

Eastern Michigan University WEMU-FM

Financial Report

June 30, 2021

Eastern Michigan University WEMU-FM

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Independent Auditor's Report

To the Board of Regents
Eastern Michigan University WEMU-FM

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Michigan University WEMU-FM (the "Station" or WEMU), a department of Eastern Michigan University, as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Eastern Michigan University WEMU-FM's basic financial statements, as listed in the table of contents.

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 opinions 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Michigan University WEMU-FM as of June 30, 2021 and 2020 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only the department of Eastern Michigan University WEMU-FM and do not purport to, and do not, present fairly the financial position of Eastern Michigan University as of June 30, 2021; the changes in its financial position; and the changes in its cash flows thereof for the year 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.

To the Board of Regents
Eastern Michigan University WEMU-FM

Other Matter

Management has omitted the required supplemental information related to the adoption of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75, which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the 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, which 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 supplemental 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.

Plante & Moran, PLLC

February 4, 2022

Management's Discussion and Analysis (Unaudited) (Continued)

This section of Eastern Michigan University WEMU-FM's (the "Station" or "WEMU") annual financial report presents management's discussion and analysis of the financial performance of the Station during the fiscal years ended June 30, 2021, 2020, and 2019. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, notes, and this discussion are the responsibility of the Station's management.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the Station's operations were also impacted, including shifting to a remote work environment during 2020 and 2021, and eliminating non-essential travel. The following sections will discuss further the specific impacts related in the financial statements for the years ending June 30, 2021 and 2020.

Using the Annual Financial Report

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. In 2015, the Station adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Station reported a liability of \$257,723, \$263,145, and \$272,119 for its allocated share of the University's net pension liability at June 30, 2021, 2020, and 2019, respectively. In 2018, the Station adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The Station reported a liability of \$15,966, \$35,720, and \$49,707 for its allocated share of the University's Other Postemployment Benefits (OPEB) liability at June 30, 2021, 2020 and 2019, respectively. The Station had deferred outflows consisting of \$20,156, \$19,286, and \$21,826 primarily in University pension and OPEB contributions subsequent to the measurement date of the accrued actuarial pension obligation at June 30, 2021, 2020, and 2019, respectively. In addition, at June 30, 2021, 2020, and 2019, the Station had deferred inflows consisting of \$4,404, \$10,047, and \$18,502, respectively, in the net difference between projected and actual earnings on pension and OPEB plan investments in respect to the fair value of pension and OPEB obligations.

The financial statements prescribed by GASB statements (the statement of net position, statement of revenue, expenses, and changes in net position, and statement of cash flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statement of net position includes all assets and liabilities. Over time, increases or decreases in net position (the difference between assets and liabilities) are one indicator of the improvement or erosion of the Station's financial health when considered with nonfinancial facts such as the condition of facilities.

Management's Discussion and Analysis (Unaudited) (Continued)

The statement of revenue, expenses, and changes in net position presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public radio station's dependency upon gifts could result in operating deficits because the financial reporting model classifies gifts as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature.

Condensed Statement of Net Position
(in thousands)

	June 30		
	2021	2020	2019
Assets			
Current assets	\$ 418	\$ 79	\$ 105
Noncurrent assets	100	100	100
Total assets	518	179	205
Deferred Outflows of Resources	20	19	22
Liabilities			
Current liabilities	155	162	-
Noncurrent liabilities	510	554	741
Total liabilities	665	716	741
Deferred Inflows of Resources	4	10	19
Net Position			
Net investment in capital assets	100	100	100
Restricted - Expendable	145	192	204
Unrestricted (deficit)	(376)	(820)	(837)
Total net position	<u>\$ (131)</u>	<u>\$ (528)</u>	<u>\$ (533)</u>

Management's Discussion and Analysis (Unaudited) (Continued)

Condensed Statement of Revenue, Expenses, and Changes in Net Position
(in thousands)

	Year Ended June 30		
	2021	2020	2019
Operating Revenue			
Grants from Corporation for Public Broadcasting	\$ 133	\$ 137	\$ 145
Rental income	28	28	25
Total operating revenue	161	165	170
Operating Expenses			
Program services:			
Programming and production	798	1,102	1,213
Broadcasting	43	93	102
Program information	33	49	54
Support services:			
Fundraising	35	145	160
Management	294	279	307
Total operating expenses	1,203	1,668	1,835
Operating Loss	(1,042)	(1,503)	(1,665)
Nonoperating Revenue			
General appropriations from the University	258	367	357
Administrative support from the University	188	293	522
Contributions	765	773	697
Invoice forgiveness	74	-	-
Stabilization funds from Corporation for Public Broadcasting	154	75	-
Total nonoperating revenue	1,439	1,508	1,576
Change in Net Position	397	5	(90)
Net Position - Beginning of year	(528)	(533)	(443)
Net Position - End of year	<u>\$ (131)</u>	<u>\$ (528)</u>	<u>\$ (533)</u>

Management's Discussion and Analysis (Unaudited) (Continued)

Noteworthy Financial Activity

Significant components of the radio station's financial condition include:

- The Station's total assets as of June 30, 2021 increased versus the prior year approximately \$339,000, primarily due to an increase in Cash (\$346,000) and a decrease in Accounts Receivable (\$7,000). Investment in capital assets was \$100,000 as of June 30, 2021. The Station's total assets as of June 30, 2020 decreased approximately \$37,000, primarily due to Cash (\$24,000) and Accounts Receivable (\$13,000).
- In 2021, liabilities decreased approximately \$51,000, primarily due to decreases in Compensated Absences (\$7,000), Accounts Payable (\$151,000), Due to EMU (\$11,000), Pension Obligation (\$5,000) and OPEB Obligation (\$20,000) offset by the addition of the Paycheck Protection Program Loan (\$143,000). In 2020, liabilities decreased approximately \$37,000, primarily due to the Station's decrease in Accrued Payroll & Compensated Absences (\$14,000) as well as a decrease in its Pension Obligation (\$9,000) and the Station's OPEB Obligation (\$14,000).
- In 2021, operating revenue decreased approximately \$4,000, primarily due to a decrease in Grants from the Corporation for Public Broadcasting (\$4,000). In 2020, operating revenue decreased approximately \$5,000, primarily due to a decrease in Grants from the Corporation for Public Broadcasting (\$7,000) offset by an increase in Rental Revenue (\$2,000).
- In 2021, non-operating revenue decreased approximately \$70,000, primarily due to decreases in General Appropriations (\$109,000), Administrative Support (\$105,000), Contributions (\$9,000) offset by the addition of Invoice Forgiveness (\$74,000) and an increase in Stabilization funds from Corporation for Public Broadcasting (\$79,000). In 2020, non-operating revenue decreased approximately \$67,000 primarily due to a decrease in Administrative Support (\$229,000) as a result of changes in to the Indirect Administrative Support calculation, offset by an increase in General Appropriations (\$10,000), Contributions (\$77,000) and Stabilization funds from Corporation for Public Broadcasting (\$75,000).
- In 2021, operating expenses decreased approximately \$466,000, primarily due to a reduction in Program Services (\$372,000), and Fundraising (\$110,000) offset by an increase in Management Support (\$16,000). In 2020, operating expenses decreased approximately \$167,000, primarily due to decreases in Program Services (\$124,000), Fundraising (\$15,000) and Management Support (\$28,000).

Management's Discussion and Analysis (Unaudited) (Continued)

Condensed Statement of Cash Flows
(in thousands)

	Year Ended June 30		
	2021	2020	2019
Cash (Used in) Provided by			
Operating activities	\$ (1,154)	\$ (1,515)	\$ (1,671)
Noncapital financing activities	1,501	1,502	1,587
Net Increase (Decrease) in Cash	347	(13)	(84)
Cash - Beginning of year	-	13	97
Cash - End of year	<u><u>\$ 347</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13</u></u>

Looking Ahead

In fiscal year 2021, the second year of the ongoing pandemic, the station continued in its goal to reduce reliance on General Fund support while providing real-time news coverage, interviews and updates, and music that listeners appreciated when 'news fatigue' became overwhelming.

WEMU listeners responded with a 32% increase in audience numbers, a market share of 3, and fundraising totals that matched the previous year.

WEMU reduced expenses and stabilized its budget thanks to a second stimulus grant and a PPE loan that covered full-time payroll for six months. The station was unable to resume its community events but continued to showcase newsmakers and musicians on-air.

In fiscal year 2022, WEMU will continue its aggressive audience building and fundraising strategies with increased focus on corporate and foundation gifts and a continued heavy emphasis on recruiting and retaining first-time and lapsed donors. While traditional outreach is still suspended, the staff is working on more online and social media options to reach out to prospective listeners and lapsed donors.

WEMU will also need to fill three full-time positions in FY22, due to two staff departures and one staff death.

WEMU's technical issues were fewer than in previous years, thanks to regular maintenance and diligence from the part time engineer. Aging equipment and infrastructure continues to be a concern. WEMU has begun looking into replacement costs and potential funders for critical equipment needs including digital control boards, a remote control for the transmitters, and, eventually, a new transmitter.

Thanks to an investment from Eastern Michigan University, WEMU was able to upgrade its news software system, ENCO, which also strengthened cyber security.

WEMU remains committed to serve the University's mission of public service through programming, community support, civic engagement, and free public service announcements to nonprofits and arts organizations. Based on listener feedback, WEMU has played a critical role in supplying the community with critical and relevant information about the pandemic and will continue to do so through FY22 and beyond.

Eastern Michigan University WEMU-FM

Statement of Net Position

	June 30	
	2021	2020
Assets		
Current assets:		
Cash	\$ 346,563	\$ -
Accounts receivable from the University	71,627	78,868
Total current assets	418,190	78,868
Noncurrent assets - Property and equipment - Net (Note 3)	100,000	100,000
Total assets	518,190	178,868
Deferred Outflows of Resources (Note 5)	20,156	19,286
Liabilities		
Current liabilities:		
Accounts payable (Note 7)	155,431	150,481
Due to Eastern Michigan University	-	10,942
Total current liabilities	155,431	161,423
Noncurrent liabilities:		
Compensated absences	71,627	78,868
Accounts payable (Note 7)	21,289	176,720
Paycheck Protection Program Loan (Note 8)	142,745	-
Pension obligation	257,723	263,145
OPEB obligation	15,966	35,720
Total noncurrent liabilities	509,350	554,453
Total liabilities	664,781	715,876
Deferred Inflows of Resources (Note 5)	4,404	10,047
Net Position		
Net investment in capital assets	100,000	100,000
Restricted - Expendable	145,289	192,317
Unrestricted (Deficit)	(376,128)	(820,086)
Total net position	<u>\$ (130,839)</u>	<u>\$ (527,769)</u>

Eastern Michigan University WEMU-FM

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2021	2020
Operating Revenue		
Grants from Corporation for Public Broadcasting	\$ 133,467	\$ 137,472
Rental income	27,603	27,603
Total operating revenue	161,070	165,075
Operating Expenses		
Program services:		
Programming and production	797,738	1,102,170
Broadcasting	41,365	92,916
Program information	33,430	48,713
Support services:		
Fundraising	35,351	145,466
Management	294,612	278,923
Total operating expenses	1,202,496	1,668,188
Operating Loss	(1,041,426)	(1,503,113)
Nonoperating Revenue		
General appropriations from the University	258,196	366,924
Administrative support from the University	188,196	292,858
Contributions	764,499	773,521
Invoice forgiveness (Note 7)	73,700	-
Stabilization funds from Corporation for Public Broadcasting	153,765	75,000
Total nonoperating revenue	1,438,356	1,508,303
Change in Net Position	396,930	5,190
Net Position - Beginning of year	(527,769)	(532,959)
Net Position - End of year	\$ (130,839)	\$ (527,769)

Eastern Michigan University WEMU-FM

Statement of Cash Flows

	Year Ended June 30	
	2021	2020
Cash Flows from Operating Activities		
Cash received from Corporation for Public Broadcasting	\$ 133,467	\$ 137,472
Cash received from tower leases	27,603	27,603
Cash paid for programming services	(1,070,086)	(1,266,771)
Cash paid for management and fundraising	(234,367)	(413,436)
Net cash used in operating activities	(1,143,383)	(1,515,132)
Cash Flows from Noncapital Financing Activities		
Cash received from University appropriations	240,742	361,009
Cash received from administrative support	188,196	292,858
Public Broadcasting stabilization funds	153,765	75,000
Paycheck Protection Program loan proceeds	142,745	-
Contributions received	764,498	773,521
Net cash provided by noncapital financing activities	1,489,946	1,502,388
Net Increase (Decrease) in Cash	346,563	(12,744)
Cash - Beginning of year	-	12,744
Cash - End of year	\$ 346,563	\$ -
Reconciliation of Operating Loss to Net Cash used in Operating Activities		
Operating loss	\$ (1,041,426)	\$ (1,503,113)
Adjustments to reconcile operating loss to net cash from operating activities:		
Changes in assets and liabilities:		
Accounts receivable - Net	7,241	21,261
Accrued compensated absences	(7,241)	(21,261)
Accounts payable	(76,781)	
Due to Eastern Michigan University	-	10,942
Net pension obligation and related deferred inflows and outflows	(5,422)	(8,974)
Net OPEB obligation and related deferred inflows and outflows	(19,754)	(13,987)
Total changes in assets and liabilities	(101,957)	(12,019)
Net cash used in operating activities	\$ (1,143,383)	\$ (1,515,132)

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2021 and 2020

Note 1 - Organization

Eastern Michigan University WEMU-FM (the “Station” or “WEMU”) is a public telecommunications radio station licensed to Eastern Michigan University (the “University”). WEMU serves the Washtenaw County radio market with a mission to participate in the educational and public service purposes of the University by providing programming which addresses the needs and the interests of the Station’s coverage area.

WEMU is owned and operated by the University and does not have separate legal status or existence. The financial position, support, revenue, and expenditures of WEMU are included in the University’s financial statements.

Note 2 - Basis of Presentation and Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and is presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 63. WEMU follows the “business-type” activities requirements of GASB Statement No. 34. This approach requires the following components of WEMU’s financial statements:

- Management’s Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements

The GASB established standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into three net position categories according to externally imposed restrictions.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2021 and 2020

Note 2 - Basis of Presentation and Significant Accounting Policies (Continued)

The three net position categories are as follows:

- **Net Investment in Capital Assets** - Includes capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted - Expendable** - Includes net position whose whole use is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted** - Includes net position not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

Cash - Cash is held in Eastern Michigan University funds. The amounts reflected in the accompanying statement of net position represent the net amounts due to the Station from the University's pooled cash system.

Property and Equipment - Property and equipment are recorded at cost or, if acquired by gift, at the fair value as of the date of donation. Depreciation is computed on the straight-line method over the estimated service lives (5 to 15 years) of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Compensated Absences - Compensated absences include sick leave, annual leave, and compensatory time accrued by station employees per University policy and paid by the University. It is the University's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for unpaid accumulated sick leave since the University does have a policy to pay half of any amounts accumulated when eligible employees retire from the University. All vacation pay is accrued when incurred. A receivable from the University and a liability is reported for these amounts as of year-end.

General Appropriations from the University - General appropriations from the University consist of certain payroll and other direct expenses paid by the University on behalf of WEMU. Because the University pays for WEMU's compensated absences, a receivable from the University has been established in the statement of net position in the amount of accrued compensated absences.

Indirect Administrative Support - A portion of the University's general overhead costs relates to and benefits WEMU. Such items include administration, utilities, maintenance, repairs, and other institutional support expenditures of the University. These services were provided without cost and have been allocated to WEMU. The fair value of these services is reported as revenue (administrative support from the University) and expenditures in the accompanying statement of revenue, expenses, and changes in net position.

Note 2 - Basis of Presentation and Significant Accounting Policies (Continued)

Contributions and Grants - Unrestricted gifts are recognized as revenue when received.

WEMU receives an annual community service grant from the Corporation for Public Broadcasting. These funds may be used at the discretion of WEMU and are reported as restricted grant revenue in the accompanying financial statements.

Allocation of Expenditures - Expenditures are reported by their functional classification. Accordingly, certain expenditures for facility operations, institutional support, interest, and depreciation have been allocated to functional classifications based on the time devoted to these activities.

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

Deferred Outflows - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows are related to pension and OPEB obligations described in Note 5.

Deferred Inflows - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows are related to the pension and OPEB plans described in Note 5.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Note 2 - Basis of Presentation and Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs - For purposes of measuring the net other employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPSERS and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

COVID-19 Impact: On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and “shelter-at-home” guidelines for individuals. As a result, the global economy has been negatively affected, and the Station's operations were also impacted. Due to the “shelter-at-home” guidelines during 2021 and 2020, the Station shifted to a remote work environment and cancelled all non-essential travel. To offset the financial impact, the Station received \$153,765 and \$75,000 in stabilization funds from the Corporation for Public Broadcasting during the years ended June 30, 2021 and 2020, respectively. The Corporation for Public Broadcasting received the funds through the American Rescue Act (ARP) and Coronavirus Aid, Relief, and Economic Security (CARES) Act and there are no purpose or timing restrictions on the funds. WEMU recognized revenue when the funds were received. The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Station's community, all of which are uncertain and cannot be predicted.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2021 and 2020

Note 3 - Property and Equipment

Property and equipment at June 30, 2021 and 2020 consist of the following:

	2020	Additions	Retirement	2021
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Transmitter and tower	288,800	-	-	288,800
Studio and technical equipment	140,797	-	-	140,797
Furniture, fixture, and equipment	126,813	-	-	126,813
Subtotal	656,410	-	-	656,410
Less accumulated depreciation	(556,410)	-	-	(556,410)
Net property and equipment	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
	2019	Additions	Retirement	2020
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Transmitter and tower	288,800	-	-	288,800
Studio and technical equipment	140,797	-	-	140,797
Furniture, fixture, and equipment	126,813	-	-	126,813
Subtotal	656,410	-	-	656,410
Less accumulated depreciation	(556,410)	-	-	(556,410)
Net property and equipment	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>

Note 4 - Retirement Benefits and Compensated Absences

Through December 31, 1995, the University offered participation in one of two retirement plans for all qualified employees: The Michigan Public School Employees' Retirement System (MPERS) and the Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). The MPERS plan is further discussed in Note 5.

Defined Contribution Plan

TIAA-CREF is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee benefits generally vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. For the years ended June 30, 2021, 2020, and 2019, WEMU-FM contributed approximately \$24,000, \$36,000, and \$40,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contributions under the TIAA-CREF plan.

Note 4 - Retirement Benefits and Compensated Absences (Continued)

The University provides termination benefits upon retirement resulting from unused sick days. The University calculates its sick pay liability in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The University established a policy to eliminate sick leave accruals and retirement payouts for certain employees. The policy also includes a short-term disability plan to provide income protection for certain employees unable to work for an extended period because of nonwork-related illness or period of incapacity. The Station's portion of this liability is \$71,627 and \$78,868 as of June 30, 2021 and 2020, respectively.

Note 5 - Michigan Public School Employees' Retirement System

Plan Description - The Station, through the University, participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the University hired in 1996 or earlier. Certain University employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>. Separate pension information related to the Station's employees included in this plan is not available.

Benefits Provided - Benefit provisions of the defined benefit pension plan and the postemployment healthcare plan (OPEB) are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPERS offers the option of participating in the defined contribution plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPERS, with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions - Public Act 300 of 1980, as amended, requires the University to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent contribution and instead, opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

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Notes to Financial Statements June 30, 2021 and 2020

Note 5 - Michigan Public School Employees' Retirement System (Continued)

The University's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	<u>Pension</u>	<u>OPEB</u>
October 1, 2018 - September 30, 2019	19.74% - 25.03%	5.99% - 6.42%
October 1, 2019 - September 30, 2020	19.74% - 26.03%	5.99% - 6.57%
October 1, 2020 - September 30, 2021	19.74% - 26.26%	5.99% - 6.91%

Depending on the plan selected, member pension contributions range from 0 percent up to 7 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The University's required and actual pension contributions to the plan for the year ended June 30, 2021 and 2020 were \$6,583,734 and \$6,003,732, respectively, which include the University's contributions required for those members with a defined contribution benefit. The University's required and actual pension contributions include an allocation of \$1,297,944 and \$628,466 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021 and 2020, respectively.

The University's required and actual OPEB contributions to the plan for the years ended June 30, 2021 and 2020 were \$1,551,089 and \$1,553,094, respectively. These amounts include the University's contributions required for those members with a defined contribution benefit.

As a result of the above requirements, WEMU records an allocation of the University's required and actual contributions to the plan for the years ended June 30, 2021 and 2020, which was approximately \$25,000 (\$20,000 for pension and \$5,000 for OPEB) and \$23,000 (\$19,000 for pension and \$4,000 for OPEB), respectively.

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability - At June 30, 2021 and 2020, the Station reported a liability of \$257,723 and \$263,145, respectively, for its allocated share of the University's net pension liability. The net pension liability was measured as of September 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 and 2018, which used updated procedures to roll forward the estimated liability to September 30, 2020 and 2019. The University's proportion of the MPSERS net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. The amount the University allocated to the Station is based on the Station's current year contributions to the Plan, as a percentage of the University's total current year contributions to the Plan. At September 30, 2020, 2019, and 2018, the Station's allocation was 0.31, 0.31, and 0.34 percent, respectively, of the University's proportionate share.

Net OPEB Liability - At June 30, 2021 and 2020, the Station reported a liability of \$15,966 and \$35,720, respectively, for its allocated share of the University's OPEB liability. The net OPEB liability was measured as of September 30, 2020 and 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019 and 2018, which used updated procedures to roll forward the estimated liability to September 30, 2020. The University's proportion of the MPSERS net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. The amount the University allocated to the Station is based on the Station's current year contributions to the Plan, as a percentage of the University's total current year contributions to the Plan. At September 30, 2020, 2019, and 2018, the Station's allocation was 0.31, 0.31, 0.34 percent, respectively, of the University's proportionate share.

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Notes to Financial Statements June 30, 2021 and 2020

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Pension Expense and Deferrals of Resources Related to Pensions - For the years ended June 30, 2021 and 2020, WEMU recognized a pension expense of \$15,381 and \$28,314, respectively. At June 30, 2021 and 2020, WEMU reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	328	-	-	(4,762)
Changes in proportion and differences between University contributions and proportionate share of contributions	-	-	-	-
Total amortized deferrals	328	-	-	(4,762)
University contributions subsequent to the measurement date	15,911	-	14,713	-
Total	\$ 16,239	\$ -	\$ 14,713	\$ (4,762)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2022	\$ (1,801)
2023	(47)
2024	(1,424)
2025	656
Total	<u>\$ (2,615)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2021).

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2021 and 2020

Note 5 - Michigan Public School Employees' Retirement System (Continued)

OPEB Expense and Deferrals of Resources Related to OPEB - For the years ended June 30, 2021 and 2020, WEMU recognized OPEB recovery of \$16,186 and recovery of \$7,461, respectively. At June 30, 2021 and 2020, WEMU reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Difference between expected and actual experience	\$ -	\$ (435)	\$ -	\$ (2,206)
Changes in assumptions	78	-	887	-
Net difference between projected and actual earnings on pension plan investments	324	-	-	(1,101)
Changes in proportion and differences between University contributions and proportionate share of contributions	-	(4)	9	(8)
Total amortized deferrals	402	(439)	896	(3,314)
University contributions subsequent to the measurement date	3,515	-	3,677	-
Total	\$ 3,917	\$ (439)	\$ 4,573	\$ (3,314)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB were recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and therefore will not be included in future pension expense):

Years Ending June 30	Amount
2021	\$ (715)
2022	(82)
2023	(394)
2024	208
Total	\$ (982)

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2021 and 2020 is based on the results of an actuarial valuation as of September 30, 2020 and September 30, 2019, and rolled forward. The following actuarial assumptions applied to all periods included in the measurement:

As of September 30, 2019:

Actuarial cost method		Entry age normal cost actuarial method
Investment rate of return - Pension	6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75 - 11.55%	Including wage inflation of 2.75%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.0% Year 12
Mortality basis	Retirees & Active	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

As of September 30, 2018:

Actuarial cost method		Entry age normal cost actuarial method
Investment rate of return - Pension	6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75 - 11.55%	Including wage inflation of 2.75%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.0% Year 12
Mortality basis	Retirees & Active	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

Assumption changes as a result of an experience study for the periods 2012 to 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care trend rate of 0.50 percentage points and the actual per person health benefit costs were lower the projected. There were no significant change in assumptions for the pension actuarial valuation. There were no significant terms changes for the pension and OPEB plans since the prior measurement date of September 30, 2019.

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Notes to Financial Statements June 30, 2021 and 2020

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.80 percent as of September 30, 2020 and 2019. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Plan Year September 30, 2020		Plan Year September 30, 2019	
	Long-term Expected		Long-term Expected	
	Target	Real Rate of	Target	Real Rate of
	Allocation	Return	Allocation	Return
Domestic equity pools	25.0%	5.6%	28.0%	5.7%
Private equity pools	16.0%	9.3%	18.0%	9.2%
International equity pools	15.0%	7.4%	16.0%	7.2%
Fixed-income pools	10.5%	50.0%	10.5%	50.0%
Real estate and infrastructure pools	10.0%	4.9%	10.0%	3.9%
Absolute return pools	9.0%	3.2%	15.5%	5.2%
Real return/opportunities pools	12.5%	6.6%	0.0%	0.0%
Short-term investment pools	2.0%	-0.1%	2.0%	0.0%
Total	100%		100%	

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Notes to Financial Statements June 30, 2021 and 2020

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the University, calculated using the discount rate depending on the plan option. The following also reflects what the University's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2021		
	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Station's proportionate share of the net pension liability - June 30, 2021	\$ 302,036	\$ 257,723	\$ 219,933
	2020		
	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Station's proportionate share of the net pension liability - June 30, 2020	\$ 309,838	\$ 263,145	\$ 223,366

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the University, calculated using the current discount rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2021		
	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
Station's proportionate share of the net OPEB liability - June 30, 2021	\$ 23,868	\$ 15,966	\$ 9,230
	2020		
	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
Station's proportionate share of the net OPEB liability - June 30, 2020	\$ 44,886	\$ 35,720	\$ 27,916

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Notes to Financial Statements June 30, 2021 and 2020

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

- The following presents the net OPEB liability of the University, calculated using the current healthcare cost trend rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

2021			
	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Station's proportionate share of the net OPEB liability - June 30, 2021	\$ 8,786	\$ 15,966	\$ 24,182
2020			
	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Station's proportionate share of the net OPEB liability - June 30, 2020	\$ 27,390	\$ 35,720	\$ 45,264

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Note 6 - Nonfederal Financial Support (NFFS)

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

Calculated in accordance with CPB guidelines, the combined network reported total NFFS of \$1,184,120 and \$1,427,938 for the years ended June 30, 2021 and 2020, respectively.

Note 7 – Invoice Forgiveness

During 2020, WEMU discovered certain unrecorded accounts payable invoices from periods before 2019 totaling approximately \$327,000. During 2020, WEMU entered into an agreement with the third-party vendor, which outlined WEMU was to repay approximately \$180,000 of the unpaid invoices at certain dates starting on September 30, 2020. As those payments are made, the third-party vendor will forgive approximately \$147,000 of the unpaid invoices. If the payments are not made at the proper dates, the invoices will not be forgiven.

During 2021, under the terms of the agreement, WEMU paid \$76,780 of the unpaid invoices and recognized nonoperating revenue of \$73,700 for the invoices forgiven. As of June 30, 2021, the total remaining amount of unpaid and unforgiven invoices totaled approximately \$177,000 of which approximately \$103,000 will be repaid and approximately \$74,000 will be forgiven as payments are made.

Note 8 – Paycheck Protection Program Loan

During the year ended June 30, 2021, WEMU received a Paycheck Protection Program (PPP) loan in the amount of \$142,745. The PPP Loan program was created under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. WEMU may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of five years with interest accruing at a rate of 0.98 percent, with monthly payments of principal and interest beginning ten months after the conclusion of the covered period. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would be approximately \$2,400 during the repayment period.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels.

WEMU has not submitted a request for forgiveness as of the date the financial statements were available to be issued, however, WEMU expects to submit a request for forgiveness for the entire loan balance in 2022. There can be no assurance that any portion of the PPP Loan will be forgiven.