s) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(t) **Advertising costs**—Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended June 30, 2017 and 2016, was \$659,195 and \$653,399, respectively.

(2) **Funds Held and Invested by the University of South Florida Foundation, Inc. on Behalf of the Station:**

The Station has an agreement with the University of South Florida Foundation, Inc. (the “Foundation”), whereby Station funds are held and invested by the Foundation on behalf of the Station. These amounts are included in the accompanying financial statements of the Station as “Funds held and invested by the University of South Florida Foundation, Inc. on behalf of the Station.” Total cash and investments held by the Foundation are \$812,114, and \$695,236 as of June 30, 2017 and 2016, respectively. These totals include \$510,418 and \$507,333 of restricted funds as of June 30, 2017 and 2016, respectively.

All funds held and invested by the Foundation on behalf of the Station are invested in uninsured and unregistered investments, which are held in the name of the Foundation. All funds held and invested by the Foundation on behalf of the Station are reflected at fair value. The Foundation categorizes the fair value measurement of these investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Station has the following recurring fair value measurements as of June 30, 2017 and 2016:

Funds held and invested by the Foundation – recorded at the Station’s ownership of a share of an investment pool, not the underlying securities. These funds are valued at NAV of units held, as reported by the Foundation. The Station reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of these investments. Because the investment pool is not readily marketable, NAV is used as a practical expedient, and the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for such investment existed, and differences could be material. The Station relies on policies developed and administered by the University and the Foundation for managing interest rate risk or credit risk for these investment pools.

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(2) **Funds Held and Invested by the University of South Florida Foundation, Inc. on Behalf of the Station:** (Continued)

In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The following table discloses the nature and risk of investments for which fair value has been estimated using the net asset value per share (NAV) of the investments as a practical expedient as of June 30, 2017 and 2016, respectively.

| | Investments Measured at Net Asset Value as of June 30, 2017 | | | |
|---|--|-----------------------------|-----------------------------|---------------------------------|
| | Total Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Funds held and invested by the Foundation | \$ 812,114 | \$ - | Daily | N/A |

| | Investments Measured at Net Asset Value as of June 30, 2016 | | | |
|---|--|-----------------------------|-----------------------------|---------------------------------|
| | Total Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Funds held and invested by the Foundation | \$ 695,236 | \$ - | Daily | N/A |

(3) **Capital Assets:**

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

| | Balance July 1, 2016 | Increases | Decreases | Transfers | Balance June 30, 2017 |
|--|-----------------------------|------------------|------------------|------------------|------------------------------|
| Capital asset, not being depreciated | | | | | |
| Construction in Progress | \$ 1,958,603 | \$ - | \$ - | \$ (1,958,603) | \$ - |
| License | 1,173,736 | - | - | - | 1,173,736 |
| Total capital assets, not being depreciated | 3,132,339 | - | - | (1,958,603) | 1,173,736 |
| Capital assets, being depreciated | | | | | |
| Building and building improvements | 2,204,710 | - | - | - | 2,204,710 |
| Furniture, fixtures and equipment | 2,128,350 | 319,279 | - | 1,958,603 | 4,406,232 |
| Total capital assets, being depreciated | 4,333,060 | 319,279 | - | 1,958,603 | 6,610,942 |
| Less: Accumulated depreciation | 2,865,941 | 254,315 | - | - | (3,120,256) |
| Total capital assets, being depreciated, net | 1,467,119 | 64,964 | - | - | 3,490,686 |
| Total capital assets | \$ 4,599,458 | \$ 64,964 | \$ - | \$ - | \$ 4,664,422 |

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(3) **Capital Assets:** (Continued)

| | Balance July 1, 2015 | Increases | Decreases | Transfers | Balance June 30, 2016 |
|--|---------------------------------|---------------------|------------------|------------------|----------------------------------|
| Capital asset, not being depreciated | | | | | |
| Construction in Progress | \$ 14,540 | \$ 1,944,063 | \$ - | \$ - | \$ 1,958,603 |
| License | 1,173,736 | - | - | - | 1,173,736 |
| Total capital assets, not being depreciated | <u>1,188,276</u> | <u>1,944,063</u> | <u>-</u> | <u>-</u> | <u>3,132,339</u> |
| Capital assets, being depreciated | | | | | |
| Building and building improvements | 2,204,710 | - | - | - | 2,204,710 |
| Furniture, fixtures and equipment | 2,042,896 | 85,454 | - | - | 2,128,350 |
| Total capital assets, being depreciated | 4,247,606 | 85,454 | - | - | 4,333,060 |
| Less: Accumulated depreciation | 2,724,785 | 141,156 | - | - | 2,865,941 |
| Total capital assets, being depreciated, net | <u>1,522,821</u> | <u>(55,702)</u> | <u>-</u> | <u>-</u> | <u>1,467,119</u> |
| Total capital assets | <u>\$ 2,711,097</u> | <u>\$ 1,888,361</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,599,458</u> |

(4) **State Retirement Plans:**

As the Station is a department of the University, any net pension liability is reported by the University.

(a) **Florida retirement system**—Essentially all regular employees of the University, including employees of the Station, are eligible to enroll as members of the State-administered Florida Retirement System (“FRS”). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. These include a defined-benefit pension plan (“Plan”), a Deferred Retirement Option Program (“DROP”), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (“Investment Plan”).

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special

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(4) **State Retirement Plans:** (Continued)

risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the years ended June 30, 2017, 2016, and 2015, were as follows:

| | Years ended June 30, | | |
|---------------------------------|-----------------------------|-------------|-------------|
| | 2017 | 2016 | 2015 |
| Regular | 7.52% | 7.26% | 7.37% |
| Senior Management Service Class | 21.77% | 21.43% | 21.14% |
| Deferred Option Program | 12.99% | 12.88% | 12.28% |

The Station's retirement liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. For the years ended June 30, 2017, 2016, and 2015, total contributions were approximately \$47,000, \$50,000 and \$48,000, respectively. Effective July 1, 2011, employees were required to contribute 3% of their salary to their FRS account.

(b) **Florida Retirement System Investment Plan (Investment Plan)**—As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members.

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(4) **State Retirement Plans:** (Continued)

There were 12, 14, and 15 participants during the fiscal years ended June 30, 2017, 2016, and 2015, respectively. The contribution amounts were approximately \$47,000, \$51,000 and \$49,000 during the years ended June 30, 2017, 2016, and 2015, respectively.

(c) **Optional retirement program**—Section 121.35, Florida Statutes, provides for an Optional Retirement Program (“Program”) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The Station contributes 5.14 percent of the participant’s salary to the participant’s account, 2.65 percent to cover the unfunded actuarial liability of the FRS Pension Plan, and 0.01 percent to cover administrative costs, and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 15, 16, and 18 participants during the fiscal years ended June 30, 2017, 2016, and 2015. Required contributions to the Program were approximately \$70,000, \$65,000 and \$54,000 during the years ended June 30, 2017, 2016, and 2015, respectively.

During the fiscal years ended June 30, 2017, 2016, and 2015, and as of June 30, 2017, 2016 and 2015, the Program held no securities issued by the University.

(5) **Post-Employment Benefits:**

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the Station are eligible to participate in the State Group Health Insurance Program, an agent multiple employer defined-benefit plan (“OPEB Plan”). The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. As the Station is a department of the University, any other post-employment benefit liability is reported by the University.

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(6) Risk Management Programs:

The Station is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2015-2016 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$54 million for named windstorm and flood losses through February 14, 2016, and increased to \$85 million starting February 15, 2016. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

(7) Lien on Property and Equipment:

The federal government had a ten-year priority lien on any facilities and equipment purchased with funds from the National Telecommunications and Information Administration (NTIA). The lien was to ensure that telecommunications facilities funded with federal monies would continue to be used to provide public telecommunications services to the public during the period of federal interest. The original cost of the property acquired with NTIA funds was \$31,034 and the liens expired in years through 2017.

(8) Significant Concentrations:

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Station, except as otherwise disclosed, is as follows:

- (a) **Cash and cash equivalents**—The Station has demand deposits held at financial institutions for the University which are secured up to FDIC limits. Amounts in excess of FDIC limits are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. There are no uninsured cash balances at year-end.

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(8) **Significant Concentrations:** (Continued)

(b) **Funds held by the University of South Florida Foundation, Inc. on behalf of the Station**—The Station has an agreement with the Foundation, whereby Station funds are held by the Foundation on behalf of the Station as described in Note 2. The Station has no policy requiring collateral or other security to support these amounts.

(c) **Accounts and underwriting receivables**—Accounts and underwriting receivables represent support from local business and industry. At June 30, 2017 and 2016, one customer represented approximately 34% and 31% of accounts and underwriting receivables, respectively. The Station has no policy requiring collateral or other security to support these amounts.

(d) **Revenues**—The Station received significant revenue from three sources in fiscal year 2017 and fiscal year 2016. The Florida Department of Education provided approximately 2% and 14% during the years ended June 30, 2017 and 2016, respectively. The CPB provided approximately 5% and 4% during the years ended June 30, 2017 and 2016, respectively. The University provided approximately 17% and 18% in cash and donated facilities during the years ended June 30, 2017 and 2016, respectively.

(9) **Agreement:**

The Station has a rental agreement with the University’s Sarasota-Manatee campus to pay up to \$19,100 annually in cash or value-in-kind services for use of office and studio space until April 2020.

(10) **Community Service Grants (CSG):**

The Station receives a CSG from the Corporation for Public Broadcasting (CPB) annually. The CSGs received and expended during the most recent fiscal years were as follows:

| <u>Years of Grant</u> | <u>Grants Received</u> | <u>Expended</u> | | | <u>Uncommitted Balance at June 30, 2017</u> |
|-----------------------|------------------------|------------------|------------------|------------------|---|
| | | <u>2014-2015</u> | <u>2015-2016</u> | <u>2016-2017</u> | |
| 2016-18 | \$ 463,985 | \$ - | \$ - | \$ 463,985 | \$ - |
| 2015-17 | \$ 456,909 | \$ - | \$ 456,909 | \$ - | \$ - |
| 2014-16 | \$ 435,301 | \$ 435,301 | \$ - | \$ - | \$ - |

(11) **Long-term Debt Obligations:**

The Station entered into a \$1,275,000 loan agreement with the University of South Florida Foundation on October 22, 2010, for the purpose of purchasing another public radio station. Payments of principal and accrued interest totaling \$38,746 are due quarterly beginning January 1, 2011. Interest is accrued at a rate of 4%. The remaining balance of principal and interest is due on November 1, 2020. This debt is collateralized by certain equipment and future revenues of the Station. See Note 16, Subsequent Events, for payments made on this loan subsequent to June 30, 2017.

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(11) **Long-term Debt Obligations:** (Continued)

Changes in long-term debt obligations for the years ended June 30, 2017 and 2016, were as follows:

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|--|-------------------------------------|------------------|-------------------|--------------------------------------|--|
| National Public Radio dues Due to University of South Florida Foundation | \$ 12,900 | \$ - | \$ 12,900 | \$ - | \$ - |
| | 602,904 | | 132,833 | 470,071 | 138,227 |
| Total long-term debt obligations | <u>\$ 615,804</u> | <u>\$ -</u> | <u>\$ 145,733</u> | <u>\$ 470,071</u> | <u>\$ 138,227</u> |

| | Balance July 1, 2015 | Additions | Reductions | Balance June 30, 2016 | Amounts Due Within One Year |
|--|-------------------------------------|-------------------|---------------------|--------------------------------------|--|
| National Public Radio dues Due to University of South Florida Foundation | \$ 375,283 | \$ 798,256 | \$ 1,160,639 | \$ 12,900 | \$ 12,900 |
| | 730,483 | - | 127,579 | 602,904 | 132,833 |
| Total long-term debt obligations | <u>\$ 1,105,766</u> | <u>\$ 798,256</u> | <u>\$ 1,288,218</u> | <u>\$ 615,804</u> | <u>\$ 145,733</u> |

Maturities on long-term debt over the next five years as of June 30, 2017, are as follows:

| Years Ended | Amount |
|--------------------|-------------------|
| 2018 | \$ 138,227 |
| 2019 | 143,839 |
| 2020 | 149,667 |
| 2021 | 38,338 |
| 2022 | - |
| Total | <u>\$ 470,071</u> |

(12) **Restricted Net Position:**

As of June 30, 2017 and 2016, funds received with external donor or grantor restrictions are reported as expendable net position. These funds are available for expenditure for the specific purpose established by the donor or grantor, such as the spendable portion of endowments and amounts restricted for education, capital and other projects. In addition, endowments held by the Station of \$247,398 are recorded as nonexpendable net position in accordance with the conditions set by the donors. The investment earnings on the endowment assets are available to be used for the general purposes of the Station.

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(13) **Related Party Transactions:**

At June 30, 2017 and 2016, the Station owed net amounts of \$123,707 and \$120,853, respectively, to an affiliated station as reported in the statements of net position. At June 30, 2017, the net amounts are comprised of \$302,523 due to an affiliated Station and \$178,816 due from an affiliated Station and at June 30, 2016, the net amounts are comprised of \$246,870 due to an affiliated Station and \$126,017 due from an affiliated Station.

See Note 11, Long-term Debt Obligations, for an additional amount the Station owes to the University of South Florida Foundation. See Note 14, Due to the University of South Florida, for an additional amount the Station owes to the University. See Note 16, Subsequent Events, for payments made on these loans subsequent to June 30, 2017.

(14) **Due to the University of South Florida:**

The Station was advanced funds from the University totaling \$2,016,532 during the fiscal year ended June 30, 2015. A loan for construction of a new tower represents \$1,750,000 of these funds. The remaining \$266,532 was advanced primarily to pay for payroll and other miscellaneous operating expenses. During fiscal year 2017, \$150,000 of the loan for construction of the new tower was repaid. As of June 30, 2017, the Station had \$600,474 due to the University of South Florida, which was comprised of \$420,000 in relation to the loan for construction of a new tower and \$180,474 in relation to an advance to pay for payroll and other miscellaneous operating expenses. See Note 16, Subsequent Events, for payments made on the tower loan subsequent to June 30, 2017. During fiscal year 2016, \$1,180,000 of the loan for construction of the new tower was repaid. As of June 30, 2016, the Station had \$1,145,420 due to the University of South Florida, which was comprised of \$570,000 in relation to the loan for construction of a new tower and \$575,420 in relation to an advance to pay for payroll and other miscellaneous operating expenses.

(15) **Nonfederal Financial Support (NFFS):**

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

A “contribution” is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state or an educational institution; (2) the form of the payment must

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(15) **Nonfederal Financial Support (NFFS):** (Continued)

be appropriations or contract payments in exchange for specific public broadcasting services or materials;
(3) the purpose must be for the provision of educational or instructional television or radio programs; and
(4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$8,813,320 and \$9,498,604 for the years ended June 30, 2017 and 2016, respectively.

(16) **Subsequent Events:**

On August 31, 2017, an affiliated station transferred \$473,265 to the Station, which was used to payoff the outstanding balance and accrued interest on the loan agreement with the University of South Florida Foundation.

On July 25, 2017, the Station returned unused tower loan funds in the amount of \$27,712 to the University. On August 28, 2017, an affiliated station transferred \$392,288 to the Station, which was used to payoff the outstanding balance on the tower loan agreement with the University.

SUPPLEMENTAL INFORMATION

WUSF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF SOUTH FLORIDA
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

| | Program Services | | | | Supporting Services | | | | 2017 Total Expenses | 2016 Total Expenses |
|--|-------------------------------|-------------------|---|---------------------|---------------------------|--|---|---------------------|---------------------------|---------------------------|
| | Programming and Production | Broadcasting | Program Information and Promotion | Total | Management and General | Fundraising and Membership Development | Underwriting and Grant Solicitation | Total | | |
| Salaries, payroll taxes and employee benefits | \$ 1,814,926 | \$ 384,256 | \$ 7,721 | \$ 2,206,903 | \$ 468,219 | \$ 656,054 | \$ 446,255 | \$ 1,570,528 | \$ 3,777,431 | \$ 3,676,421 |
| Professional services | 4,473 | 63,018 | 32,705 | 100,196 | 42,792 | 9,271 | 229,284 | 281,347 | 381,543 | 409,580 |
| Office supplies | 3,799 | 3,446 | 3,391 | 10,636 | 83,086 | 17,068 | 434 | 100,588 | 111,224 | 131,628 |
| On-Air pledge supplies | 1,287 | - | - | 1,287 | - | 50,399 | - | 50,399 | 51,686 | 43,612 |
| Telephone | 5,235 | 15,601 | - | 20,836 | 11,612 | 1,260 | 3,180 | 16,052 | 36,888 | 49,347 |
| Postage | - | 1,184 | - | 1,184 | 36 | 45,746 | 100 | 45,882 | 47,066 | 42,106 |
| Advertising | - | 69 | 645,818 | 645,887 | - | 13,308 | - | 13,308 | 659,195 | 653,399 |
| Rental and maintenance of equipment | 527 | 21,520 | - | 22,047 | - | - | - | - | 22,047 | 31,022 |
| Program acquisitions | 1,081,742 | - | - | 1,081,742 | - | - | - | - | 1,081,742 | 1,126,467 |
| Printing and publications | 109 | 15 | - | 124 | 1,728 | 9,297 | 794 | 11,819 | 11,943 | 7,469 |
| Travel and training | 21,278 | 4,961 | 257 | 26,496 | 5,815 | 15,946 | 11,540 | 33,301 | 59,797 | 64,499 |
| Computer fees and supplies | 33,891 | 20,173 | - | 54,064 | 37,582 | 34,370 | 512 | 72,464 | 126,528 | 63,630 |
| Subscriptions and dues | 27,673 | 1,365 | - | 29,038 | 10,093 | 5,053 | 120 | 15,266 | 44,304 | 44,397 |
| Ratings and research | 48,485 | - | - | 48,485 | - | - | - | - | 48,485 | 61,050 |
| Meetings and events | - | - | - | - | 2,012 | 133,751 | 335 | 136,098 | 136,098 | 75,836 |
| Utilities | - | 30,850 | - | 30,850 | 65,361 | - | - | 65,361 | 96,211 | 84,905 |
| Overhead charges | 874 | - | - | 874 | 15,993 | - | - | 15,993 | 16,867 | 5,754 |
| Depreciation | 118,256 | 32,353 | - | 150,609 | 84,537 | 19,169 | - | 103,706 | 254,315 | 141,156 |
| Donated facilities and administrative support from the University | 524,675 | 111,084 | 2,232 | 637,991 | 135,357 | 189,658 | 129,008 | 454,023 | 1,092,014 | 1,279,245 |
| Recruitment | 1,683 | - | - | 1,683 | - | - | - | - | 1,683 | 2,124 |
| Premiums | - | - | - | - | - | 60,302 | - | 60,302 | 60,302 | 75,876 |
| Facilities rental | - | 62,046 | - | 62,046 | - | 3,360 | 3,360 | 6,720 | 68,766 | 61,966 |
| Studio Maintenance | 18,542 | - | - | 18,542 | - | - | - | - | 18,542 | 18,138 |
| Vehicle | - | 755 | - | 755 | - | 27 | - | 27 | 782 | 23 |
| Direct mail | - | - | - | - | - | 102,167 | - | 102,167 | 102,167 | 68,630 |
| Bad debts | 7 | - | - | 7 | - | - | - | - | 7 | 38,298 |
| Member maintenance | - | - | - | - | - | 113,714 | - | 113,714 | 113,714 | 91,993 |
| | <u>\$ 3,707,462</u> | <u>\$ 752,696</u> | <u>\$ 692,124</u> | <u>\$ 5,152,282</u> | <u>\$ 964,223</u> | <u>\$ 1,479,920</u> | <u>\$ 824,922</u> | <u>\$ 3,269,065</u> | <u>\$ 8,421,347</u> | <u>\$ 8,348,571</u> |

See accompanying notes to financial statements.

**INDEPENDENT AUDITORS' 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 Trustees,
University of South Florida:

We have audited, 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, the financial statements of WUSF-FM (the “Station”), a public telecommunications entity operated by the University of South Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Station’s basic financial statements, and have issued our report thereon dated December 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station’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 the Station’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Station’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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station'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*.

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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida
December 22, 2017