

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM Radio**

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2016 and 2015



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2016 AND 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees
Baltimore City Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Baltimore City Community College WBJC-FM Radio (the Station), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenue, expenses and change 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.

Auditor's 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 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 Station'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 Station'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.



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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, 2016 and 2015, and its changes in 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

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting segment of the Baltimore City Community College (BCCC) that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position, changes in financial position and cash flows of BCCC as of and for the years ended June 30, 2016 and 2015.

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.

Hunt Valley, Maryland
September 30, 2016

A handwritten signature in black ink that reads "S.B. & Company, LLC". The signature is written in a cursive, flowing style.

BALTIMORE CITY COMMUNITY COLLEGE WBJC-FM RADIO

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

In accordance with Governmental Accounting Standards Board (GASB), the management of Baltimore City Community College (BCCC or the College) presents this Management's Discussion and Analysis of the financial statements of the Baltimore City Community College WBJC-FM Radio (the Station) for the years ended June 30, 2016 and 2015.

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Station for the years ended June 30, 2016 and 2015 with 2014 for comparative purposes, and should be read in conjunction with the financial statements and notes thereto. This overview is required by GASB, by a primary government or component but is not required by the Station; however, management has elected to provide one. The MD&A, financial statements and notes thereto, are the responsibility of the Station's management. The Station is operated by Baltimore City Community College (a component unit of the State of Maryland) located in Baltimore City, Maryland.

Financial Highlights

The financial statements provide both short-term and long-term information about the Station's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of revenue, expenses, and change in net position that are designed to provide financial information about the activities of the Station presented on the accrual basis of accounting. The statement of net position provides information about the Station's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is one way to measure the Station's financial health. The statements of revenue, expenses, and change in net position present information about the change in the Station's net position, and the results of operations during the fiscal year. An increase or decrease in net position can be an indication of whether the Station's financial health is improving or deteriorating.

Pursuant to GASB, the Station's financial statements consist of the statement of net position; the statement of revenue, expenses, and change in net position; the statement of cash flows; and notes to the financial statements. In addition to the financial statements, the MD&A is included as supplementary information.

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Management’s Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Statement of Net position

One of the most important questions asked about the Station’s finances is, “Is the Station, as a whole, better or worse off as a result of the year’s activities?” The statement of net position and the statement of revenue, expenses, and change in net position report information on the Station as a whole and on its activities in a way that helps answer this question. When revenue and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenue and expenses may be thought of as the Station’s operating results. These two statements report the Station’s net position and changes in them. You can think of the Station’s net position, the difference between assets and liabilities, as one way to measure the Station’s financial health, or financial position. Over time, increases or decreases in the Station’s net position are one indication of whether its financial health is improving or deteriorating. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current fiscal year’s revenue and expenses are taken into account regardless of when cash is received or paid.

As of June 30, 2016, the Station’s financial health remains strong, with assets exceeding liabilities by \$2,696,712. This compares with total net position of \$2,659,984 and \$2,622,117, as of June 30, 2015 and 2014, respectively. The table below presents summary-level information of the Station’s assets, liabilities, and net position as of June 30, 2016, 2015 and 2014.

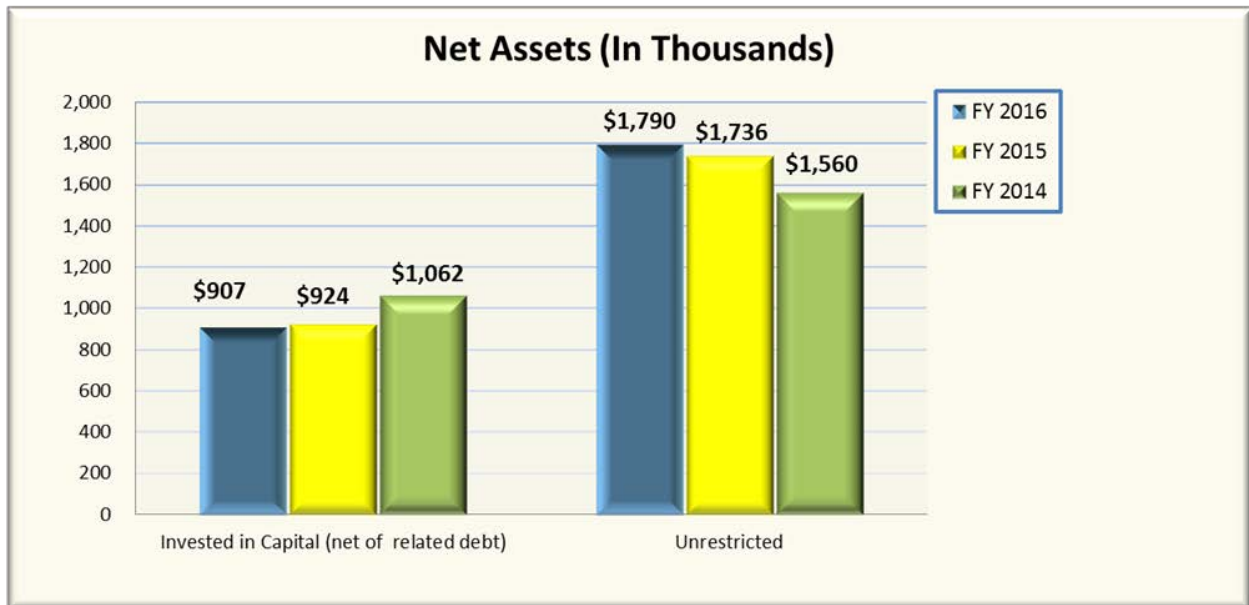
Condensed Statements of Net Position			
As of June 30			
	2016	2015	2014
Assets			
Current Assets	\$ 1,986,318	\$ 2,011,345	\$ 1,826,272
Non-Current Assets	947,395	972,684	1,102,494
Total Assets	2,933,713	2,984,029	2,928,766
Liabilities			
Current Liabilities	77,986	151,273	136,652
Non-Current Liabilities	159,015	172,772	169,997
Total Liabilities	237,001	324,045	306,649
Net Position			
Net investment in capital assets	906,946	924,168	1,061,645
Unrestricted	1,789,766	1,735,816	1,560,472
Total Net Position	\$ 2,696,712	\$ 2,659,984	\$ 2,622,117

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Management’s Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Statement of Net position (continued)

A review of the statements of net position reveal that the total net position of the Station increased by \$36,728 for the year ended June 30, 2016, compared to June 30, 2015. Total net position increased by \$37,867 for the year ended June 30, 2015, compared to June 30, 2014. Unrestricted net position represents the portion of assets, after factoring into account liabilities, which can be used to meet ongoing obligations and fund new initiatives.



Statement of Revenue, Expenses, and Changes in Net position

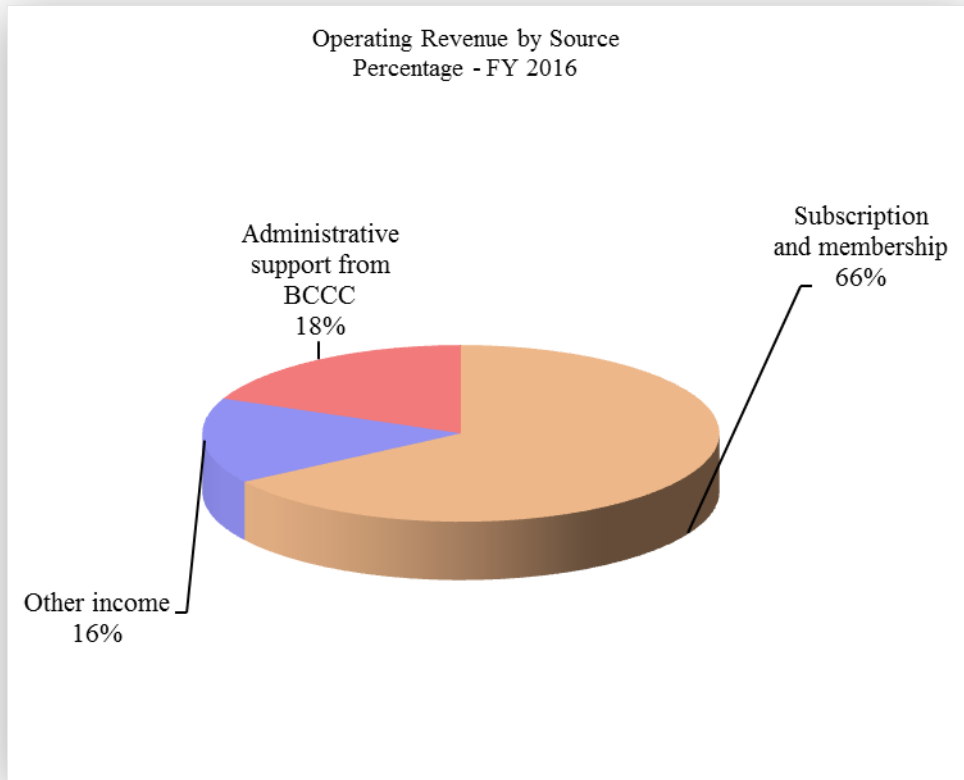
Changes in total net position as presented on the statements of net position are based on the activity presented in the statements of revenue, expenses, and changes in net position. The purpose of this statement is to present the revenue received by the Station, both operating and non-operating; the expenses paid by the Station, operating and non-operating; and any other revenue, expenses, gains and losses received or spent by the Station.

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Statement of Revenue, Expenses, and Changes in Net position (continued)

The following chart provides a graphical presentation of revenue by category for the 2016 fiscal year: (See accompanying table)



**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Statement of Revenue, Expenses, and Changes in Net position (continued)

The table below presents summary-level information on revenue, expenses, and other changes in the Station's net position for the years ended June 30, 2016, 2015 and 2014.

**Condensed Statements of Revenue, Expenses and Changes in Net position
Years Ended June 30**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenue			
Subscription and membership income	\$ 1,052,516	\$ 1,069,919	\$ 1,091,237
Other income	251,145	244,996	236,976
Administrative support from BCCC	296,887	288,349	286,091
Total operating revenue	<u>1,600,548</u>	<u>1,603,264</u>	<u>1,614,304</u>
Operating Expenses	<u>1,696,120</u>	<u>1,641,812</u>	<u>1,664,556</u>
Operating loss	<u>(95,572)</u>	<u>(38,548)</u>	<u>(50,252)</u>
Non-Operating Revenue (Expenses)			
Community service grant from Corporation for Public Broadcasting	154,578	152,010	147,673
Unrealized gain (loss) on investments	(8,067)	7,667	11,687
Other grants	75,789	86,738	64,465
Transfer to BCCC	(90,000)	(170,000)	(130,000)
Total non-operating revenue	<u>132,300</u>	<u>76,415</u>	<u>93,825</u>
Change in net position	<u>36,728</u>	<u>37,867</u>	<u>43,573</u>
Net Position, beginning of year	<u>2,659,984</u>	<u>2,622,117</u>	<u>2,578,544</u>
Net Position, End of Year	<u>\$ 2,696,712</u>	<u>\$ 2,659,984</u>	<u>\$ 2,622,117</u>

Operating Revenue

Operating revenue decreased by 0.2% or \$2,716, for fiscal year 2016, compared to fiscal year 2015. Operating revenue decreased by 0.7% or \$11,040, for the fiscal year ended June 30, 2015, when compared to fiscal year 2014.

**BALTIMORE CITY COMMUNITY COLLEGE
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**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Operating Revenue (continued)

Changes in operating revenue were due to the following factors:

- Subscription and membership revenue decreased by \$17,403 or 1.6% to \$1,052,516 for fiscal year 2016, compared to fiscal year 2015. Decrease in fiscal year 2016, is attributed to timing of receipts. Subscription and membership revenues decreased \$21,318 or 2.0% to \$1,069,919 for fiscal year 2015, compared to fiscal year 2014.
- Administrative support increased by \$8,538, for fiscal year 2016, compared to fiscal year 2015, and increased by \$2,258, for fiscal year 2015, compared to fiscal year 2014. Administrative support increases are due to increased indirect support from Baltimore City Community College for indirect services.
- Other income consists of underwriting, matching and miscellaneous income, which increased by \$6,149 to \$251,145 for fiscal year 2016, when compared to fiscal year 2015, and increased by \$8,020 to \$244,996 for fiscal year 2015, when compared to fiscal year 2014.

Non-Operating Revenue

Changes were due the following factors:

- The Community Service Grant (CSG) increased by \$2,568 and other grants decreased by \$10,949 for fiscal year 2016, when compared to fiscal year 2015. CSG increased by \$4,337 and other grants increased by \$22,273 for fiscal year 2015 when compared to fiscal year 2014. The CSG is based on the Federal formula applicable to the amount of Non-Federal Financial Support (NFFS) the Station received two years prior to the current fiscal year.

Operating Expenses

The Station has chosen to report the expenses in their functional classification on the statements of revenue, expenses, and changes in net position and has displayed the natural classification in the notes to the financial statements. Operating expenses are detailed by employee costs, other payments, and depreciation expense in the notes to the financial statements, in order to provide an alternative presentation of operating expenses.

**BALTIMORE CITY COMMUNITY COLLEGE
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**Management’s Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Operating Expenses (continued)

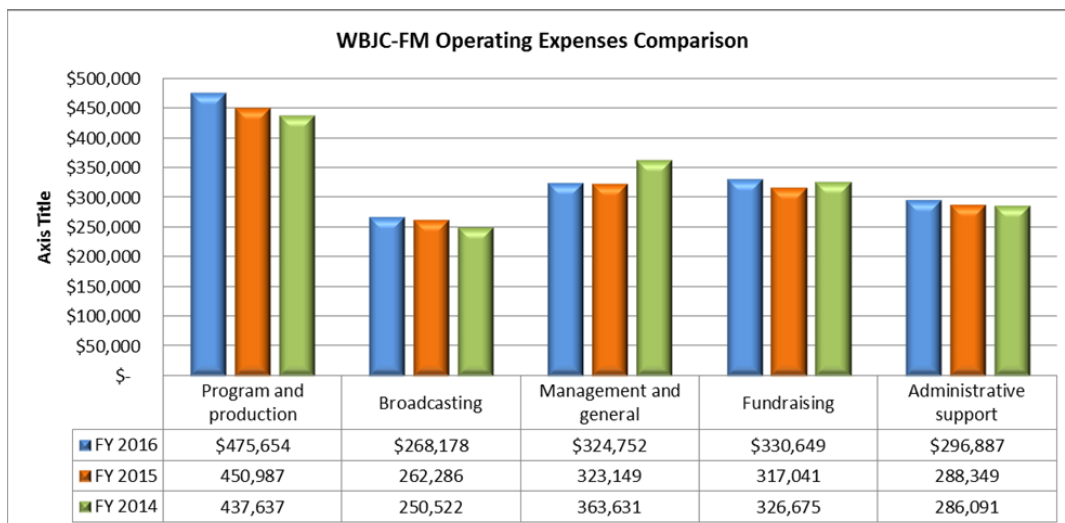
Operating expenses for the Station for the respective fiscal years are shown in the following table:

	Years Ended June 30		
	2016	2015	2014
Program and production	\$ 475,654	\$ 450,987	\$ 437,637
Broadcasting	268,178	262,286	250,522
Management and general	324,752	323,149	363,631
Fundraising	330,649	317,041	326,675
Administrative support	296,887	288,349	286,091
Total Operating Expenses	\$ 1,696,120	\$ 1,641,812	\$ 1,664,556

Operating expenses in fiscal year 2016 amounted to \$1.7 million, reflecting a net increase of \$54,308, when compared to fiscal year 2015. In comparison, operating expenses in fiscal year 2015 amounted to \$1.6 million, reflecting a net decrease of \$22,744, when compared to fiscal year 2014. Changes were the result of the following factors:

- Small increase in the administrative support from the College,
- Increase in salaries and benefits,
- Increase in depreciation,
- Increase in contractual services.

The following chart provides a graphical presentation of expenses by category for fiscal years 2016, 2015, and 2014:



**BALTIMORE CITY COMMUNITY COLLEGE
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**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Statement of Cash Flows

Another way to assess the Station's financial health is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows,
- An entity's ability to meet its obligations as they come due,
- An entity's need for external financing.

A summary of the Station's cash flows for the years ended June 30, 2016, 2015 and 2014, are presented in the following table:

Condensed Statements of Cash Flows

	Years Ended June 30		
	2016	2015	2014
Cash provided by (used in):			
Operating activities	\$ (157,979)	\$ 2,663	\$ 54,702
Noncapital financing activities	140,367	68,748	82,138
Capital and related financing activities	(11,998)	113,635	(8,990)
Net change in cash	(29,610)	185,046	127,850
Cash, beginning of year	1,995,779	1,810,733	1,682,883
Cash, End of Year	\$ 1,966,169	\$ 1,995,779	\$ 1,810,733

During fiscal year 2016, cash used in operating activities increased by \$160,642, cash provided by noncapital financing activities increased by \$71,619, cash used in capital and related financing activities increased by \$125,633 for an overall decrease in cash of \$29,610 compared to 2015. During fiscal year 2015, cash provided by operating activities decreased by \$52,039, cash provided by noncapital financing activities decreased by \$13,390, and cash used in capital and related financing activities increased by \$122,625, for an overall increase in cash of \$185,046 compared to 2014. The overall increase in cash in fiscal year 2015 was partially attributed to a one time refund of \$120,050 from the Tower.

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Capital Assets

The Station is required to depreciate capital assets. The Station recognized \$29,220 of depreciation expense for the 2016 fiscal year, compared to \$23,842 and \$36,568 of depreciation expense for fiscal years 2015 and 2014, respectively. Refer to the notes to the financial statements for additional information on capital asset activity.

**Summary Information
Capital Assets, Net**

	As of June 30,		
	2016	2015	2014
Capital assets:			
Furniture, fixtures and equipment	\$ 2,087,074	\$ 2,075,076	\$ 2,188,711
Less: accumulated depreciation	1,180,128	1,150,908	1,127,066
Net Capital Assets	\$ 906,946	\$ 924,168	\$ 1,061,645

Requests for Information

The MD&A is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of the financial position and activities of the WBJC-FM Radio Station. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Vice President for Business and Finance, 2901 Liberty Heights Avenue, Baltimore, Maryland 21215.

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Statements of Net Position
As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 1,966,169	\$ 1,995,779
Other current assets	20,149	15,566
Total Current Assets	<u>1,986,318</u>	<u>2,011,345</u>
Non-Current Assets		
Capital assets, net	906,946	924,168
Investments	40,449	48,516
Total Non-Current Assets	<u>947,395</u>	<u>972,684</u>
Total Assets	<u>2,933,713</u>	<u>2,984,029</u>
LIABILITIES		
Current Liabilities		
Accounts payable-trade	25,813	32,620
Accrued compensated absences	9,762	11,052
Accrued payroll	25,795	59,785
Due to other funds	15,000	45,000
Accrued expenses	1,616	2,816
Total Current Liabilities	<u>77,986</u>	<u>151,273</u>
Non-Current Liabilities		
Accrued compensated absences	159,015	172,772
Total Liabilities	<u>237,001</u>	<u>324,045</u>
Net Position		
Net investment in capital assets	906,946	924,168
Unrestricted	1,789,766	1,735,816
Total Net Position	<u>\$ 2,696,712</u>	<u>\$ 2,659,984</u>

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

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Statements of Revenue, Expenses, and Change in Net Position
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenue		
Subscription and membership income	\$ 1,052,516	\$ 1,069,919
Other income	251,145	244,996
Administrative support from BCCC	296,887	288,349
Total Operating Revenue	<u>1,600,548</u>	<u>1,603,264</u>
Operating Expenses		
Program Services:		
Programming and production	475,654	450,987
Broadcasting	268,178	262,286
Total program services	<u>743,832</u>	<u>713,273</u>
Support Services:		
Management and general	324,752	323,149
Fundraising	330,649	317,041
Administrative support from BCCC	296,887	288,349
Total support services	<u>952,288</u>	<u>928,539</u>
Total Operating Expenses	<u>1,696,120</u>	<u>1,641,812</u>
Operating loss	<u>(95,572)</u>	<u>(38,548)</u>
Non-Operating Revenue (Expenses)		
Community service grant from Corporation for Public Broadcasting	154,578	152,010
Unrealized (loss) gain on investments	(8,067)	7,667
Other grants	75,789	86,738
Transfer to BCCC	(90,000)	(170,000)
Total Non-Operating Revenue	<u>132,300</u>	<u>76,415</u>
Change in net position	36,728	37,867
Net position, beginning of year	2,659,984	2,622,117
Net Position, End of Year	<u>\$ 2,696,712</u>	<u>\$ 2,659,984</u>

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

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Cash Flows from Operating Activities		
Subscription and membership receipts	\$ 1,052,516	\$ 1,069,919
Other receipts	251,145	244,996
Payments to employees	(1,015,107)	(991,505)
Payments to suppliers and contractors	(446,533)	(320,747)
Net Cash from Operating Activities	(157,979)	2,663
Cash Flows from Noncapital Financing Activities		
Transfer to Baltimore City Community College	(90,000)	(170,000)
Community Service Grant from Corporation for Public Broadcasting	154,578	152,010
Other grants receipts	75,789	86,738
Net Cash from Noncapital Financing Activities	140,367	68,748
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(11,998)	(6,415)
Refund from DGS - Tower Project	-	120,050
Net Cash from Capital and Related Financing Activities	(11,998)	113,635
Net change in cash	(29,610)	185,046
Cash, beginning of year	1,995,779	1,810,733
Cash, End of Year	\$ 1,966,169	\$ 1,995,779
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (95,572)	\$ (38,548)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	29,220	23,842
Effect of change in non-cash operating assets and liabilities:		
Other assets	(4,583)	(27)
Accounts payable - trade	(6,807)	(5,306)
Accrued compensated absences	(15,047)	3,351
Accrued payroll	(33,990)	11,029
Due to other funds	(30,000)	15,000
Accrued expenses	(1,200)	(6,678)
Net Cash from Operating Activities	\$ (157,979)	\$ 2,663

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

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Notes to the Financial Statements
June 30, 2016 and 2015**

1. REPORTING ENTITY

The WBJC-FM Radio Station (the Station or WBJC) is operated by Baltimore City Community College (the College or BCCC) (a component unit of the State of Maryland), located in Baltimore City, Maryland. The College is governed by its Board of Trustees (the Board); the Board is appointed by the Governor of the State of Maryland (the State), with the advice and consent of the Maryland State Senate. The Station is operated as a separate department of the College. Accordingly, the Station's financial statements are combined and reported in the College's financial statements for the years ended June 30, 2016, and 2015. The Station's financial statements as of and for the years ended June 30, 2016, and 2015, are intended to present that portion of the College's financial position, and the change in financial position and cash flows, that are attributable to the Station's transactions.

Relationship with the College

Administrative support from Baltimore City Community College consists of allocated financial costs and certain other expenses incurred by the College on behalf of the Station, and are reported as operating revenue and expenses in accordance with valuation guidelines prescribed by the Corporation for Public Broadcasting. Revenue and expenses for administrative support totaling \$296,887 and \$288,349, were reported for the years ended June 30, 2016, and 2015, respectively. This allocation from the College is not necessarily representative of the Station's cost as if they were a stand-alone entity and could significantly change in the future.

The Station's accompanying financial statements are not indicative of the Station as if it were a stand-alone entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Notes to the Financial Statements
June 30, 2016 and 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Station to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies as of 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.

Reclassification

Certain amounts have been reclassified from their 2015 balances to conform to the 2016 presentation.

Investments

Investments with readily determinable fair market values are reported at fair market value in the statements of net position. Gains and losses on investments for the year are reported in the statement of revenue, expenses and changes in net position as part of investment income (loss).

Inventories

Inventories are stated at lower of cost or market. Cost is determined using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation. The Station's capitalization policy includes all equipment with a unit cost of \$100 or more, and an estimated useful life of greater than one year. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. The useful lives of the following categories of capital assets are as follows:

Transmission antenna	40 years
Studio and other equipment	5-15 years
Furniture and fixtures	5-15 years

**BALTIMORE CITY COMMUNITY COLLEGE
WBJC-FM RADIO**

**Notes to the Financial Statements
June 30, 2016 and 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Compensated absences are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the statements of net position and as a component of the appropriate functional category of expense in the statement of revenue, expenses, and changes in net position.

Classification of Revenue and Expenses

The Station has classified its revenue as either operating or non-operating according to the following criteria:

(1) *Operating*

Operating revenue includes activities that have the characteristics of exchange transactions, such as subscription and membership income and other income.

(2) *Non-operating*

Non-operating revenue include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by generally accepted accounting principles, such as community service grant from Corporation of Public Broadcasting, and other grants.

Risk Management

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 and illnesses of employees; and natural disasters. The Station, through the College, participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and antitrust liabilities, and certain employee health benefits.

The State allocates the cost of providing claims servicing and claims payment by charging a "premium" to the College based on a percentage of the College's estimated current-year payroll or based on the average loss experienced by the College. This charge considers recent trends in actual claims experience of the State as a whole and makes provisions for catastrophic losses.

**BALTIMORE CITY COMMUNITY COLLEGE
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**Notes to the Financial Statements
June 30, 2016 and 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Pronouncements

In 2016, the Station adopted Governmental Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB 67 and 68*, GASB No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB No. 79, *Certain External Investment Pools and Pool Participants*. There are no significant changes to the financials from the adoption of above GASB statements.

Implementation of Accounting Pronouncements

As of the year ended June 30, 2016, GASB issued GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB No. 77, *Tax Abatement Disclosures*, GASB No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB No. 80, *Blending Requirements for Certain Component Units – and amendment of GASB Statement No. 14*, GASB No. 81, *Irrevocable Split-Interest Agreements*, and GASB No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. These statements may have a material effect on the Station's financial statements once implemented. The Station will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

3. CASH

As of June 30, 2016 and 2015, the Station had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$1,965,064 and \$1,986,739, respectively. The Treasurer has statutory responsibility for the State's cash management activities. The Treasurer maintains these and other State agency funds on a pooled basis in accordance with State statutes. As of June 30, 2016 and 2015, the Station's amount due from the Treasurer was less than 1% of total deposits with the Treasurer. For additional information on cash risk, see the State of Maryland Comprehensive Annual Financial Report for the year ended June 30, 2016.

Cash of June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash in Bank	\$ 1,105	\$ 9,040
Held by Treasurer	<u>1,965,064</u>	<u>1,986,739</u>
Total Cash	<u><u>\$ 1,966,169</u></u>	<u><u>\$ 1,995,779</u></u>

Cash in the bank was fully covered by deposit insurance.

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**Notes to the Financial Statements
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4. INVESTMENTS

The Station categorizes its fair value measurements 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, 2016 and 2015:

	2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual stock funds	\$ 13,102	\$ 13,102	\$ -	\$ -
Stock	27,036	27,036	-	-
Bonds	311	311	-	-
Total Investments	\$ 40,449	\$ 40,449	\$ -	\$ -
	2015			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual stock funds	\$ 27,648	\$ 27,648	\$ -	\$ -
Stock	20,562	20,562	-	-
Bonds	306	306	-	-
Total Investments	\$ 48,516	\$ 48,516	\$ 48,516	\$ -

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4. INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Station adheres to the State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates.

The State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the State Treasurer will not directly invest in securities maturing more than five years from the date of purchase.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Station's policy for reducing its exposure to credit risk is to comply with the State Treasurer's policy, which requires that the State Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Station's policy for reducing this risk of loss is to comply with the State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Station's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institutions' trust department or agent but not in the Station's name. The Station does not have a formal deposit policy for custodial credit risk, but follows the State Treasurer's policy which states that the State Treasurer may deposit in a financial institution in the State, any unexpended or surplus money in which the State Treasurer has custody. As of June 30, 2016 and 2015, 99% of the Station's cash was deposited with the State Treasury and was not subject to custodial risk.

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5. CAPITAL ASSETS

Below are the changes in capital assets at historical costs for the years ended June 30, 2016 and 2015:

	<u>Balance as of June 30, 2015</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance as of June 30, 2016</u>
Capital Assets				
Furniture, fixtures and equipment (includes Tower and Antenna)	\$ 2,075,076	\$ 11,998	\$ -	\$ 2,087,074
Less: Accumulated Depreciation	1,150,908	29,220	-	1,180,128
Capital Assets, Net	<u>\$ 924,168</u>	<u>\$ (17,222)</u>	<u>\$ -</u>	<u>\$ 906,946</u>
	<u>Balance as of June 30, 2014</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance as of June 30, 2015</u>
Capital Assets				
Furniture, fixtures and equipment (includes Tower and Antenna)	\$ 2,188,711	\$ 6,415	\$ (120,050)	\$ 2,075,076
Less: Accumulated Depreciation	1,127,066	23,842	-	1,150,908
Capital Assets, Net	<u>\$ 1,061,645</u>	<u>\$ (17,427)</u>	<u>\$ (120,050)</u>	<u>\$ 924,168</u>

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**Notes to the Financial Statements
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6. NONCURRENT LIABILITIES

Changes in noncurrent liabilities consisted of the following for the years ended June 30, 2016 and 2015:

	<u>Balance as of June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2016</u>	<u>Amount Due Within One Year</u>
Accrued compensated absences	\$ 183,824	\$ 67,519	\$ (82,566)	\$ 168,777	\$ 9,762

	<u>Balance as of June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2015</u>	<u>Amount Due Within One Year</u>
Accrued compensated absences	\$ 180,473	\$ 58,504	\$ (55,153)	\$ 183,824	\$ 11,052

7. RETIREMENT PLANS

Certain employees of the College are provided with pensions through the Employees Retirement System of the State of Maryland (ERS) - a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of TPS and ERS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

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8. COMMITMENTS

The Station entered into an operating lease agreement for the use of certain real estate. The Station currently subleases portions of the real estate.

Future minimum lease payments under non-cancelable operating leases were as follows as of June 30, 2016:

<u>Years Ending June 30,</u>	<u>Minimum Annual Lease Payments</u>	<u>Annual Operating Rental Income</u>
2017	\$ 19,337	\$ 16,806
2018	19,917	1,400
2019	20,515	-
2020	21,130	-
2021	21,764	-
Thereafter	41,562	-
Total	<u>\$ 144,225</u>	<u>\$ 18,206</u>

Lease expense for the years ended June 30, 2016 and 2015, was \$94,239 and \$93,202, respectively.

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9. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

WBJC operating expenses by functional classification were as follows for the years ended June 30, 2016 and 2015:

2016					
Natural Classification					
	Payments to			Administrative	
	Payments to	Suppliers and	Depreciation	Support BCCC	Total
	Employees	Contractors			
Programming and production	\$ 418,790	\$ 56,864	\$ -	\$ -	\$ 475,654
Broadcasting	185,934	82,244	-	-	268,178
Management and general	162,232	133,300	29,220	-	324,752
Fundraising	248,151	82,498	-	-	330,649
Administrative support from BCCC	-	-	-	296,887	296,887
TOTAL	\$ 1,015,107	\$ 354,906	\$ 29,220	\$ 296,887	\$ 1,696,120

2015					
Natural Classification					
	Payments to			Administrative	
	Payments to	Suppliers and	Depreciation	Support BCCC	Total
	Employees	Contractors			
Programming and production	\$ 402,324	\$ 48,663	\$ -	\$ -	\$ 450,987
Broadcasting	181,723	80,563	-	-	262,286
Management and general	166,472	132,835	23,842	-	323,149
Fundraising	240,986	76,055	-	-	317,041
Administrative support from BCCC	-	-	-	288,349	288,349
TOTAL	\$ 991,505	\$ 338,116	\$ 23,842	\$ 288,349	\$ 1,641,812