

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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.

Eck, Schafer + Punke, LLP

Springfield, Illinois
January 13, 2021

WIUM-FM/WIUW-FM Radio
(A Component Unit of Western Illinois University)
Management's Discussion and Analysis
Year Ended June 30, 2020

This section of the WIUM-FM/WIUW-FM Radio (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, 2020. 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 under the accrual basis of accounting. Assets and liabilities are categorized as current (due within one year) or noncurrent (due in greater than one 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.

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 is divided into four major categories, as follows: (1) net investment in capital assets (provides the Radio Station's equity in capital assets); (2) restricted net position (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 net position (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, 2020, 2019 and 2018 is as follows:

Condensed Statements of Net Position as of June 30, 2020, 2019, and 2018			
	2020	2019	2018
ASSETS			
Current Assets	\$ 601,417	\$ 577,057	\$ 487,524
Investments	2,210,182	2,240,830	1,951,498
Capital Assets	317,284	371,626	434,850
Total Assets	3,128,883	3,189,513	2,873,872
LIABILITIES			
Current Liabilities	360,092	267,673	211,395
Total Liabilities	360,092	267,673	211,395
NET POSITION			
Net investment in capital assets	317,284	371,626	434,850
Restricted-nonexpendable	106,095	105,476	97,956
Unrestricted	2,345,412	2,444,738	2,129,671
Total Net Position	\$ 2,768,791	\$ 2,921,840	\$ 2,662,477

The Radio Station's financial position continues to remain strong at June 30, 2020 with assets of \$ 3.1 million and liabilities of \$ 360 thousand. Net position, the difference between total assets and total liabilities, decreased \$ 153 thousand or 5.2% in 2020 and increased \$ 259 thousand or 9.7% in 2019, over the previous year.

Total assets decreased \$ 61 thousand to \$ 3.1 million during fiscal year 2020, and increased \$ 316 thousand to \$ 3.2 million during fiscal year 2019. The decrease for fiscal year 2020 is primarily due to the sale of investments and a decrease in capital assets due to depreciation expense.

Total liabilities increased during fiscal year 2020 due to grants that were received and much of the revenue was deferred. Total liabilities increased during fiscal year 2019 due to an increase in payables due to timing.

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.

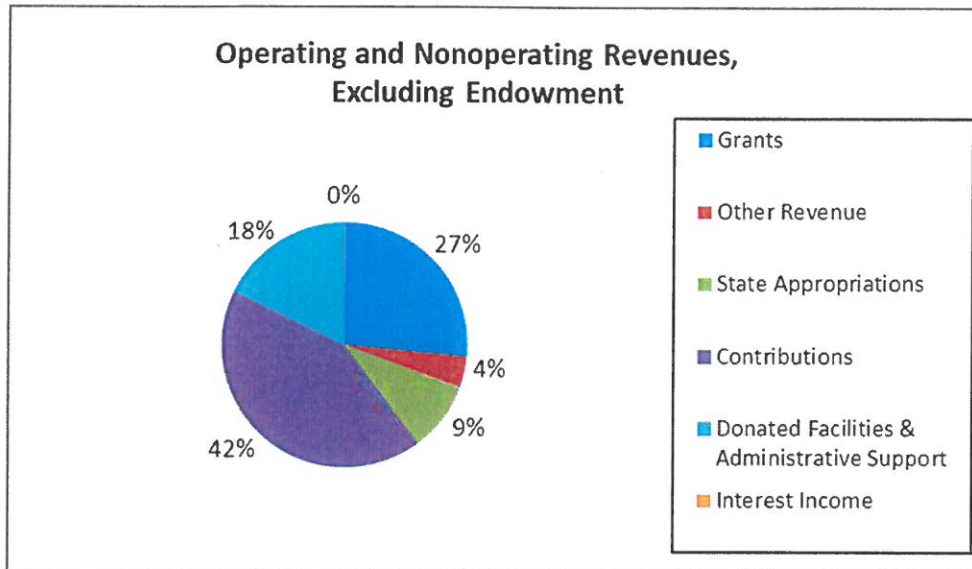
A comparative summary of the condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020, 2019 and 2018 is as follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2020, 2019, and 2018			
	2020	2019	2018
Total operating revenues	\$ 250,368	\$ 288,599	\$ 206,251
Total operating expenses	(1,055,264)	(1,435,071)	(1,464,998)
Net operating loss	(804,896)	(1,146,472)	(1,258,747)
Nonoperating revenues, excluding endowment gain (loss)	566,872	1,133,210	1,109,716
Endowment gain (loss)	84,975	272,625	92,555
Change in net position	(153,049)	259,363	(56,476)
Net position, beginning of year	2,921,840	2,662,477	2,718,953
Net position, end of year	\$ 2,768,791	\$ 2,921,840	\$ 2,662,477

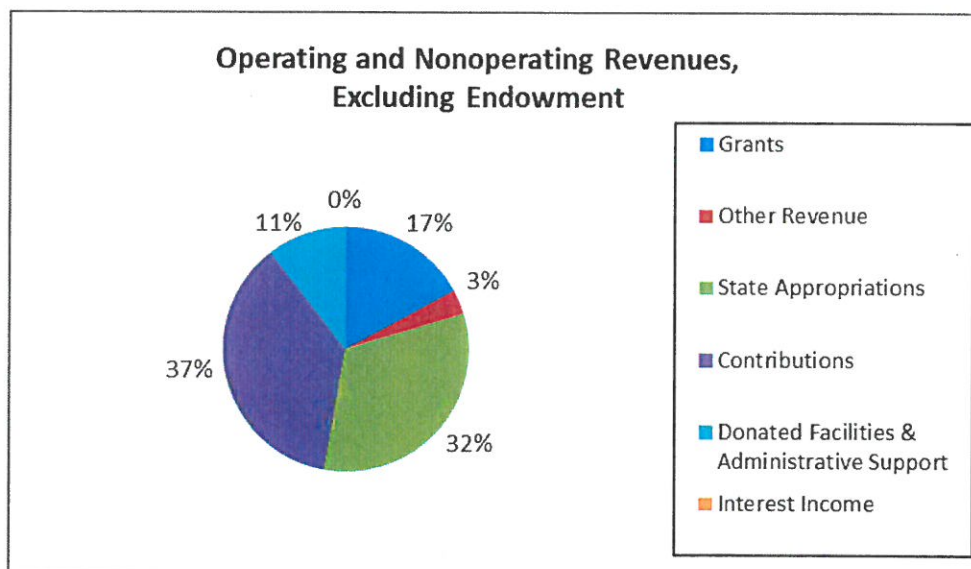
Total nonendowment revenue decreased \$ 605 thousand or 42.5% in fiscal year 2020 and increased \$ 106 thousand or 8.0% in fiscal year 2019. The decrease in fiscal year 2020 is primarily due to a decrease in State appropriations and contributions. The increase in fiscal year 2019 is primarily due to an increase in grant revenues and contributions offset slightly by a decrease in State appropriations. The endowment gain in fiscal year 2020 and 2019 is primarily due to changes in the fair market value of the portfolio.

Total nonendowment expenses decreased \$ 380 thousand or 26.5% in fiscal year 2020 and decreased \$ 30 thousand or 2.0% in fiscal year 2019. The decrease in fiscal year 2020 is due to an overall decrease in operating expenses including salaries and associated fringe benefits, office supplies, occupancy expenses, professional fees, program acquisitions, and depreciation. The decrease for fiscal year 2019 is primarily due to a decrease in salaries and associated fringe benefits, indirect support, and depreciation.

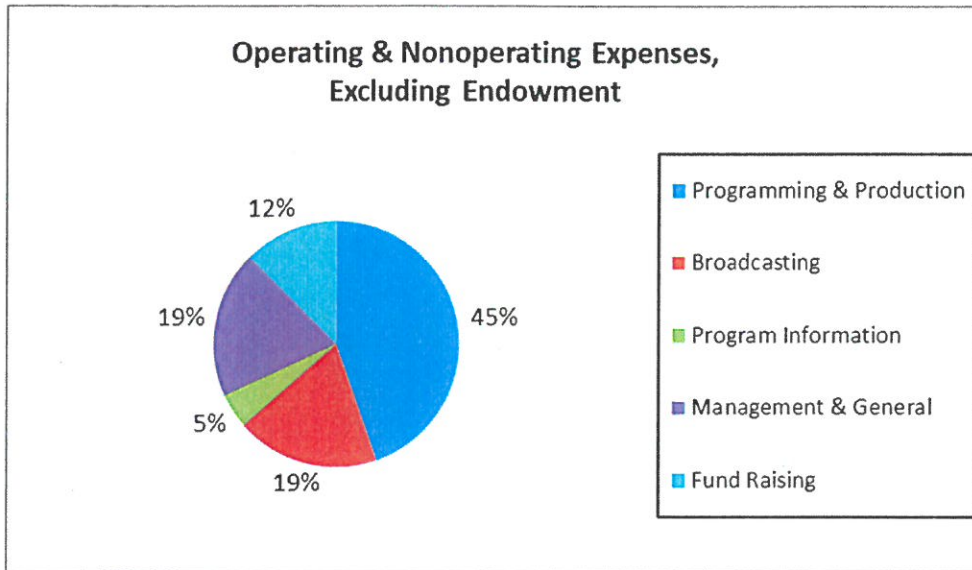
For the fiscal year ended June 30, 2020, all sources of nonendowment revenue totaled \$ 817 thousand. The following is a graphical illustration of revenue by source.



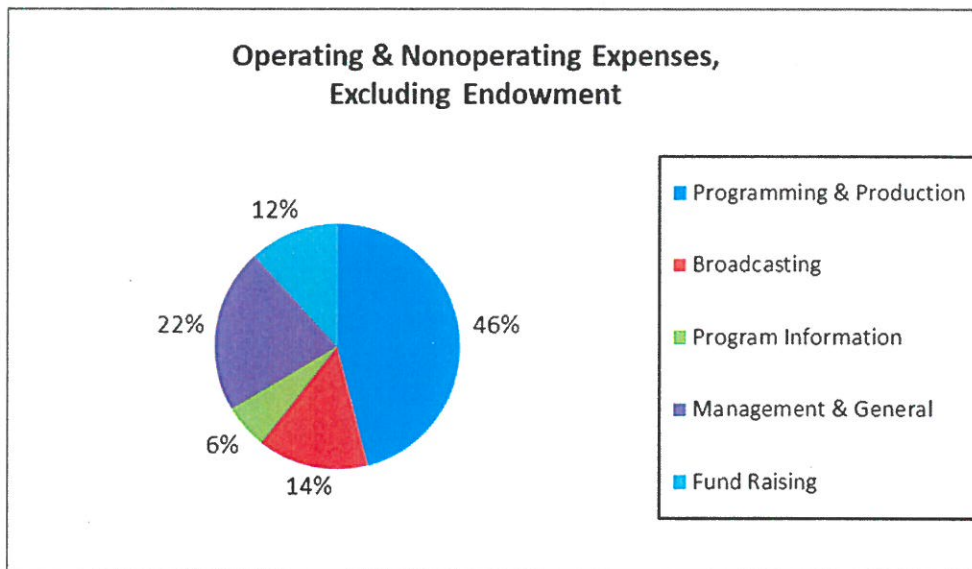
For the fiscal year ended June 30, 2019, all sources of nonendowment revenue totaled \$ 1.42 million. The following is a graphical illustration of revenue by source.



For the fiscal year ended June 30, 2020, nonendowment expenses totaled \$ 1.06 million. The following is a graphical illustration of expenses.



For the fiscal year ended June 30, 2019, nonendowment expenses totaled \$ 1.44 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, 2020, 2019 and 2018 is as follows:

Condensed Statements of Cash Flows For the Years Ended June 30, 2020, 2019, and 2018			
	2020	2019	2018
Cash provided (used) by:			
Operating activities	\$ (432,131)	\$ (728,113)	\$ (745,058)
Noncapital financing activities	354,693	820,105	709,499
Capital and related financing activities	-	-	-
Investing activities	111,785	(19,036)	238,650
Change in cash and cash equivalents	34,347	72,956	203,091
Cash and cash equivalents, beginning of year	525,951	452,995	249,904
Cash and cash equivalents, end of year	\$ 560,298	\$ 525,951	\$ 452,995

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 increased \$ 125 thousand in fiscal year 2020. This was primarily due to an increase in grant funds and rental income received. Total cash used by operating activities decreased \$ 171 thousand in fiscal year 2020. This was primarily due to a decrease in payments for salaries and related benefits.

Cash inflows from noncapital financing activities consist of State appropriations and contributions. State appropriations decreased \$ 291 thousand in fiscal year 2020 and decreased \$ 129 thousand in fiscal year 2019. The State appropriations provide for employee salaries and benefits. Cash contributions decreased \$ 175 thousand in fiscal year 2020.

Capital and related financing activities fluctuations are due to the purchase of capital assets. There were no capital asset purchases in fiscal years 2019 or 2020.

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

Capital Assets

At the end of fiscal year 2020, the Radio Station had \$ 1.86 million invested in capital assets, and accumulated depreciation of \$ 1.54 million. Depreciation expense for fiscal year 2020 was \$ 54 thousand. At the end of fiscal year 2019, the Radio Station had \$ 1.86 million invested in capital assets, and accumulated depreciation of \$ 1.49 million. Depreciation expense for fiscal year 2019 was \$ 63 thousand.

Radio Station's Economic Outlook

A rural public station such as the Radio Station grapples with circumstances urban stations rarely experience: a coverage area with fewer potential listeners spread over a wider geographic area; few 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. The Radio Station continues to adjust to the elimination of appropriated funding from its licensee, Western Illinois University, in March of 2019. Additionally, the Covid-19 pandemic in 2020 caused several Radio Station business supporters to halt their underwriting contributions and posed challenges for fundraising in general. Accordingly, the ability of the Radio Station to fulfill its mission of service will be most directly influenced by four factors: (1) its relationship with its licensee, Western Illinois University, which continues to provide significant administrative support for the Radio Station as well as use of university-owned facilities and equipment and could be in a position to restore partial funding if the university's financial situation improves and/or appropriated funding for higher education increases; (2) the continued availability of federal and state grant funding to support programming and operational expenses; (3) the ability to streamline operations and implement cost-cutting measures amid financial uncertainty; and (4) the ability to strengthen listener and private support to cover the costs of salaries for seven to eight full-time employees while still delivering high-quality programming.

Despite the appropriated reduction in support from Western Illinois University, Corporation for Public Broadcasting (CPB) grants have remained 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 offset the loss of university funding and continue to meet CPB expectations.

Since establishing an endowment account in 1991, the Radio Station has conserved cash whenever possible. Leadership and staff have believed that increasing the endowment is a prudent way to ensure the Station's long-term financial stability in the face of major operational or emergency expenditures. Reduced university and state funding along with increased costs has made it difficult to add to the endowment in recent years; however, the endowment and endowment investment revenue provide some stability amid other significant funding cuts. Likewise, in response to funding cuts, listener and private support have remained strong.

The Radio Station's studios are housed in a 20-year-old facility and conversion to digital technology is complete. The Radio Station made investments in the physical plants of its transmitter sites in recent years (generators, air conditioners, etc), however, our main transmitter is 31 years old and should be replaced. The most immediate major equipment concern is the outdated Logitek Audio Engine system utilized by the Radio Station.

Going forward, the Radio Station must continue to operate with minimal staff, continue to streamline operations, and increase listener and private support to remain viable. Federal funding legislation may impact grants from the Corporation for Public Broadcasting, and the changing economic conditions, along with the economic impact of the pandemic in the region will continue to be a challenge for underwriting and membership efforts for the station. The Radio Station has expanded its primary service area to include Galesburg and Burlington in recent years; expanding audience and support in those areas needs to continue to increase.

Though faced with the loss of funding from Western Illinois University and fundraising challenges posed by the Covid-19 pandemic, we remain cautiously optimistic that the reorganization of the station and increased listener and private support, along with continued support from the Corporation for Public Broadcasting, will position the station 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

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Interest in pooled cash and cash equivalents	\$ 560,298	\$ 525,951
Accrued interest	41,119	36,959
Accounts receivable	-	10,875
Prepaid expense	<u>-</u>	<u>3,272</u>
Total current assets	601,417	577,057
NONCURRENT ASSETS		
Interest in pooled investments	2,210,182	2,240,830
Capital assets, net	<u>317,284</u>	<u>371,626</u>
Total noncurrent assets	<u>2,527,466</u>	<u>2,612,456</u>
TOTAL ASSETS	<u>\$ 3,128,883</u>	<u>\$ 3,189,513</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 44,216	\$ 83,459
Deferred revenue	<u>315,876</u>	<u>184,214</u>
Total current liabilities	360,092	267,673
NET POSITION		
Net investment in capital assets	317,284	371,626
Restricted - nonexpendable	106,095	105,476
Unrestricted	<u>2,345,412</u>	<u>2,444,738</u>
Total net position	<u>2,768,791</u>	<u>2,921,840</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,128,883</u>	<u>\$ 3,189,513</u>

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

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Grants		
State of Illinois	\$ 45,083	\$ 63,656
CPB - Community service grants	169,619	176,281
College work study	1,850	1,853
Other income	<u>33,816</u>	<u>46,809</u>
Total operating revenues	250,368	288,599
OPERATING EXPENSES		
Programming and production	471,233	659,245
Broadcasting	199,009	210,209
Program information	48,400	84,521
Management and general	205,187	311,636
Fundraising	<u>131,435</u>	<u>169,460</u>
Total operating expenses	<u>1,055,264</u>	<u>1,435,071</u>
NET OPERATING LOSS	(804,896)	(1,146,472)
NON-OPERATING REVENUES		
State appropriation	36,224	328,345
Contributions	346,510	521,724
On behalf payments for fringe benefits	38,602	133,171
Donated facilities and administrative support	145,214	149,768
Interest income	322	202
Endowment investment gain, net	<u>84,975</u>	<u>272,625</u>
Total non-operating revenues	<u>651,847</u>	<u>1,405,835</u>
CHANGE IN NET POSITION	(153,049)	259,363
NET POSITION AT BEGINNING OF YEAR	<u>2,921,840</u>	<u>2,662,477</u>
NET POSITION AT END OF YEAR	<u>\$ 2,768,791</u>	<u>\$ 2,921,840</u>

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

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

STATEMENTS OF CASH FLOWS

Years Ended June 30

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal, state and local grants and contracts	\$ 347,496	\$ 228,643
Payments to employees and for related benefits	(539,581)	(716,133)
Payments to suppliers	(283,605)	(277,690)
Other operating receipts	<u>43,559</u>	<u>37,067</u>
Net cash flows from operating activities	(432,131)	(728,113)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	30,255	321,112
Cash received from contributors	<u>324,438</u>	<u>498,993</u>
Net cash flows from noncapital financing activities	354,693	820,105
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	322	202
Sale (purchase) of investments, net	<u>111,463</u>	<u>(19,238)</u>
Net cash flows from investing activities	<u>111,785</u>	<u>(19,036)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	34,347	72,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>525,951</u>	<u>452,995</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 560,298</u>	<u>\$ 525,951</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>2020</u>	<u>2019</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$ (804,896)	\$ (1,146,472)
Adjustments to reconcile the net operating loss to net cash flows from operating activities		
Operating expenses arising from on behalf payments from the University	145,214	149,768
Operating expenses arising from on behalf payments from the State of Illinois	38,602	133,171
Operating expenses arising from University provided grants and tuition waivers	5,969	7,233
Operating expenses arising from in-kind contributions	22,072	22,730
Depreciation expense	54,342	63,224
Changes in certain assets and liabilities		
Accounts receivable	10,875	(10,773)
Prepaid expense	3,272	(3,272)
Accounts payable and accrued expenses	(39,243)	66,541
Deferred revenue	<u>131,662</u>	<u>(10,263)</u>
Net cash flows from operating activities	<u>\$ (432,131)</u>	<u>\$ (728,113)</u>
NONCASH OPERATING, INVESTING, CAPITAL AND FINANCING ACTIVITIES		
On behalf contributions from the University for administrative support and occupancy	\$ 145,214	\$ 149,768
On behalf contributions from the State of Illinois for the payment of employee fringe benefits	38,602	133,171
University provided grants and tuition waivers	5,969	7,233
Gift in-kind contributions of goods and services	22,072	22,730

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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
A Public Telecommunications Entity
Operated by Western Illinois University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 non-operating. 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 non-operating. In addition, transactions related to capital and financing activities are components of non-operating 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 or net asset value. 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 revenue.

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, 2020 and 2019

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 \$ 145,214 and \$ 149,768 for the years ended June 30, 2020 and 2019, respectively. This support is classified as non-operating 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, 2020 through January 13, 2021, 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 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, 2020 and 2019, the fair value of the Radio Station's share of the Foundation investment pool was \$ 2,210,182 and \$ 2,240,830, 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:

	<u>Balances</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>June 30, 2020</u>
Programming and production equipment	\$ 93,169	\$ -	\$ -	\$ 93,169
Broadcast equipment	593,515	-	-	593,515
Furniture and fixtures	16,000	-	-	16,000
Building	<u>1,159,476</u>	<u>-</u>	<u>-</u>	<u>1,159,476</u>
	1,862,160	-	-	1,862,160
Accumulated depreciation	<u>(1,490,534)</u>	<u>(54,342)</u>	<u>-</u>	<u>(1,544,876)</u>
Capital assets, net	<u>\$ 371,626</u>	<u>\$ (54,342)</u>	<u>\$ -</u>	<u>\$ 317,284</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE D - DEFINED BENEFIT PENSION PLAN

1. General Information about the Pension Plan

Plan Description: The University contributes to the State Universities Retirement System of Illinois (SURS or the System), a cost sharing multiple-employer defined benefit plan 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 Chapter 40, Act 5, Article 15 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.

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, 2020, 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, 2020 and 2019

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 2020 and 2019, respectively, was 13.02% and 12.29% 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: The net pension liability (NPL) was measured as of June 30, 2018. At June 30, 2019, SURS reported NPL of \$ 28,720,071,173.

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 \$ 617,854,891 or 2.1513%. This amount should not be recognized in the financial statement. The net pension liability and the total pension liability as of June 30, 2019 was determined based on the June 30, 2017 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 2019.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2019, SURS reported a collective net pension expense of \$ 3,094,666,252.

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 2019. As a result, the University recognized on-behalf revenue and pension expense of \$ 66,575,555 for fiscal year ended June 30, 2020, and is reported as part of nonoperating revenues (on-behalf payments for fringe benefits) and operating expenses (on-behalf payments).

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	\$ 160,132,483	\$ 80,170,745
Changes in assumption	773,321,300	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>55,456,660</u>
Total	<u>\$ 933,453,783</u>	<u>\$ 135,627,405</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE D - DEFINED BENEFIT PENSION PLAN - Continued

3. Deferral of Fiscal Year 2020 Pension Expense

The University paid \$ 441,931 in federal, trust or grant contributions for fiscal year ended June 30, 2020. These contributions were made subsequent to the pension liability measurement date of June 30, 2019 and are recognized as Deferred Outflows of Resources as of June 30, 2020, in the University's financial statements.

4. Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 2014 - 2017. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.25 to 12.25 percent, including inflation
Investment rate of return	6.75 percent beginning with the actuarial valuation as of June 30, 2019

Mortality rates were based on the RP2014 Combined Mortality Table with projected generational mortality and a separate mortality assumption for disabled participants.

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, 2020 and 2019

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, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
U.S. equity	23.00%	5.25%
Private equity	6.00	8.65
Non-U.S. equity	19.00	6.75
Global equity	8.00	6.25
Fixed income	19.00	1.85
Treasury-inflation protected securities	4.00	1.20
Emerging market debt	3.00	4.00
Real estate investment trusts	4.00	5.70
Direct real estate	6.00	4.85
Commodities	2.00	2.00
Hedge strategies	5.00	2.85
Opportunity fund	<u>1.00</u>	<u>7.00</u>
Total	<u>100.00%</u>	<u>4.80%</u>
Inflation		<u>2.75</u>
Expected Arithmetic Return		<u>7.55%</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE D - DEFINED BENEFIT PENSION PLAN - Continued

4. Assumptions and Other Inputs - Continued

Discount Rate: A single discount rate of 6.59% 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 6.75% and a municipal bond rate of 3.13% (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 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, 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 6.59%, 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 5.59%</u>	<u>Current Single Discount Rate Assumption 6.59%</u>	<u>1% Increase 7.59%</u>
<u>\$ 34,786,851,779</u>	<u>\$ 28,720,071,173</u>	<u>\$ 23,712,555,197</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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE E - POST-EMPLOYMENT BENEFITS

Plan description. The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program ("SEGIP") to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System ("GARS"), Judges Retirement System ("JRS"), State Employees' Retirement System of Illinois ("SERS"), Teachers' Retirement System ("TRS"), and State Universities Retirement System of Illinois ("SURS") are eligible for these other post-employment benefits ("OPEB").

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the University component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes \$ 5,000.

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D Program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health 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 annuitants has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE E - POST-EMPLOYMENT BENEFITS - Continued

For fiscal year 2020, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$ 11,681 (\$ 6,704 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$ 14,959 (\$ 5,592 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

NOTE F - CONTRIBUTED IN-KIND SUPPORT

Contributed materials, supplies, and facilities are recorded at their estimated fair value at the date of donation. The Radio Station reports gifts of professional services, materials, and other nonmonetary contributions as revenue in the accompanying statement of revenues, expenses, and changes in net position. As expenses or an equivalent amount are also recognized, there is no impact on net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined, they are not recorded. Donated personal services or nonprofessional volunteers are not recorded as revenue and expenses as there is no objective basis available to measure the value of such services.

A summary of the contributed support received in the years ended June 30, 2020 and 2019 was as follows:

The amount of donated materials and services recognized in the years ended June 30, 2020 and 2019 was \$ 22,072 and \$ 22,730, respectively.

Contributed support from the State of Illinois consists of fringe benefit contributions on behalf of the Radio Station. The value of the on behalf contributions recognized in the years ended June 30, 2020 and 2019 was \$ 38,602 and \$ 133,171, respectively.

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SUPPLEMENTARY SCHEDULE OF EXPENSES

Year Ended June 30, 2020

(With Comparative Totals for Year Ended June 30, 2019)

	Program Services			Support Services			
	Programming and Production	Broadcasting	Program Information	Management and General	Fund-raising		
Salaries and employee benefits	\$ 260,095	\$ 90,613	\$ 38,998	\$ 131,031	\$ 75,503	\$ 596,240	\$ 851,515
Office and radio supplies	10	3,762	-	1,790	3,839	9,401	14,656
Telephone and line charges	-	-	-	8,332	-	8,332	9,426
Postage	-	-	-	-	-	-	5,889
Indirect administrative support	62,556	21,794	9,380	31,515	18,160	143,405	147,959
Advertising	-	-	-	-	20,138	20,138	20,255
Occupancy	1,252	8,105	22	5,651	1,348	16,378	33,158
Printing and publications	969	995	-	750	1,010	3,724	8,895
Travel and conferences	863	-	-	1,165	1,158	3,186	7,899
Professional fees	471	-	-	12,250	4,262	16,983	28,401
Depreciation	-	53,738	-	604	-	54,342	63,224
Talent grants and tuition waivers	7,468	-	-	-	-	7,468	8,733
Program acquisitions	137,549	-	-	-	-	137,549	196,728
Rental and maintenance of equipment	-	12,786	-	396	-	13,182	17,078
Miscellaneous	-	7,216	-	11,703	6,017	24,936	21,255
Total	\$ 471,233	\$ 199,009	\$ 48,400	\$ 205,187	\$ 131,435	\$ 1,055,264	\$ 1,435,071