

WIUM-FM/WIUW-FM RADIO  
A PUBLIC TELECOMMUNICATIONS ENTITY  
OPERATED BY WESTERN ILLINOIS UNIVERSITY  
Macomb, Illinois

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2016 and 2015

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## Independent Auditors' Report

Board of Trustees of Western Illinois University  
WIUM-FM/WIUW-FM Radio  
Macomb, Illinois

We have audited the accompanying financial statements of WIUM-FM/WIUW-FM Radio (the Radio Station), a public telecommunications entity operated by Western Illinois University (the University), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Radio Station's 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 WIUM-FM/WIUW-FM Radio as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note A, the financial statements of WIUM-FM/WIUW-FM Radio, a public telecommunications entity operated by Western Illinois University, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities of Western Illinois University that is attributable to the transactions of WIUM-FM/WIUW-FM Radio. They do not purport to, and do not, present fairly the financial position of Western Illinois University as of June 30, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Radio Station's basic financial statements. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The information in the "Supplementary Information" is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended for the information and use of the Western Illinois University Board of Trustees and management and for filing with the Corporation for Public Broadcasting. This information is not intended to be used and should not be used by anyone other than these specified parties.

*Eck, Schafer & Puntke, LLP*

Springfield, Illinois  
January 13, 2017

WIUM-FM/WIUW-FM RADIO  
A PUBLIC TELECOMMUNICATIONS ENTITY  
OPERATED BY WESTERN ILLINOIS UNIVERSITY  
Macomb, Illinois

FINANCIAL STATEMENTS  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 WIUM-FM/WIUW-FM Radio as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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*Eck, Schaefer & Puntke, LLP*

Springfield, Illinois  
January 13, 2017



WIUM-FM/WIUW-FM Radio  
(A Component Unit of Western Illinois University)  
Management's Discussion and Analysis  
Year Ended June 30, 2016

This section of the WIUM-FM/WIUW-FM Radio (the Radio Station), a public telecommunications entity operated by Western Illinois University, annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the Radio Station during the fiscal year ended June 30, 2016. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis are designed to focus on current activities, resulting change and current known facts. The financial statements, footnotes and this discussion are the responsibility of the Radio Station's management.

***Using the Financial Report***

The Radio Station's annual report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements focus on the financial position, changes in financial position and cash flows of the Radio Station as a whole. They are prepared on the accrual basis of accounting. Assets and liabilities are categorized as current (due within one year) or noncurrent (due in greater than one year). Current year revenues and expenses are recognized when earned or incurred, regardless of when cash is exchanged. Revenues and expenses are reported as either operating or nonoperating. Significant recurring sources of the Radio Station's revenues, including State appropriations and contributions, are nonoperating as defined by GASB. Depreciation is considered an operating expense and capital assets are reported at cost less accumulated depreciation.

***Statement of Net Position***

The Statement of Net Position presents the financial position of the Radio Station at the end of the fiscal year and includes all assets and liabilities. The difference between total assets and total liabilities, net position, is one indicator of the financial condition of the Radio Station. The Radio Station's net position are divided into four major categories, as follows: (1) net investment in capital assets (provides the Radio Station's equity in capital assets); (2) restricted expendable (available for expenditure by the Radio Station but must be spent for purposes as determined by law, donors and/or external entities that have placed time or purpose restrictions on the use of the assets); (3) restricted nonexpendable (endowed funds where the donors have stipulated, as a condition of the gift instrument, that the principal be maintained in perpetuity and invested for the purpose of producing income, which either may be expended or added to principal); and (4) unrestricted (available to the Radio Station for any lawful purpose).

A comparative summary of the condensed Statement of Net Position for the years ended June 30, 2016, 2015 and 2014 is as follows:

Condensed Statements of Net Position as of June 30, 2016, 2015, and 2014			
	2016	2015	2014
<b>ASSETS</b>			
Current Assets	\$ 259,586	\$ 400,488	\$ 375,526
Investments	1,956,079	2,057,119	2,107,294
Capital Assets, net	587,700	664,804	762,212
Total Assets	<u>2,803,365</u>	<u>3,122,411</u>	<u>3,245,032</u>
<b>LIABILITIES</b>			
Current Liabilities	113,603	233,600	146,116
Total Liabilities	<u>113,603</u>	<u>233,600</u>	<u>146,116</u>
<b>NET POSITION</b>			
Net Investment in capital assets	587,700	664,804	762,212
Restricted-nonexpendable	88,846	95,645	100,377
Unrestricted	2,013,216	2,128,362	2,236,327
Total Net Position	<u>\$ 2,689,762</u>	<u>\$ 2,888,811</u>	<u>\$ 3,098,916</u>

The Radio Station's financial position continues to remain strong at June 30, 2016 with assets of \$2.8 million and liabilities of \$114 thousand. Net position, the difference between total assets and total liabilities, decreased \$200 thousand or 6.9% in 2016 and decreased \$210 thousand or 6.8% in 2015, from the previous year.

Total assets decreased \$319 thousand to \$2.8 million during fiscal year 2016 and decreased \$123 thousand to \$3.1 million during fiscal year 2015. The decrease for fiscal year 2016 is primarily due to a decrease in cash, decrease in the fair market value of investments and a decrease in net capital assets.

Total liabilities decreased during fiscal year 2016 due to expenditures made on previous year deferred revenue. Total liabilities increased during fiscal year 2015 due to grants that were received and much of the revenue was deferred.

### *Statement of Revenues, Expenses and Changes in Net Position*

The Statement of Revenues, Expenses and Changes in Net Position presents the Radio Station's changes in financial position. Revenues and expenses are classified as operating or nonoperating. The Radio Station's dependency on State appropriations and gifts/contributions usually results in operating deficits because the financial reporting model classifies these revenue sources as nonoperating.

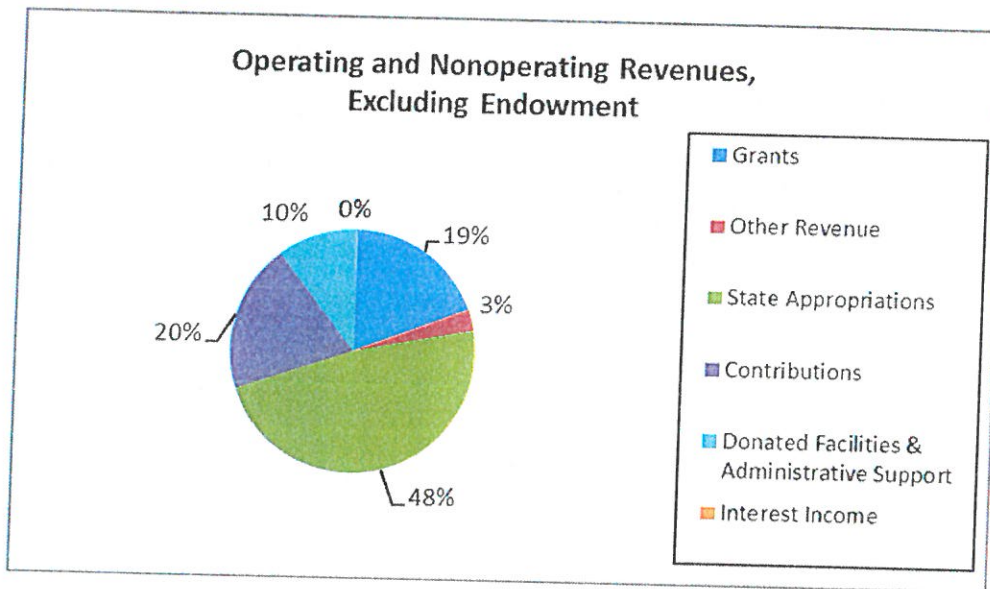
A comparative summary of the condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Total operating revenues	\$ 327,739	\$ 296,398	\$ 311,007
Total operating expenses	(1,626,988)	(1,775,848)	(1,554,193)
Net operating loss	(1,299,249)	(1,479,450)	(1,243,186)
Nonoperating revenues, excluding endowment gain (loss)	1,160,337	1,285,040	1,364,387
Endowment gain (loss)	(60,137)	(15,695)	203,780
Change in net position	(199,049)	(210,105)	324,981
Net position, beginning of year	2,888,811	3,098,916	2,773,935
Net position, end of year	\$ 2,689,762	\$ 2,888,811	\$ 3,098,916

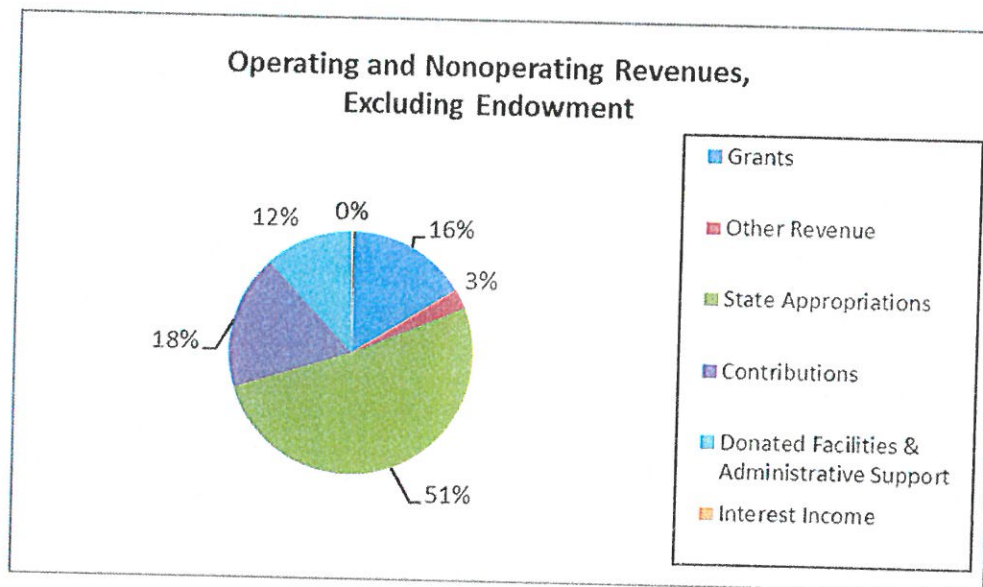
Total nonendowment revenue decreased \$93 thousand or 5.9% in fiscal year 2016 and decreased \$94 thousand or 5.6% in fiscal year 2015. The decrease in fiscal year 2016 is primarily due to a decrease in State appropriations and grant revenues. The decrease in fiscal year 2015 is primarily due to a decrease in contributions. The endowment loss in fiscal years 2016 and 2015 are due to a decrease in the fair market value of the portfolio.

Total nonendowment expenses decreased 149 thousand or 8.4% in fiscal year 2016 and increased \$222 or 14.3% in fiscal year 2015. The fiscal year 2016 decrease is primarily due to a decrease in salaries and associated fringe benefits, indirect support, travel and conferences, and depreciation. The fiscal year 2015 increase is primarily due to an increase in salaries and associated fringe benefits, indirect support, travel and conferences, and depreciation offset slightly by a decrease in program acquisitions.

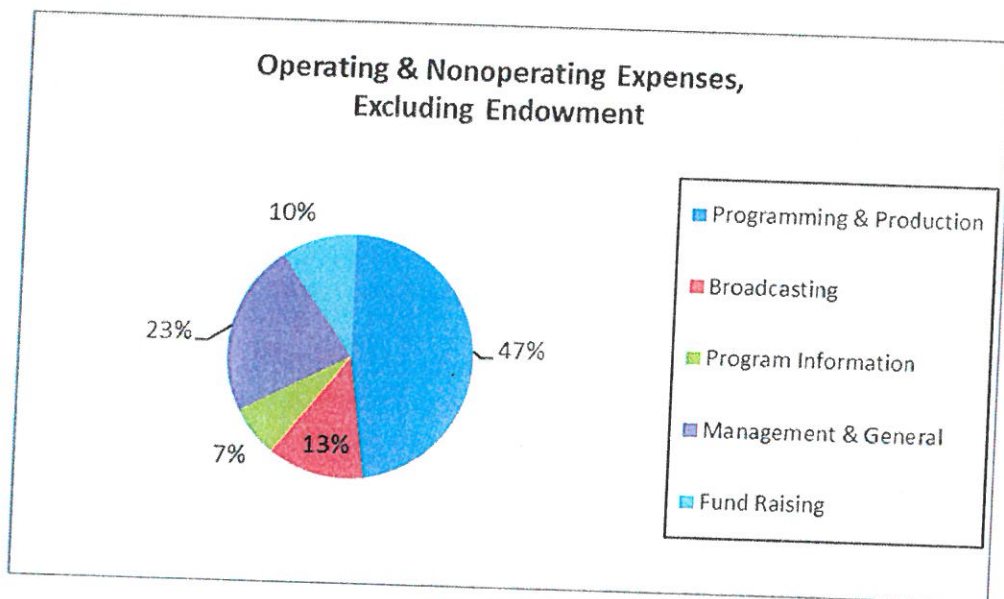
For the fiscal year ended June 30, 2016, all sources of nonendowment revenue totaled \$1.49 million. The following is a graphical illustration of revenue by source.



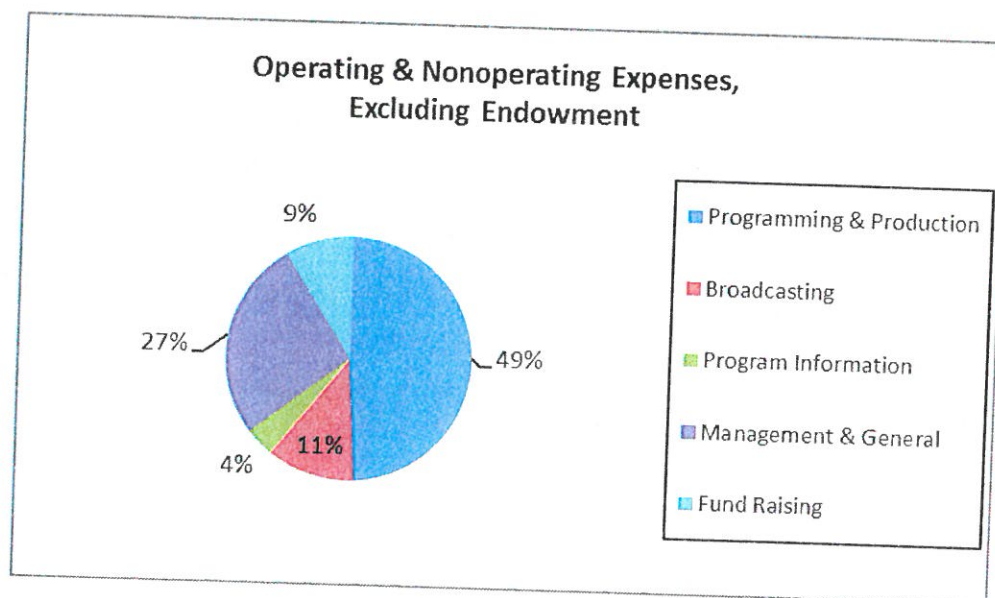
For the fiscal year ended June 30, 2015, all sources of nonendowment revenue totaled \$1.58 million. The following is a graphical illustration of revenue by source.



For the fiscal year ended June 30, 2016, nonendowment expenses totaled \$1.63 million. The following is a graphical illustration of expenses.



For the fiscal year ended June 30, 2015, nonendowment expenses totaled \$1.78 million. The following is a graphical illustration of expenses.



## *Statement of Cash Flows*

The Statement of Cash Flows presents information related to the Radio Station's cash receipts and disbursements during the fiscal year. This provides an assessment of the Radio Station's ability to generate future cash flows and meet obligations as they come due.

A comparative summary of the condensed Statements of Cash Flows for the years ended June 30, 2016, 2015 and 2014 is as follows:

<b>Condensed Statements of Cash Flows</b> <b>For the Years Ended June 30, 2016, 2015, and 2014</b>			
	2016	2015	2014
Cash provided (used) by:			
Operating activities	\$ (932,755)	\$ (825,574)	\$ (826,517)
Noncapital financing activities	750,133	810,919	933,061
Capital and related financing activities	-	-	(5,727)
Investing activities	40,005	38,267	(137,354)
Change in cash and cash equivalents	(142,617)	23,612	(36,537)
Cash and cash equivalents, beginning of year	367,695	344,083	380,620
<b>Cash and cash equivalents, end of year</b>	<b>\$ 225,078</b>	<b>\$ 367,695</b>	<b>\$ 344,083</b>

Major sources for operating activities were grants and contracts. Payments for employee salaries and benefits, and goods and services continue to comprise the major use of operating funds. Total cash provided by operating activities decreased \$142 thousand in fiscal year 2016. This was due to a decrease in grant revenues received. Total cash used by operating activities decreased by \$34 thousand in fiscal year 2016. There was a decrease in payments for employee salaries and benefits, supplies and travel offset slightly by an increase in payments for professional fees.

Cash inflows from noncapital financing activities consist of State appropriations and contributions. State appropriations decreased \$78 thousand in fiscal year 2016. The State appropriations provide for employee salaries and benefits. Cash contributions increased \$17 thousand in fiscal year 2016.

Capital and related financing activities fluctuations are due to the purchase of capital assets.

Cash used by investing activities consist of purchases of investments and cash provided by investing activities is related to sales of investments and interest. Interest has been negligible over the past few years.



### ***Capital Assets***

At the end of fiscal year 2016, the Radio Station had \$1.88 million invested in capital assets, and accumulated depreciation of \$1.29 million. Depreciation expense for fiscal year 2016 was \$77 thousand. At the end of fiscal year 2015, the Radio Station had \$1.88 million invested in capital assets, and accumulated depreciation of \$1.21. Depreciation expense for fiscal year 2015 was \$97 thousand.

### ***Radio Station's Economic Outlook***

As a rural public radio station, the Radio Station grapples with circumstances urban stations rarely experience: a coverage area with fewer potential listeners spread over a wider geographic area; fewer media outlets forcing it to be more things to more people; limited audience research; a smaller and less diverse talent pool from which to draw; and due to fewer listeners, more difficulty in garnering the local membership and business support needed to sustain and grow the station. Accordingly, the ability of the Radio Station to fulfill its mission of service to the rural region it serves will continue to be most directly influenced by three factors: (1) its relationship with its licensee, Western Illinois University, which provides significant administrative support and covers salaries and benefits for 9 of 13 of its full-time employees, (2) the continued availability of federal grant funding to support programming and operational expenses, (3) restoration of state grants that were zeroed out during fiscal year 2015 and (4) the ability to cost-effectively expand the reach of the station, raise more revenue, and continue to justify financial support from WIU and state and federal funding sources.

Western Illinois University values its public radio service as a considerable asset to its public service mission. Fiscal year 2016 support from the University remained strong, albeit reduced from previous years, reflective of the continued support of salaries and benefits for 9 of the Radio Station's 13 employees. The possibility of additional reductions in state funding to Western Illinois University as a whole, and in turn to the Radio Station, is a serious and imminent concern for the near future.

While direct grants from the state of Illinois have been suspended after trending downward for several years, Corporation for Public Broadcasting (CPB) grants have remained fairly stable. As a rural service, the Radio Station qualifies for targeted CPB funding initiatives. The Radio Station expects to continue to qualify for funds targeted to support rural stations as long as those programs are in place. Increasing audience and private fundraising will be necessary to continue to meet CPB expectations. CPB also is actively pushing smaller stations to increase in audience size, staff and private fundraising efforts in order to reach a sustainable critical mass. As of yet, CPB has not defined what that size is. The Radio Station must actively be a part of that discussion as best practices develop.

Since establishing an endowment account in 1991, the Radio Station has conserved cash whenever possible. Leadership and staff believe that increasing the endowment is a prudent way to provide funds to ensure the Radio Station's long-term financial stability in the face of major operational or emergency (for example, storm damage to a tower) expenditures or possibly pursue growth opportunities should they arise. Reduced University and State funding, along with increased costs has made it difficult to add to the endowment in the past two fiscal years.

The Radio Station's studios are housed in a relatively new facility and the conversion to digital technology is complete. The Radio Station made a substantial investment in the physical plants of its transmitter sites in recent years. The next major capital expenditure that is on the horizon is replacing the tower at Warsaw, but this is projected to be at least 20 years down the road.

Going forward, federal funding legislation may impact grants from the Corporation for Public Broadcasting, which in turn, may impact the Radio Station's budget for programming and operational expenses, including staffing. Further, changing economic conditions will continue to impact the underwriting and membership fundraising efforts of the station. The Radio Station already has expanded its primary service area to include Galesburg and Burlington in recent years. The Radio Station has seen some success in attracting listeners, members and underwriters proportional to the increased population in the -60 dBu contour with these additions. That progress needs to continue and increase in speed. Expansion to a new area that still is consistent with the geographic tri-state region is a priority in fiscal years 2017 and 2018.

We remain cautiously optimistic that support from Western Illinois University and the Corporation for Public Broadcasting can be maintained at a level to keep the Radio Station well positioned to serve the tri-state region for the foreseeable future.

WIUM-FM/WIUW-FM Radio  
A Public Telecommunications Entity  
Operated by Western Illinois University

STATEMENTS OF NET POSITION

June 30

ASSETS	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Interest in pooled cash and cash equivalents	\$ 225,078	\$ 367,695
Accrued interest	34,370	32,590
Accounts receivable	4	107
Prepaid expense	<u>134</u>	<u>96</u>
Total current assets	259,586	400,488
<b>NONCURRENT ASSETS</b>		
Interest in pooled investments	1,956,079	2,057,119
Capital assets, net	<u>587,700</u>	<u>664,804</u>
Total noncurrent assets	<u>2,543,779</u>	<u>2,721,923</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,803,365</u>	<u>\$ 3,122,411</u>

LIABILITIES AND NET POSITION

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 17,268	\$ 36,941
Deferred revenue	<u>96,335</u>	<u>196,659</u>
Total current liabilities	113,603	233,600
<b>NET POSITION</b>		
Net investment in capital assets	587,700	664,804
Restricted - nonexpendable	88,846	95,645
Unrestricted	<u>2,013,216</u>	<u>2,128,362</u>
Total net position	<u>2,689,762</u>	<u>2,888,811</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,803,365</u>	<u>\$ 3,122,411</u>

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

WIUM-FM/WIUW-FM Radio  
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Grants		
State of Illinois	\$ 38,212	\$ 58,221
CPB community service grants	242,512	194,779
College work study	4,596	-
Other	2	-
Other income	<u>42,417</u>	<u>43,398</u>
Total operating revenues	327,739	296,398
OPERATING EXPENSES		
Programming and production	776,063	869,882
Broadcasting	208,149	205,879
Program information	110,181	68,630
Management and general	372,550	472,446
Fundraising	<u>160,045</u>	<u>159,011</u>
Total operating expenses	<u>1,626,988</u>	<u>1,775,848</u>
NET OPERATING LOSS	(1,299,249)	(1,479,450)
NONOPERATING REVENUES		
State appropriation	504,155	591,209
Contributions	294,057	283,709
On behalf payments for fringe benefits	205,467	221,248
Donated facilities and administrative support	155,776	183,940
Interest income	882	4,934
Endowment investment loss, net	<u>(60,137)</u>	<u>(15,695)</u>
Total nonoperating revenues	<u>1,100,200</u>	<u>1,269,345</u>
CHANGE IN NET POSITION	(199,049)	(210,105)
NET POSITION AT BEGINNING OF YEAR	<u>2,888,811</u>	<u>3,098,916</u>
NET POSITION AT END OF YEAR	<u>\$ 2,689,762</u>	<u>\$ 2,888,811</u>

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WIUM-FM/WIUW-FM Radio  
A Public Telecommunications Entity  
Operated by Western Illinois University

STATEMENTS OF CASH FLOWS

Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Federal, state and local grants and contracts	\$ 180,505	\$ 321,029
Payments to employees and for related benefits	(793,722)	(823,706)
Payments to suppliers	(361,955)	(366,295)
Other operating receipts	<u>42,417</u>	<u>43,398</u>
Net cash flows from operating activities	(932,755)	(825,574)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriation	494,555	572,404
Cash received from contributors	<u>255,578</u>	<u>238,515</u>
Net cash flows from noncapital financing activities	750,133	810,919
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	882	4,934
Sale (purchase) of investments, net	<u>39,123</u>	<u>33,333</u>
Net cash flows from investing activities	<u>40,005</u>	<u>38,267</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(142,617)	23,612
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>367,695</u>	<u>344,083</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 225,078</u>	<u>\$ 367,695</u>

WIUM-FM/WIUW-FM Radio  
A Public Telecommunications Entity  
Operated by Western Illinois University

STATEMENTS OF CASH FLOWS - CONTINUED

Years Ended June 30

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$ (1,299,249)	\$ (1,479,450)
Adjustments to reconcile the net operating loss to net cash flows from operating activities		
Operating expenses arising from on behalf payments from the University	155,776	183,940
Operating expenses arising from on behalf payments from the State of Illinois	205,467	221,248
Operating expenses arising from University provided grants and tuition waivers	9,600	18,805
Operating expenses arising from in-kind contributions	38,479	45,194
Depreciation expense	77,104	97,408
Changes in assets and liabilities		
Accounts receivable	103	(107)
Prepaid expenses	(38)	(96)
Accounts payable and accrued expenses	(19,673)	19,348
Deferred revenue	<u>(100,324)</u>	<u>68,136</u>
Net cash flows from operating activities	<u>\$ (932,755)</u>	<u>\$ (825,574)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
On behalf contributions from the University for administrative support and occupancy	\$ 155,776	\$ 183,940
On behalf contributions from the State of Illinois for the payment of employee fringe benefits	205,467	221,248
University provided grants and tuition waivers	9,600	18,805
Gift in-kind contributions of goods and services	38,479	45,194

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



WIUM-FM/WIUW-FM Radio  
A Public Telecommunications Entity  
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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES

1. Nature of Operations

WIUM-FM/WIUW-FM Radio (the Radio Station) is operated by Western Illinois University (the University) under a license granted by the Federal Communication Commission. The University provides facilities located in Macomb and Warsaw, Illinois and other financial support to the Radio Station.

The Radio Station is primarily funded through grants from the State of Illinois and the Corporation for Public Broadcasting, an appropriation from the State of Illinois, and contributions received from the general public.

2. Basis of Presentation

These financial statements have been prepared to satisfy the requirements of the Corporation for Public Broadcasting (CPB). The financial balances and activities of the Radio Station, included in these financial statements, are included in the University's financial statements. The financial statements of the Radio Station are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the "Supplemental Guide" published by the CPB.

The Radio Station follows GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities* (GASB Statement No. 35). GASB Statement No. 35 requires basic financial statements including a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Resources are classified into net position categories and reported in the statement of net position. These categories are defined as (a) Net investment in capital assets - capital assets net of accumulated depreciation and outstanding debt balances (b) Restricted nonexpendable - assets restricted by externally imposed stipulation (c) Restricted expendable - assets subject to externally imposed restrictions that can be fulfilled by action of the Radio Station pursuant to those stipulations or that expire by the passage of time and (d) Unrestricted - assets not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees. It is the Radio Station's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

WIUM-FM/WIUW-FM Radio  
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Continued

The Radio Station prepared its financial statements as a "Business-Type Activity", as defined by GASB Statement No. 34, using the economic resources measurement focus and the accrual basis of accounting. Business type activities are those financed in whole or in part by fees charged to external parties for goods and services.

The statement of revenues, expenses and changes in net position classifies the Radio Station's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services. The majority of the Radio Station's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation.

Certain revenue sources that the Radio Station relies on for operations, including state appropriation, contributions and investment income, are defined by GASB Statement No. 34 as nonoperating. In addition, transactions related to capital and financing activities are components of nonoperating expenses.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Radio Station follows all applicable GASB pronouncements. In addition, the Radio Station follows all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Radio Station has elected not to apply FASB pronouncements issued after November 30, 1989.

3. Interest in Pooled Cash and Cash Equivalents

The Radio Station's cash and cash equivalents are pooled with other University funds for the purpose of securing a greater return on investment and provide for an equitable distribution of investment returns. The University's pool, which consists principally of U.S. government and government agency securities and time deposits, is stated at fair value, as determined by quoted market prices. Separate categorical disclosures of the Radio Station's cash and cash equivalents, is not feasible.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

3. Interest in Pooled Cash and Cash Equivalents - Continued

The statement of cash flows details the change in the cash and cash equivalents balance for the fiscal year. Cash and all liquid investments with original maturities of ninety days or less are defined as cash and cash equivalents.

4. Interest in Pooled Investments

The Radio Station's investments are included in the Western Illinois University Foundation (the Foundation) investment pool, which provides for an equitable distribution of the investment returns. The Foundation's investment pool, which consists primarily of equity, fixed income, hedge funds, and mutual funds investments, is stated at fair value, as determined by quoted market prices. Separate categorical disclosures of the Radio Station's investments, is not feasible.

5. Capital Assets

Property and equipment are recorded at cost or in the case of donated property at their estimated fair value at the date of receipt. Capital assets at \$ 1,000 or more are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from three to twenty years.

6. Grants and Contracts

Grant and contract revenues which are received or receivable from external sources are recognized as revenues to the extent of related expenses on the accrual basis. Advances are classified as deferred revenues.

7. Contributed In-kind Support

Donated professional services and advertising are recognized as revenues and expenses in the statement of revenues, expenses and changes in net position at their estimated fair value based upon standard valuation rates and job classifications developed by the Corporation for Public Broadcasting.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

8. Donated Facilities and Administrative Support

Facilities allocated from the University consist of office and studio space together with related occupancy costs and are recorded in revenue and expenses on a prorated basis. Administrative support from the University consists of adjusted allocated financial and physical plant charges incurred by the University on behalf of the Radio Station. The Radio Station reported donated facilities and administrative support provided by the University of \$ 155,776 and \$ 183,940 for the years ended June 30, 2016 and 2015, respectively. This support is classified as nonoperating revenues and operating expenses.

9. Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses and changes in net position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

10. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

11. Subsequent Events

The Radio Station assessed events that have occurred subsequent to June 30, 2016 through January 13, 2017, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

12. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the 2016 presentation.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE B - INTEREST IN POOLED INVESTMENTS

Investments consist of shares of an investment pool which are held and administered by the Foundation. The Radio Station's share of the investment pool is stated at fair value. Fair value is generally determined by quoted market prices for the Foundation's investments.

Endowment investment gain (loss) includes interest, dividends, and realized and unrealized gains and losses. Due to the pooled nature of the investments, an itemized breakdown of the endowment investment gain (loss) is not feasible.

At June 30, 2016, and 2015 the fair value of the Radio Station's share of the Foundation investment pool was \$ 1,956,079 and \$ 2,057,119, respectively.

Further information regarding the investments held by the Foundation may be obtained from the financial statements of the University.

NOTE C - CAPITAL ASSETS

The capital assets are in buildings located on land primarily owned by the University for which there is no charge to the Radio Station other than for maintenance.

Capital assets activity for the Radio Station is summarized below:

	Balances <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	Balances <u>June 30, 2016</u>
Programming and production equipment	\$ 93,169	\$ -	\$ -	\$ 93,169
Broadcast equipment	609,585	-	-	609,585
Furniture and fixtures	16,000	-	-	16,000
Building	<u>1,159,476</u>	<u>-</u>	<u>-</u>	<u>1,159,476</u>
	1,878,230	-	-	1,878,230
Accumulated depreciation	<u>(1,213,426)</u>	<u>(77,104)</u>	<u>-</u>	<u>(1,290,530)</u>
Capital assets, net	<u>\$ 664,804</u>	<u>\$ (77,104)</u>	<u>-</u>	<u>\$ 587,700</u>



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE D - DEFINED BENEFIT PENSION PLAN

1. General Information about the Pension Plan

*Plan Description:* Substantially all employees of the Radio Station participate in the State Universities Retirement System of Illinois (SURS or the System), a cost sharing multiple-employer defined benefit pension plan. The University contributes to SURS with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. The University contributions include payments for Radio Station employees covered under SURS. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State of Illinois' financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org).

*Benefits Provided:* A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2014, can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE D - DEFINED BENEFIT PENSION PLAN - Continued

1. General Information about the Pension Plan - Continued

*Contributions:* The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2016 and 2015, respectively, was 12.69% and 11.71% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings periods).

2. Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

*Net Pension Liability:* At June 30, 2015, SURS reported a net pension liability (NPL) of \$ 23,756,361,087. The net pension liability was measured as of June 30, 2014.

*Employer Proportionate Share of Net Pension Liability:* The amount of the proportionate share of the net pension liability to be recognized for the University is \$ -0-. The proportionate share of the State's net pension liability associated with the University is \$ 628,376,573 or 2.65%. This amount should not be recognized in the financial statement. The net pension liability and the total pension liability as of June 30, 2015 was determined based on the June 30, 2014 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2015.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE D - DEFINED BENEFIT PENSION PLAN - Continued

2. Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

*Pension Expense:* At June 30, 2015, SURS reported a collective net pension expense of \$ 1,994,587,170.

*Employer Proportionate Share of Pension Expense:* The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2015. As a result, the University recognized on-behalf revenue and pension expense of \$ 52,758,579 for fiscal year ended June 30, 2016.

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* Deferred outflows of resources are the consumption of net position by the System that is applicable to future reporting periods.

SURS collective deferred outflows and deferred inflows of resources by sources is as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 27,312,043	\$ -
Changes in assumption	609,393,909	-
Net difference between projected and actual earnings on pension plan investments	<u>593,840,642</u>	<u>953,329,464</u>
Total	<u>\$ 1,230,546,594</u>	<u>\$ 953,329,464</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE D - DEFINED BENEFIT PENSION PLAN - Continued

3. Deferral of Fiscal Year 2016 Pension Expense

The University paid \$ 360,777 in federal, trust or grant contributions for fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability measurement date of June 30, 2015 and are recognized as Deferred Outflows of Resources as of June 30, 2016, in the University's financial statements.

4. Assumptions and Other Inputs

*Actuarial assumptions:* The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period June 30, 2010 - 2014. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

The long-term expected rate of return on pension 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 pension 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE D - DEFINED BENEFIT PENSION PLAN - Continued

4. Assumptions and Other Inputs - Continued

Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	23.00%	5.77%
Private equity	6.00	9.23
Non-U.S. equity	19.00	6.69
Global equity	8.00	6.51
Fixed income	19.00	1.12
Treasury-inflation protected securities	4.00	1.22
Emerging market debt	3.00	4.61
Real estate REITS	4.00	5.85
Direct real estate	6.00	4.37
Commodities	2.00	4.06
Hedge strategies	5.00	3.99
Opportunity fund	1.00	6.80
Total	<u>100.00%</u>	<u>5.02%</u>
Inflation		<u>3.00</u>
Expected Arithmetic Return		<u>8.02%</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE D - DEFINED BENEFIT PENSION PLAN - Continued

4. Assumptions and Other Inputs - Continued

*Discount Rate:* A single discount rate of 7.12% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.80% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the SURS' funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the SURS' Net Pension Liability to Changes in the Discount Rate:* Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.12%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

<u>1% Decrease 6.12%</u>	<u>Current Single Discount Rate Assumption 7.12%</u>	<u>1% Increase 8.12%</u>
<u>\$ 28,929,333,917</u>	<u>\$ 23,756,361,087</u>	<u>\$ 19,470,982,362</u>

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at [www.SURS.org](http://www.SURS.org).



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE E - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

In accordance with GASB Statement No.24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported payments made to SURS on behalf of the University for its proportional share of the State's pension expense of \$ 52,758,579 as described in Note D. Additionally, the majority of University employees participate in group health insurance plans administered by the State. The employer contributions to these plans for a majority of the University's employees are paid by Central Management Services (CMS) on behalf of the University. The University reported group insurance on-behalf payments made to Central Management Services of \$ 35,315,108 for the year ended June 30, 2016. The on-behalf payments amount that related to State group health insurance is an allocation of estimated costs incurred by CMS on behalf of the University. The Radio Station's portion of the on-behalf payments for both retirement and group insurance totaled \$ 205,467 and \$ 221,248 for the years ended June 30, 2016 and 2015, respectively, and are reported as nonoperating revenues and operating expenses.

NOTE F - POST-EMPLOYMENT BENEFITS

The State of Illinois (the State) provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$ 5,000.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE F - POST-EMPLOYMENT BENEFITS - Continued

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.



SUPPLEMENTARY INFORMATION

WIUM-FM/WIUW-FM Radio  
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SUPPLEMENTARY SCHEDULE OF EXPENSES

Year Ended June 30, 2016

(With Comparative Totals for Year Ended June 30, 2015)

	Program Services			Support Services			
	Programming and Production	Broad- casting	Program Information	Management and General	Fund- raising		
						2016 Total	2015 Total
Salaries and employee benefits	\$ 464,257	\$ 103,256	\$ 92,589	\$ 240,203	\$ 97,286	\$ 997,591	\$1,046,556
Office and radio supplies	3,997	6,954	47	13,819	2,130	26,947	42,909
Telephone and line charges	-	-	-	10,556	-	10,556	12,744
Postage	(1)	-	-	201	4,489	4,689	5,852
Indirect support	71,656	15,936	14,288	37,075	15,012	153,967	182,131
Advertising	-	-	1,978	2,127	31,507	35,612	45,160
Occupancy	1,252	136	22	5,051	3,148	9,609	10,086
Printing and publications	1,800	-	846	1,680	1,036	5,362	14,138
Travel and conferences	2,334	-	-	13,285	-	15,619	33,707
Professional fees	25,350	-	-	17,061	-	42,411	19,662
Depreciation	-	75,272	-	1,832	-	77,104	97,408
Talent grants and tuition waivers	9,600	-	-	1,500	-	11,100	20,055
Program acquisitions	195,493	-	-	4,562	(2)	200,053	208,163
Raffle	-	-	-	-	-	-	1,710
Rental and maintenance of equipment	-	6,595	-	10,585	300	17,480	19,972
Miscellaneous	325	-	411	13,013	5,139	18,888	15,595
Total	\$ 776,063	\$ 208,149	\$ 110,181	\$ 372,550	\$ 160,045	\$1,626,988	\$1,775,848