

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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, Schaefer & Puntke LLP

Springfield, Illinois
January 12, 2016

WIUM-FM/WIUW-FM Radio
(A Component Unit of Western Illinois University)
Management's Discussion and Analysis
Year Ended June 30, 2015

This section of the WIUM-FM/WIUW-FM Radio, A Public Telecommunications Entity Operated by Western Illinois University (the Radio Station) 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, 2015. 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). 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, 2015, 2014 and 2013 is as follows:

Condensed Statements of Net Position as of June 30, 2015, 2014, and 2013			
	2015	2014	2013
ASSETS			
Current Assets	\$ 400,488	\$ 375,526	\$ 413,167
Investments	2,057,119	2,107,294	1,762,703
Capital Assets	664,804	762,212	833,759
Total Assets	3,122,411	3,245,032	3,009,629
LIABILITIES			
Current Liabilities	233,600	146,116	235,694
Total Liabilities	233,600	146,116	235,694
NET POSITION			
Net investment in capital assets	664,804	762,212	833,759
Restricted-nonexpendable	95,645	100,377	91,875
Unrestricted	2,128,362	2,236,327	1,848,301
Total Net Position	\$ 2,888,811	\$ 3,098,916	\$ 2,773,935

The Radio Station's financial position continues to remain strong at June 30, 2015 with assets of \$3.1 million and liabilities of \$234 thousand. Net position, the difference between total assets and total liabilities, decreased \$210 thousand or 6.8% in 2015, increased \$325 thousand or 11.7% in 2014, over the previous year.

Total assets decreased \$123 thousand to \$3.1 million during fiscal year 2015, and increased \$235 thousand to \$3.2 million during fiscal year 2014. The decrease for fiscal year 2015 is primarily due to a decrease in the fair market value of investments and a decrease in net capital assets.

Total liabilities increased during fiscal year 2015 due to grants that were received and much of the revenue was deferred. Total liabilities decreased during fiscal year 2014 due to expenditures made on previous year deferred revenue.

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.

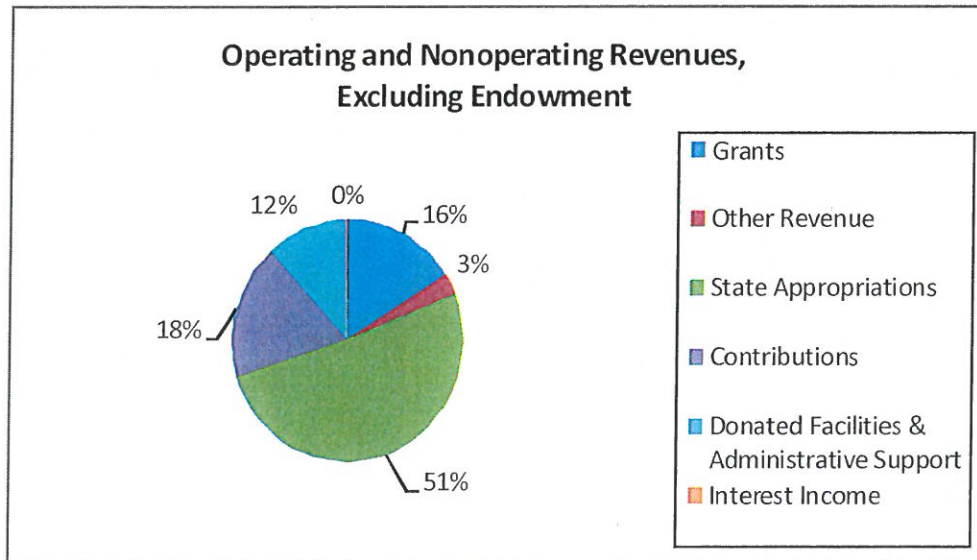
A comparative summary of the condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2015, 2014 and 2013 is as follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position			
For the Years Ended June 30, 2015, 2014, and 2013			
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total operating revenues	\$ 296,398	\$ 311,007	\$ 280,999
Total operating expenses	(1,775,848)	(1,554,193)	(1,469,461)
Net operating loss	(1,479,450)	(1,243,186)	(1,188,462)
Nonoperating revenues, excluding endowment gain (loss)	1,285,040	1,364,387	1,161,995
Endowment gain (loss)	(15,695)	203,780	157,645
Change in net position	(210,105)	324,981	131,178
Net position, beginning of year	3,098,916	2,773,935	2,642,757
Net position, end of year	<u><u>\$ 2,888,811</u></u>	<u><u>\$ 3,098,916</u></u>	<u><u>\$ 2,773,935</u></u>

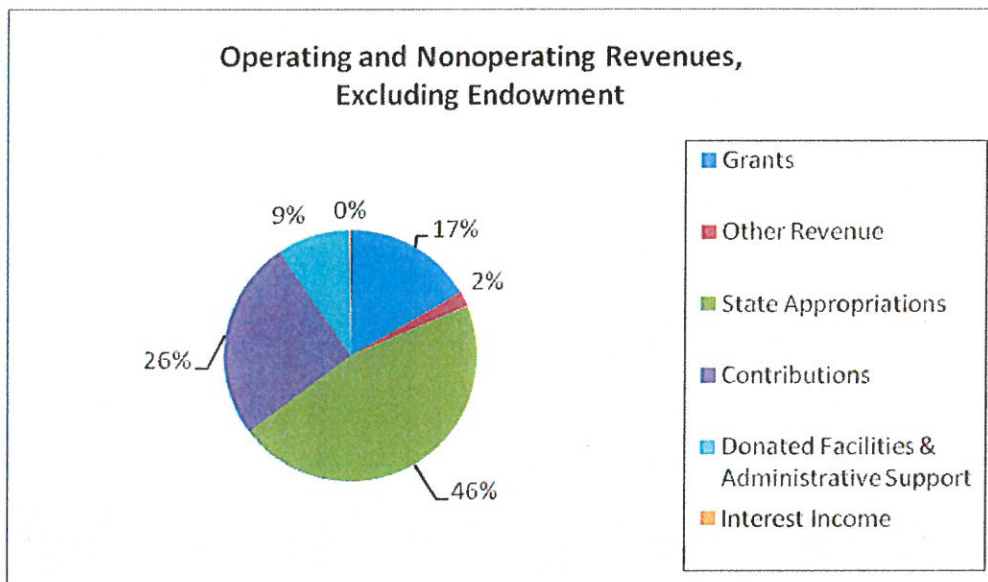
Total nonendowment revenue decreased \$94 thousand or 5.6% in fiscal year 2015 and increased \$232 thousand or 16.1% in fiscal year 2014. The decrease in fiscal year 2015 is primarily due to a decrease in contributions. The increase in fiscal year 2014 is due to an increase in contributions, State appropriations, and grant revenues. The endowment loss in fiscal year 2015 is due to a decrease in the fair market value of the portfolio.

Total nonendowment expenses increased \$222 or 14.3% in fiscal year 2015 and increased \$85 thousand or 5.8% in fiscal year 2014. 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. The fiscal year 2014 increase is primarily due to an increase in salaries and associated fringe benefits and program acquisitions offset partially by a decrease in office and radio supplies and professional fees.

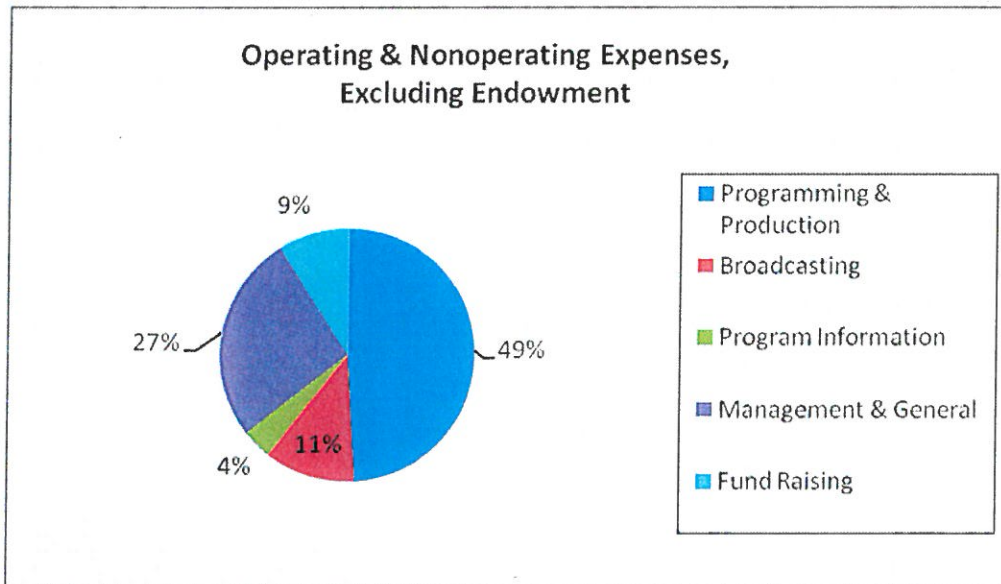
For the fiscal year ended June 30, 2015, all sources of nonendowment revenue totaled \$1.58 million. The following is a graphical illustration of revenue by source.



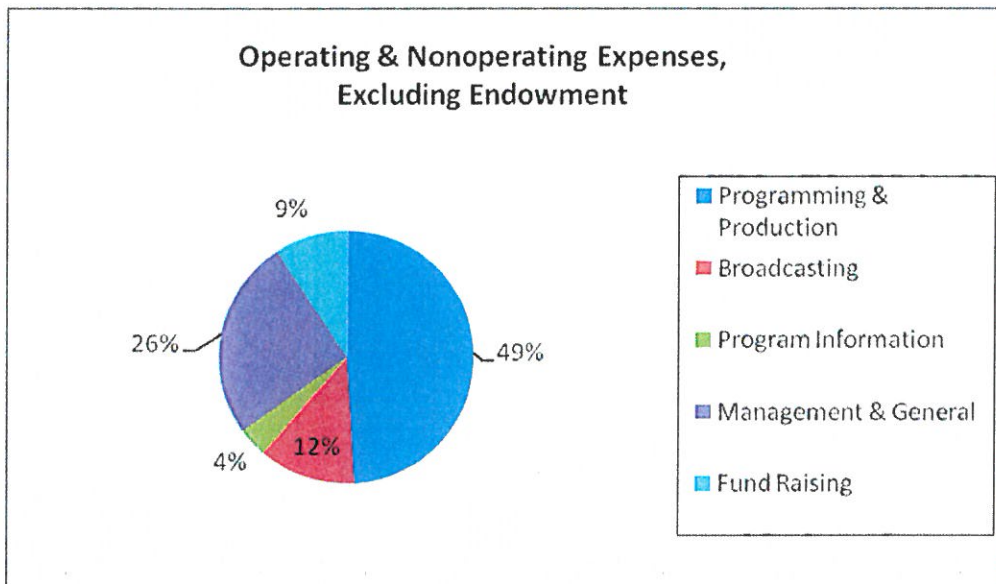
For the fiscal year ended June 30, 2014, all sources of nonendowment revenue totaled \$1.68 million. The following is a graphical illustration of revenue by source.



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



For the fiscal year ended June 30, 2014, nonendowment expenses totaled \$1.55 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, 2015, 2014 and 2013 is as follows:

Condensed Statements of Cash Flows For the Years Ended June 30, 2015, 2014, and 2013			
	2015	2014	2013
Cash provided (used) by:			
Operating activities	\$ (825,574)	\$ (826,517)	\$ (470,562)
Noncapital financing activities	810,919	933,061	733,796
Capital and related financing activities	-	(5,727)	(12,825)
Investing activities	38,267	(137,354)	23,059
Change in cash and cash equivalents	23,612	(36,537)	273,468
Cash and cash equivalents, beginning of year	344,083	380,620	107,152
Cash and cash equivalents, end of year	\$ 367,695	\$ 344,083	\$ 380,620

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 \$134 thousand in fiscal year 2015. This was due to an increase in grant revenues received and an increase in income from tower rental. Total cash used by operating activities increased \$133 thousand in fiscal year 2015. There was an increase in payments for employee salaries and benefits and travel offset slightly by a decrease in payments for supplies and program acquisitions.

Cash inflows from noncapital financing activities consist of State appropriations and contributions. State appropriations increased \$28 thousand in fiscal year 2015 and increased \$27 thousand in fiscal year 2014. The State appropriations provide for employee salaries and benefits. Cash contributions decreased \$150 thousand in fiscal year 2015 and increased \$172 thousand in fiscal year 2014.

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

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

Capital Assets

At the end of fiscal year 2015, the Radio Station had \$1.88 million invested in capital assets, and accumulated depreciation of \$1.21 million. Depreciation expense for fiscal year 2015 was \$97 thousand. At the end of fiscal year 2014, the Radio Station had \$1.88 million invested in capital assets, and accumulated depreciation of \$1.12. Depreciation expense for fiscal year 2014 was \$77 thousand.

Radio Station's Economic Outlook

Rural public radio stations such as the Radio Station grapple 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 (the University), which provides significant administrative support and covers salaries and benefits for 10 of 15 of its full time employees, (2) the continued availability of state and federal grant funding to support programming and operational expenses, and (3) the ability to cost-effectively expand the reach of the station in order to raise more revenue and continue to justify the 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 2015 cash support from the University remained strong, reflective of the continued support of salaries and benefits for 10 of the Radio Station's 15 employees. The possibility of 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 on a downward trend 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 in the coming years will be necessary to continue to meet CPB expectations. CPB is also 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 not made it feasible to add to the endowment in the past two years.

The Radio Station's studios are housed in a relatively new facility, and conversion to digital technology has been completed. 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. That is projected to take place at least 20 years down the road.

Going forward, appropriations decisions by the United States Congress may impact grants from the Corporation for Public Broadcasting, which in turn, may impact the Radio Station's budget for programming and operational expenses. Further, changing economic conditions will continue to impact the underwriting and membership fundraising efforts of the station. The Radio Station has expanded its primary service area to include Galesburg and Burlington. 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 FY17 – FY18.

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

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 367,695	\$ 344,083
Accrued interest	32,590	31,443
Accounts receivable	107	-
Prepaid expense	<u>96</u>	<u>-</u>
Total current assets	400,488	375,526
NONCURRENT ASSETS		
Investments	2,057,119	2,107,294
Capital assets, net	<u>664,804</u>	<u>762,212</u>
TOTAL ASSETS	<u>\$ 3,122,411</u>	<u>\$ 3,245,032</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 36,941	\$ 17,593
Deferred revenue	<u>196,659</u>	<u>128,523</u>
Total current liabilities	233,600	146,116
NET POSITION		
Net investment in capital assets	664,804	762,212
Restricted - nonexpendable	95,645	100,377
Unrestricted	<u>2,128,362</u>	<u>2,236,327</u>
Total net position	<u>2,888,811</u>	<u>3,098,916</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,122,411</u>	<u>\$ 3,245,032</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>2015</u>	<u>2014</u>
OPERATING REVENUES		
Grants		
State of Illinois	\$ 58,221	\$ 62,184
CPB community service grants	194,779	216,622
Other income	<u>43,398</u>	<u>32,201</u>
Total operating revenues	296,398	311,007
OPERATING EXPENSES		
Programming and production	869,882	761,619
Broadcasting	205,879	191,467
Program information	68,630	58,495
Management and general	472,446	398,555
Fundraising	<u>159,011</u>	<u>144,057</u>
Total operating expenses	<u>1,775,848</u>	<u>1,554,193</u>
NET OPERATING LOSS	(1,479,450)	(1,243,186)
NONOPERATING REVENUES		
State appropriation	812,457	773,115
Contributions	283,709	430,738
Donated facilities and administrative support	183,940	155,692
Interest income	4,934	4,842
Endowment investment gain, net	<u>(15,695)</u>	<u>203,780</u>
Total nonoperating revenues	<u>1,269,345</u>	<u>1,568,167</u>
CHANGE IN NET POSITION	(210,105)	324,981
NET POSITION AT BEGINNING OF YEAR	<u>3,098,916</u>	<u>2,773,935</u>
NET POSITION AT END OF YEAR	<u>\$ 2,888,811</u>	<u>\$ 3,098,916</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>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal, state and local grants and contracts	\$ 321,029	\$ 198,077
Payments to employees and for related benefits	(823,706)	(645,643)
Payments to suppliers	(366,295)	(411,152)
Other operating receipts	<u>43,398</u>	<u>32,201</u>
Net cash flows from operating activities	(825,574)	(826,517)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	572,404	544,159
Cash received from contributors	<u>238,515</u>	<u>388,902</u>
Net cash flows from noncapital financing activities	810,919	933,061
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	-	(5,727)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	4,934	4,842
Sale (purchase) of investments, net	<u>33,333</u>	<u>(142,196)</u>
Net cash flows from investing activities	<u>38,267</u>	<u>(137,354)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	23,612	(36,537)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>344,083</u>	<u>380,620</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 367,695</u>	<u>\$ 344,083</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>2015</u>	<u>2014</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$ (1,479,450)	\$ (1,243,186)
Adjustments to reconcile the net operating loss to net cash flows from operating activities		
Operating expenses arising from on behalf payments from the University	183,940	155,692
Operating expenses arising from on behalf payments from the State of Illinois	221,248	217,651
Operating expenses arising from University provided grants and tuition waivers	18,805	11,305
Operating expenses arising from in-kind contributions	45,194	41,586
Depreciation expense	97,408	77,274
Changes in assets and liabilities		
Accounts receivable	(107)	2,489
Prepaid expenses	(96)	-
Accounts payable and accrued expenses	19,348	(6,110)
Deferred revenue	<u>68,136</u>	<u>(83,218)</u>
Net cash flows from operating activities	<u>\$ (825,574)</u>	<u>\$ (826,517)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
On behalf contributions from the University for administrative support and occupancy	\$ 183,940	\$ 155,692
On behalf contributions from the State of Illinois for the payment of employee fringe benefits	221,248	217,651
University provided grants and tuition waivers	18,805	11,305
Gift in-kind contributions of goods and services	45,194	41,586

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, 2015 and 2014

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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

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 No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Radio Station reported payments made by the State of Illinois on behalf of the Radio Station for contributions to State group insurance and retirement programs for Radio Station employees of \$ 221,248 and \$ 217,651 for the years ended June 30, 2015 and 2014, respectively. In addition, the Radio Station reported administrative support and occupancy cost provided by the University of \$ 183,940 and \$ 155,692 for the years ended June 30, 2015 and 2014, respectively. On behalf payments are classified as nonoperating revenues and 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

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

3. Cash and Cash Equivalents

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.

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.

4. 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. 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.

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

June 30, 2015 and 2014

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

7. Donated Services

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.

8. 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.

9. 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.

10. Subsequent Events

The Radio Station assessed events that have occurred subsequent to June 30, 2015 through January 12, 2016, 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.

NOTE B - 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - CAPITAL ASSETS - Continued

Capital assets at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Capital assets		
Programming and production equipment	\$ 93,169	\$ 93,169
Broadcasting equipment	609,585	609,585
Furniture and fixtures	16,000	16,000
Building	<u>1,159,476</u>	<u>1,159,476</u>
	1,878,230	1,878,230
Less accumulated depreciation	<u>1,213,426</u>	<u>1,116,018</u>
Capital assets, net	<u>\$ 664,804</u>	<u>\$ 762,212</u>

NOTE C - RETIREMENT

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 the 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 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE C - RETIREMENT - Continued

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.

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 2014 and 2015, respectively, was 11.91% 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).

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE D - 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.

Public Act 97-0695, effective July 1, 2012, altered the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This act requires the Director of Central Management Services to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee. These costs were to be assessed beginning July 1, 2013. However, four putative class actions were filed challenging the validity of this legislation under, among other things, the pension protection clause of the Illinois Constitution of 1970. The four class actions were consolidated in the Circuit Court of Sangamon County. The Circuit Court dismissed each of them for failure to state a cause of action, without certifying any classes. The Illinois Supreme Court allowed direct appeal. In July of 2014, the Illinois Supreme Court ruled that state retiree health care benefits are protected by the State constitution. The case then reverted to the Circuit Court for further proceedings. As a result, on August 28, 2014, the Sangamon County Circuit Court ordered the State to stop deducting monthly percentage-of-annuity health care premiums from annuity checks of state retirees and survivors enrolled in the State of Illinois Group Health Insurance Plan. The refunding of premiums paid since July 2013 were made during Fiscal Year 2015.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE D - POST-EMPLOYMENT BENEFITS - Continued

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.

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, 2015

(With Comparative Totals for Year Ended June 30, 2014)

	Program Services			Support Services				
	Programming and Production	Broad- casting	Program Information	Management and General	Fund- raising		2015 Total	2014 Total
Salaries and employee benefits	\$ 529,573	\$ 66,019	\$ 55,619	\$ 308,673	\$ 86,672	\$	\$ 1,046,556	\$ 865,653
Office and radio supplies	1,930	18,828	2,251	19,708	192		42,909	54,878
Telephone and line charges	-	995	-	11,736	13		12,744	9,359
Postage	-	-	-	3,434	2,418		5,852	3,780
Indirect support	92,158	11,493	9,671	53,729	15,080		182,131	153,883
Advertising	-	-	86	4,112	40,962		45,160	39,746
Occupancy	1,252	136	22	5,303	3,373		10,086	7,111
Printing and publications	2,392	-	571	10,195	980		14,138	8,569
Travel and conferences	12,221	273	-	15,293	5,920		33,707	19,601
Professional fees	5,900	521	410	12,831	-		19,662	20,560
Depreciation	-	95,576	-	1,832	-		97,408	77,274
Talent grants and tuition waivers	18,805	-	-	1,250	-		20,055	12,305
Program acquisitions	205,451	521	-	2,191	-		208,163	246,686
Raffle	-	-	-	-	1,710		1,710	2,671
Rental and maintenance of equipment	200	11,517	-	8,255	-		19,972	21,655
Miscellaneous	-	-	-	13,904	1,691		15,595	10,462
Total	\$ 869,882	\$ 205,879	\$ 68,630	\$ 472,446	\$ 159,011	\$	\$ 1,775,848	\$ 1,554,193