

**MURROW PUBLIC MEDIA COMPRISED OF
NORTHWEST PUBLIC RADIO, NORTHWEST PUBLIC
TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV
(A PUBLIC TELECOMMUNICATIONS SYSTEM
OPERATED BY WASHINGTON STATE UNIVERSITY)**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2017 AND 2016

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV
(A Public Telecommunications System Operated by Washington State University)
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INDEPENDENT AUDITORS' REPORT

Kirk Schulz, President
Washington State University
Pullman, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) (MPM), an auxiliary enterprise of Washington State University, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

Kirk Schulz, President
Washington State University

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) as of June 30, 2017 and 2016, and the changes in net position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Reporting Entity

As discussed in Note 1, the accompanying financial statements present only Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) and do not purport to, and do not, present fairly the financial position of Washington State University as of June 30, 2017 and 2016, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 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.



CliftonLarsonAllen LLP

Spokane, Washington
January 3, 2018

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and operations of Murrow Public Media (MPM) for the years ended June 30, 2017 and 2016. This discussion has been prepared by management, and should be read in conjunction with MPM's financial statements and accompanying notes which follow this section.

MPM is a noncommercial educational radio and television system licensed to Washington State University (WSU) in Pullman, Washington. The MPM's financial statements include the accounts for its nineteen public radio stations, two public television stations, one student run radio station and one student run television station for which broadcast, budget, accounting, and certain grant purposes are separately identified. MPM does share facilities and personnel and are constituent organizational departments of The Edward R. Murrow College of Communication at Washington State University.

MPM includes Northwest Public Radio and Northwest Public Television (KWSU/KTNW), but also encompasses from the academic side of the college the student arm of broadcasting in KUGR Radio and Cable 8 TV. The vision of MPM is a "teaching hospital" model which gives students a hands-on role while being mentored and supervised by professionals. MPM is responsible to the FCC, WSU and our communities for the quality and consistency of the programming while accomplishing our public educational and outreach mission.

These financial statements present only the above-described portion of the activities of WSU, and are not intended to represent the financial position, results of operations, or changes in net assets of the Murrow College of Communication nor the University taken as a whole. WSU is a public university in the state of Washington, governed by a ten-member Board of Regents appointed by the State Governor. The complete financial statements of WSU may be found at <http://genacct.wsu.edu/finstat.html>.

FINANCIAL HIGHLIGHTS

MPM's financial position remains fairly constant to FY16 levels during the year ending June 30, 2017:

- Total assets increased by almost \$20 thousand. This was mainly due to an increase in cash being held and contributions receivable which more than offset the decrease in capital assets due to retirement and the very small increase in current liabilities.
- Current assets were up over \$172 thousand over FY16 including a cash increase of \$57 thousand, accounts receivable increasing by almost \$28 thousand and contributions growing by \$48 thousand. As we increased our contributions over last year, we were being as strategic in our buying as we could to save for a rainy day.
- Noncurrent Assets dropped by about \$153 thousand. Most of that change was in capital assets which decreased by about \$ 595 thousand. We sent to WSU Surplus and retired about \$641 thousand of old equipment and added a little over \$ 45 thousand in new equipment purchased during the year.

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FINANCIAL HIGHLIGHTS (CONTINUED)

- Current liabilities barely grew by about \$13 thousand. Accrued vacation was the main reason for the growth with an increase of just over \$11 thousand due to longer-term employees not using all their earned vacation during this year. Accounts payable decreased by just over \$6 thousand and Unearned Revenue increased by just over \$7 thousand.
- There is no longer any long-term debt or short-term debt.
- Net assets, which represent the residual of assets after deducting liabilities, held fairly constant with a small increase of about \$7 thousand due to our increase in cash and contributions and a small drop in total liabilities.

Other significant changes to operations were as follows:

- Revenues from all sources totaled \$6,766,765 which was a decrease of almost \$589 thousand from fiscal year 2016. This decrease is mainly attributed to a decrease of donated facilities and administrative support of \$636 thousand from WSU due to a change in interpretation of the way this support is calculated by the Corporation for Public Broadcasting (CPB), which is responsible for providing the methodology for determining the value.
- Expenses totaled \$6,760,021, a decrease of almost \$550 thousand from fiscal year 2016. Areas with the largest cost decreases were management/general and indirect administration and facilities support. There was some reclassification of expenses due to a new understanding of CPB rules, but still an overall decrease from 2016.

PRESENTATION OF THE FINANCIAL STATEMENTS

MPM's financial report includes three primary financial statements: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on the System as a whole.

CONDENSED FINANCIAL INFORMATION AND ANALYSIS

Financial Position – Statement of Net Position

The Statement of Net Position is a snapshot of MPM's financial position at year-end. It lists the assets (economic resources), liabilities (creditors' claims) and net assets (residual interest in assets after paying creditors) based on end-of-year data.

Assets are classified as current, noncurrent, or capital. Current assets are expected to benefit MPM within 12 months and include cash, accounts receivable, inventories, pre-paid expenses, and investments that can easily be converted to cash to meet operating expenses. Noncurrent assets include licensed program rights, capital equipment with a cost exceeding \$5,000 and having a useful life exceeding one year and items which are small and attractive by the WSU inventory policy. Capital assets are reported net of accumulated depreciation.

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JUNE 30, 2017 AND 2016**

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)

Financial Position – Statements of Net Position (Continued)

Liabilities are classified as current or noncurrent. Current liabilities are claims that are due and payable within 12 months, and include payroll and benefits, amounts payable to suppliers for goods and services received and debt principal payments due within one year. Noncurrent liabilities are obligations payable beyond one year.

Below is a condensed view of the Statement of Net Position as of June 30, 2017, 2016, and 2015:

**Table A-1
Statements of Net Position**

	2017	2016	2015
Assets:			
Current Assets	\$ 1,855,736	\$ 1,683,191	\$ 1,553,801
Noncurrent Assets	614,386	767,468	874,371
Total Assets	\$ 2,470,122	\$ 2,450,659	\$ 2,428,172
Liabilities:			
Current Liabilities	\$ 377,392	\$ 364,673	\$ 387,754
Noncurrent Liabilities	-	-	-
Total Liabilities	377,392	364,673	387,754
Net Position:			
Invested in Capital Assets	335,160	481,419	603,625
Restricted	-	32,858	1,162,792
Unrestricted	1,757,570	1,571,709	274,001
Total Net Position	2,092,730	2,085,986	2,040,418
Total Liabilities and Net Position	\$ 2,470,122	\$ 2,450,659	\$ 2,428,172

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position report MPM's results of operations. In accordance with GASB reporting principles, revenues, and expenses are classified as operating, nonoperating, or other.

In general, operating revenues are those received in the form of Community Service grants funded by the Corporation for Public Broadcasting, as well as miscellaneous sales of goods and services. Operating expenses are those costs incurred to provide the staffing, maintenance, and equipment necessary to deliver public radio and television programming to the citizens of the state of Washington and portions of Idaho, Oregon, and British Columbia.

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CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)

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

Nonoperation revenues are monies received for which goods and services are not provided. These funds include those provided by direct allocation from Washington State University in furtherance of the University's mission, capital equipment grants, as well as contributions made by individual and business donors to sponsor public broadcasting activities.

MPM had a nonoperating revenue decrease in 2017 of about \$598 thousand below 2016, which followed a decrease of almost \$192 thousand below 2015. These revenues are generated by allocations and donated facilities from WSU, capital grants and contributions. General appropriations from WSU decreased by about \$86 thousand, indirect contributions which are calculated as a percentage of expenses for the fiscal year decreased by about \$636 thousand. The indirect decrease is mainly attributed to a decrease of donated facilities and administrative support from WSU due to a change in the way CPB is calculating this support. Contributions were up by just over \$123 thousand over FY16.

For the fiscal years ended June 30, 2017, 2016, and 2015:

**Table A-2
Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 1,422,565	\$ 1,413,324	\$ 1,570,806
Operating Expenses	(6,760,021)	(7,310,219)	(7,480,945)
Loss from Operations	(5,337,456)	(5,896,895)	(5,910,139)
Nonoperating Revenues, Net	5,344,200	5,942,463	6,134,450
Change in Net Position	6,744	45,568	224,311
Net Position - Beginning of Year	2,085,986	2,040,418	1,816,107
Net Position - End of Year	<u>\$ 2,092,730</u>	<u>\$ 2,085,986</u>	<u>\$ 2,040,418</u>

ECONOMIC OUTLOOK

MPM's largest revenue source is now our contributions and underwriting from our communities at 39.87% of the system's revenue followed closely by WSU's general appropriations and donated facilities and administrative support at 39.11%. With the expected decrease in WSU support, we are planning that increases in contributions and underwriting will meet the need. Non-university or non-Corporation for Public Broadcasting (CPB) grants were up slightly from 2016 and we continue to explore opportunities for additional growth. CPB funding was down by \$88 thousand due to reduced revenue that we had to count as a match for CPB funding. Contract revenue is up, with a substantial boost from additional rental income for the system.

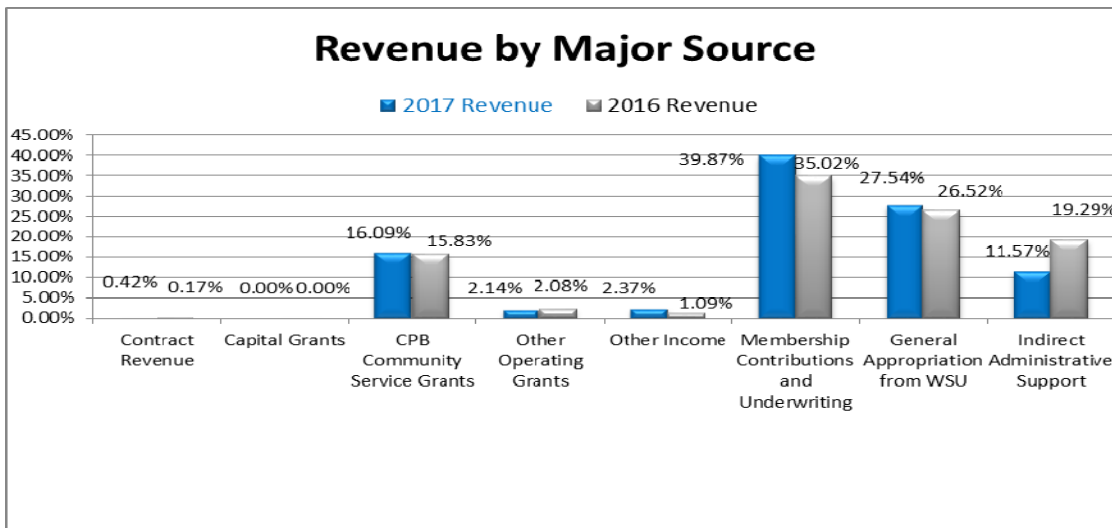
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ECONOMIC OUTLOOK (CONTINUED)

We watch our CPB funding commitments closely to read for signs of change, but are hopefully past support will remain strong and provide for our communities. We continue to reach new contributors and underwriting opportunities which serve as match towards our CPB appropriation due to their grant matching policy.

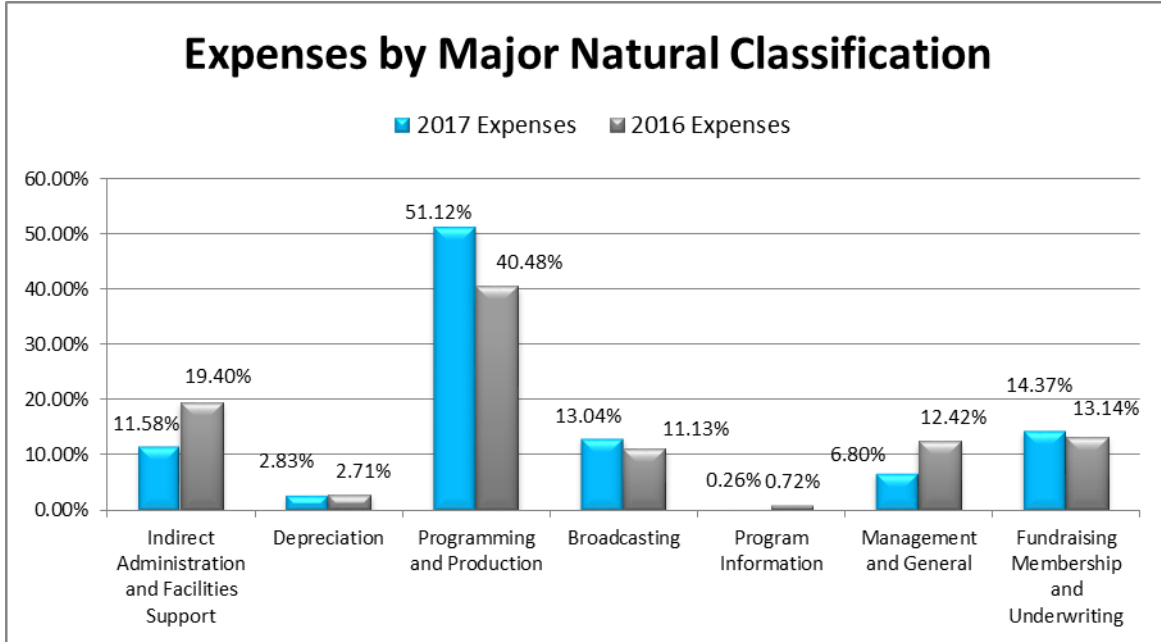
We expect our next year's expenses to align closely with this year as we are a very frugal organization. We are upgrading equipment when needed to hold down emergency repairs costs. We are doing more internal programming to hold costs down while providing the best quality to our listeners. We expect our salary, membership, and routine costs to remain constant for the next year.

Through our community outreach efforts over the past year, we hear from our supporters of their gratitude for the work we do, the programming we offer, and the value we provide our communities.



FY17 was better in all revenue categories except for our Indirect Administrative Support. Our contract revenue doubled from 2016, our operating grants had a slight increase, and our passive income doubled over 2016. Our CPB grants dipped by over \$88K due to a reduction in a previous year's nonfederal financial support which is a match for our CSG grants. We are analyzing the trends and looking for new ways to increase revenue and hold costs.

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JUNE 30, 2017 AND 2016**



Expenses were down by over \$550 thousand from last year. The largest drop from FY16 was in our indirect administrative and facilities support, due to changes in our calculation process to follow a new interpretation by the Corporation for Public Broadcasting. Along with the new calculations for our indirect costs, was additional analysis as to the correct placement of the expenses into the most appropriate categories. In general, small decreases were seen in our depreciation costs and program information costs.

Over all, our salary and benefit costs are up by about \$100K due to filling some positions that had been vacant. The change in values of our repairs and maintenance and operating equipment between 2017 and 2016 was due to better categorizing in 2017.

We are working to hold our costs down and build reserves for future needs.

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STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016**

ASSETS	2017	2016
CURRENT ASSETS		
Cash Pooled with WSU	\$ 1,068,866	\$ 1,011,682
Accounts Receivable	63,840	35,886
Contributions/Underwriting Receivables, Less Allowance for Uncollectible Amounts of \$91,066 (2017) and \$96,951 (2016)	308,558	260,262
Grants and Contracts Receivable	35,801	32,858
Licensed Program Rights	378,671	342,503
Total Current Assets	1,855,736	1,683,191
NONCURRENT ASSETS		
Licensed Program Rights	279,226	286,049
Capital Assets:		
Equipment	8,380,950	8,976,352
Less: Accumulated Depreciation	(8,045,790)	(8,494,933)
Total Capital Assets	335,160	481,419
Total Noncurrent Assets	614,386	767,468
Total Assets	2,470,122	2,450,659
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	55,648	62,248
Accrued Payroll	103,479	103,217
Accrued Leave Liability	163,755	152,242
Unearned Revenue	54,510	46,966
Total Liabilities	377,392	364,673
NET POSITION		
Net Investment in Capital Assets	335,160	481,419
Restricted	-	32,858
Unrestricted	1,757,570	1,571,709
Total Net Position	\$ 2,092,730	\$ 2,085,986

See accompanying Notes to Financial Statements.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Contract Revenue	\$ 28,688	\$ 12,521
Community Service Grants from the Corporation for Public Broadcasting	1,088,741	1,177,385
Other Operating Grants	145,020	143,294
Other Income	160,116	80,124
Total Operating Revenues	<u>1,422,565</u>	<u>1,413,324</u>
OPERATING EXPENSES		
Programming and Production	3,455,781	2,980,376
Broadcasting	881,495	810,534
Program Information	17,361	51,032
Management and General	459,436	904,983
Fundraising and Membership Development	971,463	947,084
Indirect Administrative and Facilities Support	782,857	1,418,340
Depreciation	191,628	197,870
Total Operating Expenses	<u>6,760,021</u>	<u>7,310,219</u>
OPERATING LOSS	(5,337,456)	(5,896,895)
NONOPERATING REVENUES		
General Appropriation from WSU	1,863,564	1,949,549
Donated Facilities and Administrative Support from WSU	782,857	1,418,340
Contributions and Underwriting	2,697,779	2,574,574
Total Nonoperating Revenues	<u>5,344,200</u>	<u>5,942,463</u>
CHANGES IN NET POSITION	6,744	45,568
Net Position – Beginning of Year	<u>2,085,986</u>	<u>2,040,418</u>
NET POSITION – END OF YEAR	<u>\$ 2,092,730</u>	<u>\$ 2,085,986</u>

See accompanying Notes to Financial Statements.

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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 160,850	\$ 172,844
Cash Received from Operating Grants and Support from the Corporation for Public Broadcasting	1,230,818	1,318,704
Cash Paid to Suppliers	(2,649,921)	(2,551,821)
Cash Paid for Employee Salaries, Wages, and Benefits	(3,159,785)	(3,108,623)
Net Cash Used by Operating Activities	<u>(4,418,038)</u>	<u>(4,168,896)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
General Appropriation from WSU	1,863,564	1,949,549
Contributions and Underwriting Received	2,657,027	2,550,664
Net Cash Provided by Noncapital and Related Financing Activities	<u>4,520,591</u>	<u>4,500,213</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Equipment	<u>(45,369)</u>	<u>(75,664)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(45,369)</u>	<u>(75,664)</u>
NET INCREASE IN CASH	57,184	255,653
Cash – Beginning of Year	<u>1,011,682</u>	<u>756,029</u>
CASH – END OF YEAR	<u><u>\$ 1,068,866</u></u>	<u><u>\$ 1,011,682</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (5,337,456)	\$ (5,896,895)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	191,628	197,870
Indirect Administrative and Facilities Support from WSU	782,857	1,418,340
(Increase) Decrease in Assets:		
Accounts Receivable	(27,954)	80,199
Grants, Contracts, Contributions, and Underwriting Receivable	(2,943)	(1,975)
Licensed Program Rights	(29,345)	45,675
Increase (Decrease) in Liabilities:		
Accounts Payable	(6,600)	(10,915)
Accrued Payroll	262	(570)
Accrued Vacation	11,513	(625)
Net Cash Used by Operating Activities	<u><u>\$ (4,418,038)</u></u>	<u><u>\$ (4,168,896)</u></u>

See accompanying Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Murrow Public Media, (MPM) comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) is a noncommercial educational radio and television system licensed to Washington State University (WSU) in Pullman, Washington. Its oldest television station, KWSU, has broadcast since 1962 and is a full member of the Public Broadcasting Service, America's Public Television Stations, and the Washington Educational Network. MPM's oldest radio station, KWSU, has broadcast since 1922 and is a full member of National Public Radio. MPM also encompass from the academic side of the college the student arm of broadcasting in KUGR Radio and Cable 8 TV.

Financial Reporting Entity

MPM's financial statements include the accounts of Northwest Public Radio (KWSU-AM / KRFA-FM / KFAE-FM / KNWR-FM / KNWY-FM / KNWO-FM / KNWV-FM / KZAZ-FM / KLWS-FM/KWWS-FM / KNWP-FM/KQWS-FM / KMWS-FM/KSWS-FM / KNWU-FM / KVTI-FM / KHNW-FM / KYVT-FM/ KJEM-FM), Northwest Public Television (KWSU-TV/KTNW), KUGR Radio and Cable 8 TV, which for broadcast, budget, accounting, and certain grant purposes are separately identified. However, they share facilities and personnel and are constituent organizational departments of WSU. The vision of MPM is a "teaching hospital" model which gives students a hands-on role while being mentored and supervised by professionals. MPM is responsible to the FCC, WSU, and our communities for the quality and consistency of the programming while accomplishing our public educational and outreach mission.

Financial Statement Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America and follow guidance given by the Governmental Accounting Standards Board (GASB). These financial statements present only a selected portion of the activities of WSU. As such, they are not intended to and do not present the financial position, changes in net position, or cash flows of WSU.

Basis of Accounting

MPM's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Pooled with WSU

Cash pooled with WSU may include certain investments in highly liquid debt instruments with an original maturity of three months or less. Some cash balances in excess of current requirements are pooled with other WSU funds and commonly invested. Interest income earned on the investment pool is distributed on a quarterly basis based on daily cash balances in the various funds. Cash and pooled investments are stated at fair value. Bank deposits are covered by the Federal Deposit Insurance Corporation or by collateral held in multiple financial institution collateral pools administered by the Washington Public Deposit Protection Commission.

Contributions and Underwriting Receivables

MPM records receivables for membership contributions in the period the pledges are made. MPM records underwriting receivables as they are recorded per the underwriting agreement. All contributions, program underwriting, and other accounts receivable are unsecured donations. The majority of underwriting receivables are due from underwriters located in Washington State. Management determines the allowance for uncollectible accounts using percentages based on historical experience applied to the aging of outstanding accounts. When a pledge is deemed uncollectible, it is generally written off against the donation/revenue during that fiscal year.

Grants and Contracts Receivable

Accounts receivable are primarily from granting agencies, are based upon invoices rendered for services provided, and are unsecured. Grants are expense reimbursements from services that have been performed. Historical experience has shown that they are rarely uncollectible.

Capital Assets

Equipment is stated at cost. Consistent with state of Washington policy, MPM capitalizes equipment that has a cost greater than \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets of 4 to 15 years. Assets acquired using federal grant money are capitalized and depreciated over the estimated useful lives of such assets. Gains or losses on the sale of property and equipment are included in other income and expense. Expenditures for repairs and maintenance are charged to expense as incurred.

Accrued Leave Liability

Accumulated vacation, compensatory leave, and sick leave, earned and unused by employees of the MPM, totaled \$163,755 and \$152,242 at June 30, 2017 and 2016, respectively. Permanent MPM employees are entitled to accrue and accumulate sick leave at the rate of eight hours per month worked. The employee is entitled to either the present value of 25% of his or her unused sick leave balance upon retirement or 25% of his or her net accumulation for the year in which it exceeds 480 hours.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Funds restricted by the donor, grantor, or other outside party for particular purposes are deemed to be earned and reported as revenues when MPM has satisfied all eligibility requirements as defined by GASB. Such amounts received but not yet earned are reported as unearned revenue.

Net Position

MPM's net position is classified as follows:

Net Investment in Capital Assets – This represents MPM's total investment in capital assets net of depreciation. There are no debts outstanding related to them.

Restricted – This represents resources restricted because they are constrained by external parties. Restricted net position includes grant proceeds received but not expended. As of June 30, 2017, restricted net position for radio and TV operations and programming was \$-0- compared to 32,858 in 2016.

Unrestricted – These represent resources derived from operations and investing activities which are available for use as management requires.

Classification of Revenue, Expenses, and Transfers

MPM has classified its revenue as either operating or nonoperating according to the following criteria:

Operating Revenue and Expense – Operating revenue and expense includes activities that have the characteristics of exchange transactions, such the proceeds from providing broadcast programming.

Nonoperating Revenue and Expense – Nonoperating revenue and expense includes activities that have the characteristics of nonexchange transactions, such as contributions and general appropriations from WSU.

Administrative Support and Facilities Provided by WSU

Administrative support from WSU consists of allocated institutional and physical plant expense incurred by WSU in support of MPM. Donated supplies and in-kind services are recorded at their estimated value as revenues and expenses in the period they are received. Donated facilities from WSU consist of office and studio space together with related occupancy costs, and are recorded as revenues and expenses at values determined using the methodology developed by the Corporation for Public Broadcasting (CPB).

Licensed Program Rights not yet Broadcast

Costs incurred for the majority of programs not yet broadcast relate to licensed program rights and programs acquired by MPM that are expected to be broadcast subsequent to year-end.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Economic Dependence

MPM is dependent upon funding from CPB, WSU, underwriters, and contributors.

Allocation of Costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated between program and supporting services based upon total direct costs or another systematic basis.

Risk Management

WSU participates in a state of Washington risk management self-insurance program. Premiums to the state are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. WSU assumes its potential liability and property losses for all properties except for auxiliary enterprise buildings and contents. WSU has elected to self-insure for unemployment compensation for all employees.

Tax Exemption

As a part of WSU, the operations of MPM are exempt from federal income tax on related income under the provisions of Section 115(a) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable were as follows at June 30:

	2017	2016
Northwest Public Affairs Network	\$ 35,801	\$ 30,711
Yakima Valley Community Info Connection	-	2,147
Total	\$ 35,801	\$ 32,858

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NOTE 3 CAPITAL ASSETS – EQUIPMENT

The following summarizes activity related to equipment as of June 30:

	2017			
	Balance, June 30, 2016	Additions	Transfers/ Disposals	Balance, June 30, 2017
Equipment	\$ 8,976,352	\$ 45,369	\$ (640,772)	\$ 8,380,949
Less: Accumulated Depreciation	(8,494,933)	(191,628)	640,772	(8,045,789)
Total	\$ 481,419	\$ (146,259)	\$ -	\$ 335,160
	2016			
	Balance, June 30, 2015	Additions	Transfers/ Disposals	Balance, June 30, 2016
Equipment	\$ 9,233,531	\$ 75,664	\$ (332,843)	\$ 8,976,352
Less: Accumulated Depreciation	(8,629,906)	(197,870)	332,843	(8,494,933)
Total	\$ 603,625	\$ (122,206)	\$ -	\$ 481,419

Equipment includes the following expenditures for broadcasting equipment obtained through grants from the U.S. Department of Commerce's Public Telecommunications Facilities Program:

Year Ending June 30,	Amount
2008	\$ 1,436,994
2009	(91,129)
2010	99,522
2011	186,529
2012	17,994
2013	-
2014	-
2015	-
2016	-
2017	-
Total	\$ 1,649,910

The federal government has a 10-year priority lien on any property purchased under these grants to assure continued use for public telecommunications. Ten years from the final close out of each grant, MPM receives complete ownership of the equipment.

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JUNE 30, 2017 AND 2016**

NOTE 4 PENSION PLANS

MPM employees are employees of WSU and participants in two retirement programs through WSU. WSU offers four contributory pension plans: the Washington State Public Employees Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS), and the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Department of Retirement Services, and the Washington State University Retirement Plan (WSURP), a defined contribution pension plan with a supplemental payment to beneficiaries when required. MPM has employees in two of these plans: PERS and WSURP.

Contribution rates and contributions for the above retirement plans for employees working in the department for the years ended June 30 are as follows:

	Required Contributions		Contribution Rates					
	2017	2016	2017			2016		
			PERS	Employee	WSU	Employee	WSU	
PERS	\$ 68,829	\$ 72,907	Plan 1	6.00%	11.18%	6.00%	11.18%	
WSURP	81,113	82,592	Plan 2	6.12%	11.18%	4.92%	11.18%	
TRS	10,857	6,611	Plan 3	5% - 15%	11.18%	5% - 15%	11.18%	

An actuarial valuation of the plans for MPM as an entity is not available. WSU issues a publicly available financial report that includes a pension note and supplementary information regarding the implementation of GASB 68 and GASB 73.

PERS, TRS, and LEOFF

Plan Description

PERS Plan 1 provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS 1 provides retirement and disability benefits, a lump-sum death benefit, and minimum benefit increases beginning at age 65 to certain eligible faculty hired prior to October 1, 1977. TRS 2 and 3 provide retirement benefits, a cost-of-living adjustment to certain eligible faculty hired on or after October 1, 1977. In addition, TRS 3 has a defined contribution component which is fully funded by employee contributions. Defined benefit plan benefits are vested after an employee completes five years of eligible service.

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NOTE 4 PENSION PLANS (CONTINUED)

PERS, TRS, and LEOFF (Continued)

Plan Description (Continue)

The authority to establish and amend benefit provisions resides with the legislature. The Washington State Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS, TRS, and LEOFF. The report may be obtained by writing to the Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration>.

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute. Under LEOFF, employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund the plan. All employers are required to contribute at the level established by state law.

Washington State University Retirement Plan

Plan Description

Faculty, professional, and other staff, are eligible to participate in the Washington State University Retirement Plan (WSURP), a single-employer tax-deferred defined contribution plan. The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

The plan has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. WSU makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a nonreduced supplemental payment after the age of 65 with 10 years of full-time service.

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NOTE 4 PENSION PLANS (CONTINUED)

Washington State University Retirement Plan (Continued)

Plan Description (Continued)

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

WSU's Board of Regents are authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

The WSURP supplemental pension benefits are calculated by the State Actuary using guidance from GASB 73 and the liability, expense, deferred inflows are accounted for at the University level. WSU makes no contributions other than benefit payments and there are no plan assets. An actuarial study of the supplemental pension benefits was performed as of June 30, 2017. The actuarial assumptions for the evaluation included an investment rate of return of 2.85%. The total actuarial accrued liability calculated at June 30, 2017, was \$89,414,276 under the plan's entry age normal method and the total liability was booked for for the year ended June 30, 2017 per GASB 73.

Contributions

Contribution rates for the WSURP (TIAA-CREF), which are based upon age, are 5%, 7.5%, or 10% of salary and are matched by WSU. Employee and employer contributions for the years ended June 30, 2017 and 2016 were \$24,432,454 and \$24,738,242, respectively. Supplemental payments made by WSU for the year ended June 30, 2017 were \$1,889,526.

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JUNE 30, 2017 AND 2016**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

During the 2008 fiscal year, WSU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of state and local governmental employers. GASB Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service. The statement also provides information about actuarial accrued liabilities (AAL) associated with OPEB and whether and to what extent progress is being made in funding the plan.

The state of Washington funds OPEB obligations at a statewide level on a pay-as-you-go basis. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. The state is ultimately responsible for the obligation; therefore, the annual required contribution (ARC) is not recorded on the MPM financial statements.

The state of Washington's Comprehensive Annual Financial Report (CAFR) includes the State's measurement and recognition of OPEB expense/expenditures, liabilities, note disclosures, and required supplemental information specified by GASB Statement No. 45.

NOTE 6 COMMITMENTS

Grant Commitments

During the fiscal year ended June 30, 2017, MPM received the following grant to fund specific projects as follows:

Yakima Valley Community Info Connection Phase II

This grant continues to support a Spanish-speaking reporter in the Yakima Valley area that was first underwritten by the Phase I grant that termed December 31, 2015 but extended in Phase II through December 1, 2018.

Northwest News Network

This grant replaces our past NPAN grant award to NWPR to fund reporters covering many geographical parts of our listening area. This grant termed June 30, 2017 with the final invoice paid in full in September of 2017. Now that payment has been received, the account will be de-allocated and closed.

Public Broadcasting Service Membership

In September 2017, MPM committed to pay \$357,578 to the Public Broadcasting System for continued membership and to acquire programming for the fiscal year ending June 30, 2018.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 6 COMMITMENTS (CONTINUED)

National Public Radio Membership

In September 2017, MPM committed to pay \$389,785 to National Public Radio for continued membership and to acquire programming for the one-year period ending September 30, 2018.

Lease Commitments and Total Rental Expense

MPM has leased sites, office space, and/or facilities to locate equipment necessary to support our statewide transmission of broadcast and microwave signals under various operating lease agreements that expire between June 30, 2017 and June 30, 2026. Those leases which have expired are under negotiation.

Future minimum rental commitments estimated from our contractual commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 173,391
2019	145,343
2020	107,187
2021	81,027
2022	39,921
Thereafter	188,801
Total	<u><u>\$ 735,670</u></u>

MPM's adjusted rent expense from the attached functional report for the years ended June 30, 2017 and 2016 was \$199,394 and \$210,465, respectively, not including the value of facility space donated by WSU.

NOTE 7 LONG-TERM DEBT

There are no aggregate scheduled principal and interest payments for future years, all contracts are paid in full.

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 INVESTMENT IN ENDOWMENT FUNDS

On November 30, 2004, Northwest Public Radio and KWSU/KTNW Public Television each established endowment funds with the Washington State University Foundation (Foundation). On November 7, 2002, KUGR Radio had an endowment fund established for them by William "Bill" Stowell with the Washington State University Foundation (Foundation). In May of 1999, the process was started to create the Geneva Simons Northwest Public Television Endowment, but in 2015 funds were deposited adding its value to our endowment accounts.

The investments are held by the Foundation in pools that include investments in various stocks, bonds, fixed income securities, real estate, and commodities. Distributions are made in accordance with the applicable investment policy and payment procedures of the Foundation. The policies of the Foundation are intended to maintain a perpetual fund, provide a stable source of support, and invest for total return and long-term growth.

The market value of the permanent endowments held by the WSU Foundation on behalf of Murrow Public Media is \$173,538 and \$210,465 as of June 30, 2017 and 2016, respectively.

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

Washington State University
Pullman, Washington

We have audited the financial statements of Murrow Public Media comprised of Northwest Public Radio, Northwest Public Television (KWSU/KTNW), KUGR Radio & Cable 8 TV (a public telecommunications system operated by Washington State University) as of and for the year ended June 30, 2017, and have issued our report thereon dated January 3, 2018, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 24 and 25 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Spokane, Washington
January 3, 2018

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,
NORTHWEST PUBLIC TELEVISION (KWSU/KTNW), KUGR RADIO & CABLE 8 TV
(A Public Telecommunications System Operated by Washington State University)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION ON A DEPARTMENTAL BASIS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Northwest Public Radio			Northwest Public Television			Combined Totals
	KUGR Radio	Radio	Total Radio	Broadcast	Cable 8-TV	Total Television	
OPERATING REVENUES							
Contract Revenue	\$ -	\$ 5,000	\$ 5,000	\$ 23,688	\$ -	\$ 23,688	\$ 28,688
Community Service Grants from the Corporation for							
Public Broadcasting	-	309,601	309,601	779,140	-	779,140	1,088,741
Other Operating Grants	-	145,020	145,020	-	-	-	145,020
Other Income	2,058	30,219	32,277	124,903	2,936	127,839	160,116
Total Operating Revenues	<u>2,058</u>	<u>489,840</u>	<u>491,898</u>	<u>927,731</u>	<u>2,936</u>	<u>930,667</u>	<u>1,422,565</u>
OPERATING EXPENSES							
Programming and Production	9,580	2,033,338	2,042,918	1,342,958	69,905	1,412,863	3,455,781
Broadcasting	-	507,065	507,065	374,430	-	374,430	881,495
Program Information	-	9,746	9,746	7,615	-	7,615	17,361
Management and General	-	220,692	220,692	238,744	-	238,744	459,436
Fundraising and Membership Development	-	811,400	811,400	160,063	-	160,063	971,463
Indirect Administrative and Facilities Support	1,276	484,743	486,019	287,379	9,459	296,838	782,857
Depreciation	3,084	73,018	76,102	43,309	72,217	115,526	191,628
Total Operating Expenses	<u>13,940</u>	<u>4,140,002</u>	<u>4,153,942</u>	<u>2,454,498</u>	<u>151,581</u>	<u>2,606,079</u>	<u>6,760,021</u>
OPERATING LOSS	(11,882)	(3,650,162)	(3,662,044)	(1,526,767)	(148,645)	(1,675,412)	(5,337,456)
NONOPERATING REVENUES							
General Appropriation from WSU	14,526	856,345	870,871	951,651	41,042	992,693	1,863,564
Donated Facilities and Administrative Support from WSU	1,276	484,743	486,019	287,379	9,459	296,838	782,857
Contributions and Underwriting	-	2,443,902	2,443,902	253,877	-	253,877	2,697,779
Total Nonoperating Revenues	<u>15,802</u>	<u>3,784,990</u>	<u>3,800,792</u>	<u>1,492,907</u>	<u>50,501</u>	<u>1,543,408</u>	<u>5,344,200</u>
CHANGES IN NET POSITION	<u>\$ 3,920</u>	<u>\$ 134,828</u>	<u>\$ 138,748</u>	<u>\$ (33,860)</u>	<u>\$ (98,144)</u>	<u>\$ (132,004)</u>	<u>\$ 6,744</u>

**MURROW PUBLIC MEDIA COMPRISED OF NORTHWEST PUBLIC RADIO,
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SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Program Services				Support Services			Total
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Fundraising and Membership	Total Support Services	
Salaries and Wages	\$ 1,335,885	\$ 286,463	\$ 225	\$ 1,622,573	\$ 325,698	\$ 450,450	\$ 776,148	\$ 2,398,721
Employee Benefits and Payroll Taxes	547,153	18,001	17	565,171	51,237	156,431	207,668	772,839
Program Production and Acquisitions	1,090,709	-	-	1,090,709	-	-	-	1,090,709
Program Distribution/Transport	1,681	114,064	-	115,745	-	-	-	115,745
Professional Services	36,748	-	-	36,748	61,750	3,500	65,250	101,998
Contract Services (Includes Telemarketing and Audience Research)	222,351	-	-	222,351	2,000	35,672	37,672	260,023
Membership Dues	5,392	-	-	5,392	1,877	8,462	10,339	15,731
Subscriptions and Publications	-	-	-	-	170	-	170	170
Office Supplies and Photocopying	4,267	-	148	4,415	770	934	1,704	6,119
Computer Supplies, Software, and Line Charges	42,531	81,577	5,599	129,707	108	6,091	6,199	135,906
Telephone and Facsimile	2,657	9,961	133	12,751	667	4,858	5,525	18,276
Postage and Shipping	307	430	413	1,150	42	21,533	21,575	22,725
Repairs and Maintenance	16,639	18,380	500	35,519	-	180	180	35,699
Printing, Publications, Advertising, and Direct Mail	2,373	-	10,326	12,699	-	31,242	31,242	43,941
Travel	34,668	8,038	-	42,706	14,718	20,683	35,401	78,107
Motor Vehicle Operations	1,021	50,618	-	51,639	-	465	465	52,104
Site Rent	807	193,499	-	194,306	-	11,875	11,875	206,181
Site Utilities	-	78,768	-	78,768	-	-	-	78,768
Interest Expense	-	-	-	-	-	-	-	-
Premiums	-	-	-	-	-	22,142	22,142	22,142
Bank Card Expense	13	-	-	13	2	25,685	25,687	25,700
Uncollectible Debts	-	-	-	-	-	(133)	(133)	(133)
On-Air Advertising Trades	-	-	-	-	-	167,931	167,931	167,931
General Program Support	57,494	2,241	-	59,735	397	2,286	2,683	62,418
Equipment Lease Payments	-	-	-	-	-	-	-	-
Operating Equipment	53,085	19,455	-	72,540	-	1,176	1,176	73,716
Total	3,455,781	881,495	17,361	4,354,637	459,436	971,463	1,430,899	5,785,536
Indirect Administrative and Facilities Support	467,611	119,277	2,349	589,237	62,168	131,452	193,620	782,857
Depreciation	102,197	89,431	-	191,628	-	-	-	191,628
Total	<u>\$ 4,025,589</u>	<u>\$ 1,090,203</u>	<u>\$ 19,710</u>	<u>\$ 5,135,502</u>	<u>\$ 521,604</u>	<u>\$ 1,102,915</u>	<u>\$ 1,624,519</u>	<u>\$ 6,760,021</u>