



WFUV-FM
(A Noncommercial, Educational FM Station
Owned and Operated by Fordham University)

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Fordham University:

We have audited the accompanying financial statements of WFUV-FM (a noncommercial, educational FM station owned and operated by Fordham University (the University)), which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 WFUV-FM (a noncommercial, educational FM station owned and operated by Fordham University) as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

January 12, 2017

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Balance Sheets

June 30, 2016 and 2015

Assets	2016	2015
Assets held by Fordham University (note 2)	\$ 10,743,921	9,689,431
Contributions receivable, net (note 3)	553,079	531,902
Investments held by Fordham University, at fair value (note 11)	194,473	159,340
Plant assets, net (note 4)	<u>2,792,620</u>	<u>3,759,858</u>
Total assets	<u>\$ 14,284,093</u>	<u>14,140,531</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,246	8,031
Deferred revenue	146,550	129,695
Due to Fordham University (note 8)	<u>8,258,875</u>	<u>8,598,875</u>
Total liabilities	<u>8,408,671</u>	<u>8,736,601</u>
Net assets (note 11):		
Unrestricted	5,373,866	4,873,211
Temporarily restricted (note 9)	316,556	320,719
Permanently restricted	<u>185,000</u>	<u>210,000</u>
Total net assets	<u>5,875,422</u>	<u>5,403,930</u>
Total liabilities and net assets	<u>\$ 14,284,093</u>	<u>14,140,531</u>

See accompanying notes to financial statements.

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Statements of Activities

Years ended June 30, 2016 and 2015

	2016	2015
Changes in unrestricted net assets:		
Revenues:		
Appropriation from Fordham University (note 5)	\$ 2,131,801	2,220,862
Contributions – members	3,287,825	2,918,542
Contributions – underwriting	1,301,364	1,206,752
Contributions – events	631,121	82,500
Corporation for Public Broadcasting grants (note 6)	438,070	448,785
New York State grants	63,256	69,387
Contributed services	13,000	23,400
Miscellaneous revenue	96,453	200,563
Net assets released from restrictions (note 9)	164,021	297,959
Total revenues	8,126,911	7,468,750
Expenses:		
Program services:		
Production	2,676,431	2,594,583
Programming	172,300	135,394
Broadcasting	1,358,118	1,456,122
Program information	354,322	346,900
Total program services	4,561,171	4,532,999
Supporting services:		
Management and general	1,609,392	1,653,895
Fund-raising and membership development	1,137,479	793,572
Underwriting and grant solicitation	318,214	320,213
Total supporting services	3,065,085	2,767,680
Total expenses	7,626,256	7,300,679
Increase in unrestricted net assets	500,655	168,071
Change in temporarily restricted net assets:		
Contributions – capital campaign	124,725	90,831
Contributions – other	25,000	185,863
Net assets released from restrictions and reclassified (note 9)	(139,021)	(297,959)
Depreciation in fair value of investments, net (note 11)	(14,867)	(6,103)
Decrease in temporarily restricted net assets	(4,163)	(27,368)
Change in permanently restricted net assets:		
Reclassification of net assets	(25,000)	—
Decrease in permanently restricted net assets	(25,000)	—
Increase in net assets	471,492	140,703
Net assets at beginning of year	5,403,930	5,263,227
Net assets at end of year	\$ 5,875,422	5,403,930

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 471,492	140,703
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,066,375	1,060,200
Contributions for capital purposes	(124,725)	(90,831)
Depreciation in fair value of investments, net	14,867	6,103
Changes in operating assets and liabilities:		
Increase in assets held by Fordham University	(1,054,490)	(669,614)
(Increase) decrease in contributions receivable	(71,177)	22,210
Decrease in accounts payable and accrued expenses	(4,785)	(2,672)
Increase in deferred revenue	16,855	47,242
Net cash provided by operating activities	314,412	513,341
Cash flows from investing activities:		
Purchases of fixed assets	(99,137)	(264,172)
Purchases of investments held by Fordham University	(50,000)	(25,000)
Net cash used in investing activities	(149,137)	(289,172)
Cash flows from financing activities:		
Contributions for capital purposes	124,725	90,831
Decrease in permanently restricted contributions receivable	50,000	25,000
Decrease in due to Fordham University	(340,000)	(340,000)
Net cash used in financing activities	(165,275)	(224,169)
Change in cash and cash equivalents held by Fordham University	—	—
Cash and cash equivalents held by Fordham University at beginning of year	—	—
Cash and cash equivalents held by Fordham University at end of year	\$ —	—

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2016 and 2015

(1) Nature of Operations

WFUV-FM (WFUV) is a noncommercial, educational public media service owned and operated by Fordham University (the University). Through the station, the University seeks to share its academic and intellectual resources with the general public. WFUV provides radio service in the public interest through the radio at 90.7 FM, HD Radio channels, audio streams and archives, video, social media, and other platforms. Programming includes music discovery, news, information, and cultural and entertainment programming designed to meet the needs of several distinct audiences whose needs are not otherwise well-met in WFUV's service area. WFUV also offers a structured work and educational opportunity for students at the University.

(2) Summary of Significant Accounting Policies

By itself, WFUV does not constitute a legal entity; therefore, the accompanying financial statements have been prepared on the basis of it being a separate accounting entity. The significant accounting policies followed by WFUV are described below:

(a) Financial Statement Presentation

WFUV prepares its financial statements on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. Those standards require the classification of activities and net assets into one of three classes as follows:

- **Unrestricted:** Net assets that are not subject to donor-imposed restrictions
- **Temporarily restricted:** Net assets subject to donor-imposed restrictions that will be met either by actions of WFUV or the passage of time
- **Permanently restricted:** Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by WFUV, but permit WFUV to expend all or part of the income derived therefrom

(b) Contributed Services

Contributed services are recorded at estimated fair value based upon compensation levels for comparable paid positions at WFUV and similar university-operated radio stations.

(c) Assets Held by Fordham University

WFUV is not a stand-alone entity, and accordingly, it does not possess a bank account. All payments and receipts are transacted through the University's accounts. The balance in Assets Held by Fordham University is for the benefit of WFUV.

(d) Plant Assets

Plant assets are capitalized at cost or fair market value at the date of donation, in the case of gifts.

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Depreciation of plant assets is computed on a straight-line basis over their estimated useful lives. Depreciable lives range from 3 to 20 years.

(e) Fair Value Measurements

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy are:

Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 – Inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 – Inputs are unobservable and are derived from valuation methodologies, including pricing models, discounted cash flow models, and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions.

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(f) Contributions and Grants

Contributions, including unconditional promises to give, are reported initially at fair value as revenue in the period received, net of an allowance for uncollectible amounts. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are presented at their discounted present value at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of property and equipment are reported as increases in unrestricted net assets unless the donor places restrictions on their use. Contributions made toward long-lived assets are held as temporarily restricted until the asset is completed and available for use. At such time, the contribution is considered to be released from restriction and reclassified to unrestricted net assets.

Grants are reported as revenue when expenses are incurred in accordance with the terms of the agreement.

(g) Expenses

Expenses are reported as decreases in unrestricted net assets and reported by functional categories. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses are allocated to components of these services based on relative use of the costs.

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(h) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Risk and Uncertainties

Investment securities are exposed to various risks and other factors such as interest rate changes, market fluctuations, and credit risks. Due to the level of fluctuation in values associated with certain investment securities due to these factors, it is reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported in the balance sheets in future periods.

(j) Tax Status

WFUV is exempt, as part of the University's exemption, from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. WFUV recognizes the effect of income tax positions only if such positions are more likely than not of being sustained. WFUV believes it has taken no significant uncertain tax positions and does not have any material unrelated business income tax liability at June 30, 2016 or 2015.

(k) Deferred Revenue

Deferred revenue includes grants received in advance of incurring related expenses.

(3) Contributions Receivable

Contributions receivable at June 30 consist of the following:

	2016	2015
Amounts expected to be collected in:		
Less than one year	\$ 614,741	531,187
One to five years	—	65,000
	614,741	596,187
Less:		
Allowance for uncollectible amounts	(61,474)	(59,619)
Discount to present value (rates from 1.41% to 3.00%)	(188)	(4,666)
	\$ 553,079	531,902

Approximately 3% and 17% of the contributions receivable at June 30, 2016 and 2015, respectively, are from an individual donor.

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(4) Plant Assets

Plant assets at June 30 consist of the following:

	2016	2015
Tower and antenna	\$ 5,097,464	5,097,464
Building improvements	7,091,987	7,091,987
Equipment	2,681,467	2,582,330
	14,870,918	14,771,781
Less accumulated depreciation	(12,078,298)	(11,011,923)
	\$ 2,792,620	3,759,858

(5) Appropriation from Fordham University

The appropriation from the University represents amounts to cover expenses incurred by the University directly attributable to WFUV's operations, depreciation on assets used by WFUV, and indirect administrative expenses calculated in accordance with Corporation for Public Broadcasting (CPB) guidelines.

(6) CPB Grants

CPB is a private, nonprofit, grant-making organization responsible for funding more than 1,000 public television and radio stations. In addition to National Program Production Acquisition Grants of \$117,965 and \$21,887 in 2016 and 2015, respectively, CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and 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), (1983) Supplement. Each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. WFUV uses these funds for purposes relating primarily to production and acquisition of programming. Also, the CSGs may be used to sustain activities begun with CSGs awarded in prior years.

CSGs are reported in the accompanying financial statements as unrestricted revenue; however, certain guidelines must be satisfied in connection with application for and use of CSGs to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record-keeping, audits, and financial reporting and licensee status with the Federal Communications Commission. WFUV believes it is in compliance with these guidelines.

The CSGs awarded and expended during 2016 and 2015 were \$336,969 and \$358,355, respectively. Additionally, \$101,101 and \$68,543 of prior year deferred revenue was expended in 2016 and 2015, respectively.

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(7) Pension and Other Postretirement Benefits

University employees who work for WFUV are covered under one of the University's defined-contribution plans. Contributions by the University range from 5% to 11% of an employee's earnings and are determined by the employee's level of earnings and length of service. The University's contributions for retirement benefits of WFUV employees totaled \$188,705 and \$181,184 for the years ended June 30, 2016 and 2015, respectively, and are included in expenses in the accompanying statements of activities.

In addition to providing pension benefits, the University provides certain healthcare and life insurance benefits for retired faculty and administrative employees who meet certain minimum age and length-of-service requirements. As a separate actuarial review of WFUV's share is not feasible and the amount is deemed immaterial, the net periodic postretirement benefit cost for the years ended June 30, 2016 and 2015 was not determined.

(8) Due to Fordham University

The amount due to the University, which relates to capital improvements, does not bear interest and is expected to be repaid as follows: \$340,000 per year for fiscal years 2014 through 2022, \$400,000 per year for fiscal years 2023 through 2032, and \$443,775 per year for fiscal years 2033 through 2037. The unrecorded imputed interest (at 4%) associated with this interest-free financing approximates \$330,000 and \$344,000 in 2016 and 2015, respectively. If recorded (as equal amounts of revenue and expense), this imputed interest would have no effect on the change in net assets.

(9) Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 are available for capital projects and future periods. Net assets released from restrictions are for capital projects.

The income earned on permanently restricted net assets is available for general operations.

(10) Commitments and Contingencies

In April 2006, the University entered into an operating lease, expiring March 31, 2026, as the lessee of property in Bronx, New York. Rent and related expense for this lease were approximately \$135,387 and \$131,444 in 2016 and 2015, respectively. Future minimum rentals are payable as follows:

Year ending June 30:		
2017	\$	138,108
2018		142,251
2019		146,518
2020		150,914
2021		155,441
2022 and thereafter		803,961
Total	\$	<u>1,537,193</u>

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(11) Investments and Endowment Funds

WFUV's investments are held in an investment pool managed by the University. The investment balance represents WFUV's share in the fair value of the investment pool. The investment pool balance attributable to WFUV consists of two donor-restricted endowment funds. Fair value is based upon quoted market prices or values provided by the University's external investment managers. At June 30, 2016, the fair value of one of the endowment funds was less than its original fair value (underwater) by \$7,710.

Pursuant to the investment policy approved by the board of trustees of the University and WFUV, the University and WFUV have interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing the University and WFUV to appropriate or accumulate so much of a donor-restricted endowment fund, as is deemed prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor stipulated in the gift instrument.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Changes in WFUV's endowment net assets, excluding contributions receivable related to endowments, for the fiscal years ended June 30 are as follows:

	2016			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ —	24,340	135,000	159,340
Net depreciation (realized and unrealized)	—	(7,861)	—	(7,861)
Contributions	—	—	50,000	50,000
Effect of underwater endowment	(7,710)	7,710	—	—
Appropriation for expenditure	—	(7,006)	—	(7,006)
Endowment net assets, end of year	<u>\$ (7,710)</u>	<u>17,183</u>	<u>185,000</u>	<u>194,473</u>

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	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ —	30,443	110,000	140,443
Net appreciation (realized and unrealized)	—	162	—	162
Contributions	—	—	25,000	25,000
Appropriation for expenditure	—	(6,265)	—	(6,265)
Endowment net assets, end of year	\$ —	24,340	135,000	159,340

The University maintains an investment pool for substantially all of its investments. The pool is managed to achieve the maximum prudent long-term total return while providing a predictable stream of funding to programs supported by the endowment. The University's board of trustees has authorized spending and investment policies designed to support these goals. Under the investment policy, the endowment assets are invested in a manner that is intended to earn, over the long term, a compound annual rate of return in excess of inflation and the spending rate. The University seeks to achieve competitive returns when compared with the University's peer group and measured against the appropriate benchmark for each asset class in the University's portfolio. The spending policy permits the use of total return at a rate (spending rate) of 4.5% during fiscal years 2016 and 2015 of the average quarterly fair value during the three preceding calendar years for the permanently restricted and certain other board-designated portions of the pool.

The University considers the duration and preservation of the fund, the purposes of the University and endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income, the change in fair value of investments, the University's investment policy, and certain other factors in making a determination to appropriate or accumulate endowment funds.

(12) Subsequent Events

In connection with the preparation of the financial statements, WFUV evaluated subsequent events from June 30, 2016 through January 12, 2017, which was the date the financial statements were available for issuance, and concluded that no additional disclosures are required.