

UNIVERSITY OF ILLINOIS-SPRINGFIELD
NPR ILLINOIS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2017 and 2016

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Independent Auditors' Report

Board of Trustees of University of Illinois
NPR Illinois
Springfield, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of NPR Illinois, a public media entity operated by University of Illinois-Springfield (the University), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise NPR Illinois' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of NPR Illinois, as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of NPR Illinois are intended to present the financial position, the changes in financial position, and cash flows of only NPR Illinois' portion of the University's financial position, the changes in financial position, and cash flows attributable to the transactions of NPR Illinois. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2017 and 2016, the changes in its financial position or 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 the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, on our consideration of NPR Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NPR Illinois' internal control over financial reporting and compliance.

Eck, Schaefer & Puntke, LLP

Springfield, Illinois
February 7, 2018

University of Illinois-Springfield
NPR Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

INTRODUCTION

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of NPR Illinois for the year ended June 30, 2017. 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 changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of the NPR Illinois management.

BACKGROUND

NPR Illinois is public media entity serving Springfield and the central and west central Illinois region through radio broadcasts from WUIS Springfield and WIPA Pittsfield, along with digital content through nprillinois.org. It is licensed to the Board of Trustees of the University of Illinois (the University) with its studios based at the Springfield campus. It is a unit within the University's Center for State Policy and Leadership.

NPR Illinois delivers a format of news and information reaching nearly 800,000 people annually delivering National Public Radio programming to central and west central Illinois. NPR Illinois is committed to serving the information needs of the region and state. Weekend programs include news/information, public radio entertainment programs, and locally hosted music programs of blues, roots, jazz, bluegrass, classical and singer-songwriter. Additionally, NPR Illinois streams and broadcasts on HD channels a 24/7 classical service and, *The X*, a locally curated 24/7 Adult Album Alternative (AAA) format.

The NPR Illinois mission is to "Explain Illinois." This is done by informing, analyzing, and engaging to deliver in-depth multimedia news reports, expert analysis on statewide issues, plus informative engagement events — all upholding the philosophy and integrity of public journalism. Our programs and storytelling reflect the quality of life across Illinois in context with the nation and the world, and explore how residents may improve it.

The NPR Illinois statehouse bureau provides state government news to public radio stations across Illinois. It is home to the long-running analysis program "State Week." This year, special attention was given to the state budget impasse. Editorial coverage was aggregated under the "Past Due" brand and a series of 11 public forums were conducted across the state to engage citizens and organizations on how the state's fiscal health is affecting them. Since 2014, one journalist has been dedicated to the Education Desk, which reports on education issues. This past year, the desk provided insightful coverage into the successful effort to reform the state's education funding formula and the reporter was recognized as an expert in this subject.

University of Illinois-Springfield
NPR Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

USING THE FINANCIAL STATEMENTS

The NPR Illinois financial 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. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented to focus on NPR Illinois as a whole.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of NPR Illinois at the end of the fiscal year and includes all assets and liabilities of NPR Illinois using the accrual basis of accounting. A summarized comparison of the NPR Illinois' assets, deferred outflows, liabilities and net position at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Current and noncurrent assets and deferred outflows		
Interest in pooled cash and investments	\$ 1,615,958	\$ 1,188,153
Accounts receivable	83,999	-
Inventory	716	-
Capital assets, net	238,960	259,820
Deferred outflows of resources	<u>12,112</u>	<u>29,736</u>
Total assets and deferred outflows	<u>\$ 1,951,745</u>	<u>\$ 1,477,709</u>
Current and noncurrent liabilities		
Accounts payable	\$ 3,196	\$ 7,749
Accrued salaries	9,309	12,351
Deferred revenue	222,522	112,626
Accrued compensated absences	<u>72,036</u>	<u>76,837</u>
Total liabilities	307,063	209,563
Total net position	<u>1,644,682</u>	<u>1,268,146</u>
Total liabilities and net position	<u>\$ 1,951,745</u>	<u>\$ 1,477,709</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

STATEMENT OF NET POSITION - Continued

The change in total assets and deferred outflows for FY17 was the result of an increase in current assets of \$ 512,520, a decrease in capital assets of \$ 20,860 and a decrease in deferred outflows of \$ 17,624, for a change in total assets and deferred outflows of \$ 474,036. The change in total liabilities was the result of an increase in current liabilities of \$ 102,301 and a decrease of \$ 4,801 in noncurrent liabilities, for a change in total liabilities of \$ 97,500. The change in total net position for FY17 is \$ 376,536.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the results of NPR Illinois' revenue and expense activity as operating or non-operating. The following schedule summarizes NPR Illinois' fiscal year 2017 and 2016 activity:

	<u>2017</u>	<u>2016</u>
Operating revenues		
Community service grants	\$ 106,323	\$ 318,875
State and other government grants	23,305	29,334
Other public broadcasting support	84,579	84,037
Other operating income	<u>51,287</u>	<u>24,578</u>
Total operating revenues	265,494	456,824
Total operating expenses	<u>2,173,364</u>	<u>1,865,296</u>
Operating loss	(1,907,870)	(1,408,472)
Non-operating revenues (expenses)		
State appropriations	523,645	249,184
Contributions		
Individual contributions and membership income	400,337	390,506
Business and industry contributions	112,665	129,939
In-kind contributions	148,019	153,764
Donated facilities and administrative support	595,367	485,252
On behalf payments for fringe benefits	262,879	116,336
Investment income	3,114	1,851
Net increase (decrease) in fair value of investments	<u>2,725</u>	<u>(2,673)</u>
Net non-operating revenues (expenses)	<u>2,048,751</u>	<u>1,524,159</u>
Increase in net position before transfer	140,881	115,687
Transfer in of Illinois Issues' funds	235,655	-
Net position at beginning of year	<u>1,268,146</u>	<u>1,152,459</u>
Net position at end of year	<u>\$ 1,644,682</u>	<u>\$ 1,268,146</u>

University of Illinois-Springfield
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - Continued

The decrease in total operating revenues reflects a significant increase in the deferral of CPB grant revenue from 2016 to 2017, a decrease in state grants due to lack of a state budget, and an increase in other operating income. The increase in total non-operating revenues resulted from an increase in state appropriations from the University of Illinois and an increase of on-behalf fringe benefit payments. This is related to the Illinois Issues' personnel that are now included under NPR Illinois. Contributions from business and industry declined from \$ 129,939 in FY16 to \$ 112,665 in FY17. Operating expenses for fundraising and membership development decreased from the previous year. All other operating expense categories increased from 2016 to 2017 due to the addition of the Illinois Issues programs.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about NPR Illinois' financial results, by reporting the major sources and uses of cash. A summary of the Statement of Cash Flows for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Total sources	\$ 291,391	\$ 358,117
Total uses	<u>(1,134,342)</u>	<u>(1,098,086)</u>
Net cash flows from operating activities	(842,951)	(739,969)
Cash flows from noncapital financing activities		
Total sources	1,272,302	769,629
Cash flows from capital and related financing activities		
Total uses	(7,385)	(74,869)
Cash flow from investing activities		
Total uses	(4,110)	(1,591)
Total sources	<u>3,114</u>	<u>1,851</u>
Net cash flows from investing activities	<u>(996)</u>	<u>260</u>
Change in cash and cash equivalents	420,970	(44,949)
Cash and cash equivalents at beginning of year	<u>1,155,665</u>	<u>1,200,614</u>
Cash and cash equivalents at end of year	<u>\$ 1,576,635</u>	<u>\$ 1,155,665</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

STATEMENT OF CASH FLOWS - Continued

The revenue sources for the cash flows from operating activities include federal grants, public broadcasting entities, state departments, and other operating receipts. The uses for cash flows from operating activities include payments to employees/benefits and payments to suppliers (less capital expenses).

Cash flows from noncapital financing activities include state appropriations and cash received from contributors.

Cash flows from capital and related financing activities includes acquisition of property and equipment.

Cash flows from investing activities include earnings on cash and investments and purchases of investments.

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

NPR Illinois depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from five to fifty years.

	Beginning Balance at <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance at <u>June 30, 2017</u>
Capital assets				
Land	\$ 6,180	\$ -	\$ -	\$ 6,180
Building	410,239	-	-	410,239
Equipment	<u>489,031</u>	<u>7,385</u>	<u>15,400</u>	<u>481,016</u>
Total capital assets	905,450	7,385	15,400	897,435
Less accumulated depreciation				
Building	256,201	8,205	-	264,406
Equipment	<u>389,429</u>	<u>20,040</u>	<u>15,400</u>	<u>394,069</u>
Total accumulated depreciation	<u>645,630</u>	<u>28,245</u>	<u>15,400</u>	<u>658,475</u>
Capital assets, net	<u>\$ 259,820</u>	<u>\$ (20,860)</u>	<u>\$ -</u>	<u>\$ 238,960</u>

University of Illinois-Springfield
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

ECONOMIC OUTLOOK

The end of FY17 saw the Illinois state legislation pass a budget for the first time since FY15. The period of impasse created revenue uncertainty. NPR Illinois carefully stewarded its resources. This has included continuing to defer the hiring of open positions, deferring non-essential expenses, and cutting program costs. When the passed budget included higher education appropriations, NPR Illinois' licensee, the Springfield campus of the University of Illinois was able to provide some budget relief. Local business revenue continued to contract with, "Let's wait to see what happens with the budget," a common response to fundraising. It was anticipated the reserve would need to be used to cover a deficit but that was avoided through these measures and a positive net result was achieved.

The merger with Illinois Issues resulted in a new strategy. Print was discontinued and digital/audio distribution within the operations of NPR Illinois editorial was instituted over two years. FY17 was the first full year of combined operations as can be seen in the transfer of remaining Illinois Issues assets to NPR Illinois.

NPR Illinois continues to aim to have sufficient non-state revenue to be able to operate without state appropriations by FY20. An increase in fundraising capacity continues to be executed. A delay in further hiring will impact the timeline. The development director position was filled after being vacant since FY13. The development director is working to increase grant and foundation support along with major gift philanthropy. NPR Illinois editorial and engagement projects are being reviewed for funding potential and will be presented as crucial fundraising needs. Sponsorship account executives still need to be hired and trained along with an engagement and membership manager. Membership revenue continues to see record results but is still flat in the number of donors, meaning the average gift size is increasing.

The deferred replacement of the main transmitter, a capital improvement project, will be completed by the spring of FY18 and impact the reserve. Moving forward, a separate capital budget will be funded to cover the replacement of equipment.

The outlook for FY18 remains uncertain. The next state budget has not been passed and there's a gubernatorial election campaign. Recent history does not leave management optimistic that state funding will be predictable. The two-year budget impasse degraded many organizations' elasticity. If higher education funding doesn't materialize in a timely manner, NPR Illinois may have to enact a contingency budget. The NPR Illinois reserve would allow us to manage for at least a budget cycle with contingency measures.

NPR Illinois is healthy and will continue delivering on its mission while minimizing these risks to it.

University of Illinois-Springfield
NPR Illinois

STATEMENTS OF NET POSITION

June 30

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Interest in pooled cash	\$ 1,576,635	\$ 1,155,665
Interest in pooled investments	39,323	32,488
Accounts receivable	83,999	-
Inventory	<u>716</u>	<u>-</u>
Total current assets	1,700,673	1,188,153
NONCURRENT ASSETS		
Capital assets, net	<u>238,960</u>	<u>259,820</u>
Total assets	1,939,633	1,447,973
DEFERRED OUTFLOWS OF RESOURCES	<u>12,112</u>	<u>29,736</u>
Total assets and deferred outflows of resources	<u>\$ 1,951,745</u>	<u>\$ 1,477,709</u>
CURRENT LIABILITIES		
Accounts payable	\$ 3,196	\$ 7,749
Accrued salaries	9,309	12,351
Deferred revenue	<u>222,522</u>	<u>112,626</u>
Total current liabilities	235,027	132,726
NONCURRENT LIABILITIES		
Accrued compensated absences	<u>72,036</u>	<u>76,837</u>
Total liabilities	307,063	209,563
NET POSITION		
Net investment in capital assets	238,960	259,820
Restricted, expendable	900,034	696,599
Unrestricted	<u>505,688</u>	<u>311,727</u>
Total net position	<u>1,644,682</u>	<u>1,268,146</u>
Total liabilities and net position	<u>\$ 1,951,745</u>	<u>\$ 1,477,709</u>

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

University of Illinois-Springfield
NPR Illinois

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Community service grants	\$ 106,323	\$ 318,875
State and other government grants	23,305	29,334
Other public broadcasting support	84,579	84,037
Other operating income	<u>51,287</u>	<u>24,578</u>
Total operating revenues	265,494	456,824
OPERATING EXPENSES		
Local programming and production	1,181,521	1,015,624
Broadcasting	173,174	148,165
Program information	65,113	62,300
Fundraising and membership development	299,579	334,784
Grant and underwriting solicitation	79,292	35,209
Management and general	346,440	241,774
Unallocated depreciation	<u>28,245</u>	<u>27,440</u>
Total operating expenses	<u>2,173,364</u>	<u>1,865,296</u>
Operating loss	(1,907,870)	(1,408,472)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	523,645	249,184
Contributions		
Individual contributions and membership income	400,337	390,506
Business and industry contributions	112,665	129,939
In-kind contributions	148,019	153,764
Donated facilities and administrative support	595,367	485,252
On behalf payments for fringe benefits	262,879	116,336
Investment income	3,114	1,851
Net increase (decrease) in fair value of investments	<u>2,725</u>	<u>(2,673)</u>
Net non-operating revenues (expenses)	<u>2,048,751</u>	<u>1,524,159</u>
INCREASE IN NET POSITION BEFORE TRANSFER	140,881	115,687
Transfer in of Illinois Issues' funds	235,655	-
NET POSITION AT BEGINNING OF YEAR	<u>1,268,146</u>	<u>1,152,459</u>
NET POSITION AT END OF YEAR	<u>\$ 1,644,682</u>	<u>\$ 1,268,146</u>

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

University of Illinois-Springfield
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STATEMENTS OF CASH FLOWS

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Community service grants receipts	\$ 222,085	\$ 226,169
State and other government grants receipts	17,439	23,333
Cash received from other public broadcasting support	580	84,037
Other operating receipts	51,287	24,578
Payments to employees and related benefits	(460,195)	(577,241)
Payments to suppliers	<u>(674,147)</u>	<u>(520,845)</u>
Net cash flows from operating activities	(842,951)	(739,969)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	523,645	249,184
Cash received from contributors	513,002	520,445
Transfer in of Illinois Issues' funds	<u>235,655</u>	<u>-</u>
Net cash flows from noncapital financing activities	1,272,302	769,629
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(7,385)	(74,869)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,110)	(1,591)
Earnings on cash and investments	<u>3,114</u>	<u>1,851</u>
Net cash flows from investing activities	<u>(996)</u>	<u>260</u>
CHANGE IN CASH AND CASH EQUIVALENTS	420,970	(44,949)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,155,665</u>	<u>1,200,614</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,576,635</u>	<u>\$ 1,155,665</u>

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

University of Illinois-Springfield
NPR Illinois

STATEMENTS OF CASH FLOWS - CONTINUED

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$ (1,907,870)	\$ (1,408,472)
Adjustments to reconcile the net operating loss to net cash flows from operating activities		
Operating expenses arising from on behalf payments and support from the University	595,367	485,252
Operating expenses arising from on behalf payments from the State of Illinois	262,879	116,336
Operating expenses arising from in-kind contributions	148,019	153,764
Depreciation expense	28,245	27,440
Changes in assets, deferred outflows and liabilities		
Accounts receivable	(83,999)	-
Other current assets	(716)	173
Deferred outflows	17,624	60
Accounts payable	(4,553)	(2,968)
Accrued salaries	(3,042)	(3,650)
Deferred revenue	109,896	(98,707)
Accrued compensated absences	<u>(4,801)</u>	<u>(9,197)</u>
Net cash flows from operating activities	<u>\$ (842,951)</u>	<u>\$ (739,969)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
On behalf contributions from the University for administrative support and occupancy	\$ 595,367	\$ 485,252
On behalf contributions from the State of Illinois for the payment of employee fringe benefits	262,879	116,336
In-kind contributions of goods and services	148,019	153,764

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - NATURE OF OPERATIONS

NPR Illinois is a public media entity operated by the University of Illinois-Springfield (University). NPR Illinois is part of the University as a whole, and thus, for financial reporting purposes the financial balances and activities included in these financial statements are also included in the University's financial statements. These financial statements present only NPR Illinois, and do not purport to, and do not, present fairly the financial position of the University as of June 30, 2017 and 2016, and changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of American as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. NPR Illinois follows the business-type activity reporting requirements of GASB Statement No. 35 that provides a comprehensive, entity-wide perspective of NPR Illinois' financial activities.

For financial reporting purposes, NPR Illinois is considered part of the University, and thus, like the University is a special-purpose government engaged only in business-type activities. Accordingly, NPR Illinois' financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to public colleges and universities. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred.

The accounts of NPR Illinois are maintained internally in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to specified activities or objectives.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Pooled Cash and Investments

To provide for efficiencies and economies in their management, the University has pooled its cash and investments, except for certain funds that are required by bond resolution to be in separate accounts. Interest in pooled cash and investments at June 30, 2017 and 2016 represents NPR Illinois' share of these pooled accounts.

Cash deposits and cash equivalents of the University include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury Bills.

The University's investments are reported at fair value. The fair value is determined to be the amount at which financial instruments could be exchanged in current transactions between willing partners, usually quoted at market prices. It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and confirming to all statutes governing the investment of funds.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Additional information regarding the University's deposits and investments may be obtained from the financial statements of the University.

3. Accounts Receivable

Receivables are carried at fair value. Receivables are recorded when revenue is earned and are presented on the balance sheet net of any allowance for doubtful accounts. NPR Illinois believes all receivables are collectible. A provision for uncollectable accounts has not been recorded.

4. Inventories

Inventories are composed of publications of the roster of state government officials for the Illinois Issues publications and are stated at cost.

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NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Capital Assets

Capital assets are recorded at cost at the date of acquisition or at the fair market value at the date of donation. In accordance with accounting principles generally accepted in the United States of America for public colleges and universities, depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets valued at \$ 5,000 or more are capitalized. The range of estimated useful lives is as follows:

Buildings and improvements	50 years
Machinery, furniture, and equipment	5-20 years
Vehicles	5 years

6. Net Position

NPR Illinois' net position is classified as follows:

- a. Net investment in capital assets: This represents the total investment in capital assets, net of accumulated depreciation.
- b. Restricted net position, non-expendable: Restricted non-expendable net position consist of endowments with specific restrictions requiring that the principal be invested and only the earnings be used. There was no non-expendable, restricted net position for the years ended June 30, 2017 and 2016.
- c. Restricted net position, expendable: Restricted expendable net position include resources in which NPR Illinois is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- d. Unrestricted net position: Unrestricted net position represents resources that have not been restricted by external parties and are available for use by NPR Illinois.

It is NPR Illinois' 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.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Revenue Recognition

NPR Illinois has classified its revenues as either operating or non-operating revenues as follows:

Operating revenues include activities that have the characteristics of exchange transactions, such as providing educational programs, goods and production services to the public and private sector, and include most grants and contracts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*, such as state appropriations, investment income, and capital gains. Appropriations made to the University from the State of Illinois General Revenue Fund are recognized as non-operating revenues in the year appropriated to the extent expended. Other non-operating revenues include transactions relating to capital and financial activities, non-capital financing activities, and investing activities.

Grants are recorded as revenue when all applicable eligibility requirements have been met.

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 NPR Illinois.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Pledges and Contributions

NPR Illinois engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to NPR Illinois for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers and listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received. However, uncollected pledges are not enforceable against contributors. Contributions and collected pledges are components of the unrestricted operating fund since their usage is not limited to specific activities of NPR Illinois.

10. Functional Allocation of 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 the programs and supporting services benefited, using estimates if necessary.

11. Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act 47, United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communication Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Corporation for Public Broadcasting Community Service Grants - Continued

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the period. Actual results could differ from those estimates.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

14. Subsequent Events

NPR Illinois assessed events that have occurred subsequent to June 30, 2017 through February 7, 2018, 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 C - INTEREST IN POOLED INVESTMENTS

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

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Investment income includes interest, dividends, and realized gains and losses.

At June 30, 2017 and 2016 the fair value of NPR Illinois' share of the University of Illinois Foundation investment pool was \$ 39,323 and \$ 32,488, respectively. The investments carry donor restrictions and therefore are included in restricted, expendable net position.

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

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE D - CAPITAL ASSETS

Capital assets activity for NPR Illinois is summarized below:

	Balances July 1, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balances June 30, <u>2017</u>
Land	\$ 6,180	\$ -	\$ -	\$ 6,180
Building	410,239	-	-	410,239
Equipment	<u>489,031</u>	<u>7,385</u>	<u>15,400</u>	<u>481,016</u>
	905,450	7,385	15,400	897,435
Less accumulated depreciation	<u>645,630</u>	<u>28,245</u>	<u>15,400</u>	<u>658,475</u>
Capital assets, net	<u>\$ 259,820</u>	<u>\$ (20,860)</u>	<u>\$ -</u>	<u>\$ 238,960</u>

NOTE E - EXPENDABLE RESTRICTED NET POSITION

Expendable restricted net position is available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
WUIS Radio	\$ 692,599	\$ 449,689
Fundraising/RIS Gifts	5,476	3,875
Business Gift Fund	87,901	152,040
Music Studio Fund	16,886	16,886
Bedrock 66 Live! Gift Fund	9,099	9,109
U of I Foundation Funds	46,083	65,000
Illinois Issues	39,547	-
Illinois Issues Paul Simon Policy	<u>2,443</u>	<u>-</u>
	<u>\$ 900,034</u>	<u>\$ 696,599</u>

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - STATE UNIVERSITIES RETIREMENT SYSTEM

1. General Information about the Pension Plan

Plan Description: The University contributes to the State University Retirement System of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State makes substantially all actuarially determined required contributions on behalf of the participating employers. 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's financial reporting entity and is included in the State's 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.

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, 2016 can be found in the SURS' comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time; or (c) employed less than full time and attending classes with an employer. Of those employees ineligible to participate, the majority are students at the University.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

1. General Information about the Pension Plan - Continued

Contributions: The State is primarily responsible for funding the SURS 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 SURS 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 2017 and 2016 respectively, was 12.53% and 12.69% of employees' payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for 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 period).

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

Net Pension Liability: At June 30, 2016, SURS reported a net pension liability (NPL) of \$ 25,965,271,744. The net pension liability was measured as of June 30, 2015.

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 \$ 4,782,861,271. This amount should not be recognized in the financial statement. The net pension liability and the total pension liability as of June 30, 2016 was determined based on the June 30, 2015 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 2016.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

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

Pension Expense: At June 30, 2016 SURS reported a collective net pension expense of \$ 2,566,164,865.

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 2016. As a result, the University recognized on-behalf revenue and pension expense of \$ 472,693,322 for fiscal year ended June 30, 2017.

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 (nearest thousand) is as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 14,216	\$ 2,299
Changes in assumption	655,464	-
Net difference between projected and actual earnings on pension plan investments	<u>1,431,081</u>	<u>635,553</u>
Total	<u>\$ 2,100,761</u>	<u>\$ 637,852</u>

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

3. Deferral of Fiscal Year 2017 Pension Expense

NPR Illinois paid \$ 12,112 in federal, trust or grant contributions for fiscal year ended June 30, 2017. These contributions were made subsequent to the pension liability measurement date of June 30, 2016 and are recognized as Deferred Outflows of Resources as of June 30, 2017.

4. Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2010 - 2014. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the 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.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - STATE UNIVERSITIES RETIREMENT SYSTEM - 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, 2016, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	23.00%	6.08%
Private equity	6.00	8.73
Non-U.S. equity	19.00	6.95
Global equity	8.00	6.78
Fixed income	19.00	1.17
Treasury-inflation protected securities	4.00	1.41
Emerging market debt	3.00	4.44
Real estate REITS	4.00	5.75
Direct real estate	6.00	4.62
Commodities	2.00	4.23
Hedge strategies	5.00	4.00
Opportunity fund	<u>1.00</u>	<u>6.54</u>
Total	<u>100.00%</u>	5.09%
Inflation		<u>2.75</u>
Expected Arithmetic Return		<u>7.84%</u>

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

4. Assumptions and Other Inputs - Continued

Discount Rate: A single discount rate of 7.01% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.85% (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 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS' Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.01%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

<u>1% Decrease 6.01%</u>	<u>Current Single Discount Rate Assumption 7.01%</u>	<u>1% Increase 8.01%</u>
<u>\$ 31,348,831,631</u>	<u>\$ 25,965,271,744</u>	<u>\$ 21,502,421,700</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.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE G - POSTEMPLOYMENT BENEFITS

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially, all State and University employees become eligible for these other postemployment benefits (OPEB) if they eventually become annuitants of one of the State sponsored pension plans. The Department of Central Management Services administers these benefits for annuitants with the assistance of the State's sponsored pension plans. The portions of the Act related to OPEB establish a cost-sharing multiple-employer defined-benefit OPEB plan (plan) with a special funding situation in which the State funds substantially all nonparticipant contributions. The plan does not issue a stand-alone financial report but is included as a part of the State's financial statements. A copy of the financial statements of the State can be obtained at www.ioc.state.il.us.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and the University's employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. 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.

The State makes substantially all of the contributions for OPEB on behalf of the State universities. Since the State contributes substantially all of the employer contributions, the single-employer provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, have been followed for reporting the plan. The State is not required to and does not fund the plan other than the pay-as-you-go amount necessary to provide the current benefits.

NOTE H - INDIRECT ADMINISTRATIVE SUPPORT

Indirect administrative support from the University consists of allocated institutional support and physical plant costs incurred by the University for which NPR Illinois receives benefits. The fair value of this support is recognized in the Statement of Revenues, Expenses and Changes in Net Position. The value of this support for the years ended June 30, 2017 and 2016 was \$ 595,367 and \$ 485,252, respectively.

University of Illinois-Springfield
NPR Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE I - CONTRIBUTED IN-KIND SUPPORT

Contributed materials, supplies, and facilities are recorded at their estimated fair value at the date of donation. NPR Illinois 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 of 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 of 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, 2017 and 2016 was as follows:

The amount of donated materials and services recognized in the years ended June 30, 2017 and 2016 was \$ 68,019 and \$ 64,764, respectively.

The University of Illinois Foundation contributed professional services consisting of processing donations, records maintenance, fund-raising expertise, and administrative services. The value of these professional services recognized in the years ended June 30, 2017 and 2016 was \$ 80,000 and \$ 89,000, respectively.

Contributed support from the State of Illinois consists of benefit contributions on behalf of NPR Illinois. The value of the on-behalf contributions recognized in the years ended June 30, 2017 and 2016 was \$ 262,879 and \$ 116,336, respectively.

NOTE J - TRANSFER IN OF ILLINOIS ISSUES' FUNDS

Illinois Issues' funds were transferred to NPR Illinois on July 1, 2016. The transfer in the amount of \$ 235,655 represents Illinois Issues' fund balances at the time of the transfer.

OTHER REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Board of Trustees of University of Illinois
NPR Illinois
Springfield, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NPR Illinois as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise NPR Illinois' basic financial statements, and have issued our report thereon dated February 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NPR Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NPR Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the NPR Illinois' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

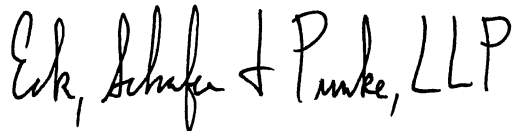
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NPR Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Erik, Schaefer & Punske, LLP". The signature is written in a cursive, flowing style.

Springfield, Illinois
February 7, 2018