

Eastern Michigan University WEMU-FM

**Financial Report
with Supplemental Information
June 30, 2017**

Eastern Michigan University WEMU-FM

Contents

Report Letter	1-3
Management's Discussion and Analysis (Unaudited)	4-8
Financial Statements	
Statement of Net Position	9
Statement of Revenue, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12-22
Supplemental Information	23
Schedule of Net Position by Fund	24
Schedule of Revenue, Expenses, and Changes in Net Position by Fund	25

Independent Auditor's Report

To the Board of Regents
Eastern Michigan University WEMU-FM

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Michigan University WEMU-FM (the "Station" or WEMU), a department of Eastern Michigan University, as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise WEMU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Michigan University WEMU-FM as of June 30, 2017 and 2016 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Regents
Eastern Michigan University WEMU-FM

Emphasis of Matter

We draw attention to Note 1 to the basic financial statements, which explains that these financial statements of Eastern Michigan University WEMU-FM are intended to present the financial position, the changes in financial position, and the changes in cash flows of only that portion of Eastern Michigan University's business-type activities that is attributable to the transactions of the department. They do not purport to, and do not, present fairly the financial position of Eastern Michigan University as of June 30, 2017 and 2016, the changes in its financial position, or the changes in its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the required supplemental information related to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WEMU's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the Board of Regents
Eastern Michigan University WEMU-FM

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

January 9, 2018

Eastern Michigan University WEMU-FM

Management's Discussion and Analysis (Unaudited)

This section of Eastern Michigan University WEMU-FM's (the "Station" or WEMU) annual financial report presents management's discussion and analysis of the financial performance of the Station during the fiscal years ended June 30, 2017, 2016, and 2015. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, notes, and this discussion are the responsibility of the Station's management.

Using the Annual Financial Report

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. In 2015, the Station adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Station reported a liability of \$113,322, \$211,296, and \$96,675 for its allocated share of the University's net pension liability at June 30, 2017, 2016, and 2015, respectively. The Station had deferred outflows consisting of \$7,778, \$16,840, and \$9,835 in university pension contributions subsequent to the measurement date of the accrued actuarial pension obligation at June 30, 2017, 2016, and 2015, respectively. In addition, at June 30, 2017, 2016, and 2015, the Station had deferred inflows consisting of \$2,678, \$1,378, and \$9,294, respectively, in the net difference between projected and actual earnings on pension plan investments in respect to the fair value of pension obligations.

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

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

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

Eastern Michigan University WEMU-FM

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

Using the Annual Financial Report (Continued)

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

Condensed Statement of Net Position (in thousands)

	June 30		
	2017	2016	2015
Assets			
Current assets	\$ 267	\$ 213	\$ 320
Noncurrent assets	<u>108</u>	<u>116</u>	<u>124</u>
Total assets	375	329	444
Deferred Outflows of Resorces	8	17	10
Liabilities			
Current liabilities	-	-	15
Noncurrent liabilities	<u>235</u>	<u>337</u>	<u>203</u>
Total liabilities	235	337	218
Deferred Inflows of Resources	<u>3</u>	<u>1</u>	<u>9</u>
Net Position			
Net investment in capital assets	108	116	124
Restricted - Expendable	256	240	173
Unrestricted (deficit)	<u>(219)</u>	<u>(348)</u>	<u>(70)</u>
Total net position	<u>\$ 145</u>	<u>\$ 8</u>	<u>\$ 227</u>

Eastern Michigan University WEMU-FM

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

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

	Year Ended June 30		
	2017	2016	2015
Operating Revenue			
Grants from Corporation for Public Broadcasting	\$ 145	\$ 151	\$ 217
Rental income	54	59	59
Total operating revenue	199	210	276
Operating Expenses			
Program services:			
Programming and production	1,035	1,211	965
Broadcasting	235	282	240
Program information	110	130	124
Support services:			
Fundraising	134	150	140
Management	221	252	224
Total operating expenses	1,735	2,025	1,693
Operating Loss	(1,536)	(1,815)	(1,417)
Nonoperating Revenue			
General appropriations from the University	413	431	413
Administrative support from the University	490	527	461
Contributions	770	638	668
Total nonoperating revenue	1,673	1,596	1,542
Change in Net Position	137	(219)	125
Net Position - Beginning of year	8	227	276
Adjustment for Change in Accounting Principle	-	-	(174)
Net Position - Beginning of year - As restated	8	227	102
Net Position - End of year	<u>\$ 145</u>	<u>\$ 8</u>	<u>\$ 227</u>

Eastern Michigan University WEMU-FM

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

Noteworthy Financial Activity

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

- The radio station's total assets as of June 30, 2017 increased versus the prior year by approximately \$46,000 primarily due to increased contributions (\$134,000). Over \$107,000 is invested in capital assets as of June 30, 2017. The Station's total assets as of June 30, 2016 decreased versus the prior year by approximately \$115,000 primarily due to support from the Corporation for Public Broadcasting (\$66,000) and decreased contributions (\$31,000).
- In 2017, liabilities decreased by approximately \$102,000 driven by the decrease in the Station's share of the MPSERS pension liability. In the prior year, the liability increased given an overall increase in the MPSERS pension liability at Eastern Michigan University (the "University").
- In 2017, operating revenue decreased by approximately \$12,000 primarily due to decreased support from the Corporation for Public Broadcasting (\$6,400) and Rental Revenue (\$5,500). In 2016, operating revenue decreased by approximately \$66,000 primarily due to decreased support from the Corporation for Public Broadcasting.
- In 2017, nonoperating revenue increased by approximately \$78,000 primarily due to increased contributions (\$134,000), decreased administrative support (\$37,000), and decreased general appropriations (\$18,000). In 2016, nonoperating revenue increased by approximately \$55,000 primarily due to increased administrative support (\$67,000).
- In 2017, operating expenses decreased by approximately \$290,000 primarily due to decreases in programming and production (\$176,000), broadcasting (\$47,000), and management support (\$31,000). In 2016, operating expenses increased by approximately \$333,000 primarily due to increases in programming and production (\$247,000), broadcasting (\$42,000), and management support (\$28,000).

Condensed Statement of Cash Flows

(in thousands)

	Year Ended June 30		
	2017	2016	2015
Cash (Used in) Provided by			
Operating activities	\$ (1,626)	\$ (1,707)	\$ (1,502)
Noncapital financing activities	1,684	1,580	1,541
Net Increase (Decrease) in Cash	58	(127)	39
Cash - Beginning of year	88	215	176
Cash - End of year	<u>\$ 146</u>	<u>\$ 88</u>	<u>\$ 215</u>

Eastern Michigan University WEMU-FM

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

Looking Ahead

Fiscal year 2017 found WEMU in the third year of its post three-year strategic plan to reduce its reliance on the General Fund by \$250,000. The Station continues to look for cost-cutting opportunities. During 2017, due to cost-cutting and cost containment strategies, operating expenses decreased approximately \$290,000.

The Station reduced overall expenditures by reducing travel, reducing the chief engineer position to half time, and reducing costs for pledge premiums. WEMU hosted its fifth annual State of the Station breakfast in January 2017, a donor event centered around the Jazz at Lincoln Center Orchestra performance in March to celebrate WEMU's 40 years of jazz broadcasting, and a jazz brunch in May, all as part of the major donor community champions program. Donations to the program were up in FY2017, including three five-figure donations from individuals.

The Station continued its aggressive strategy to increase listening and recorded an all time high number of listeners of 65,000 in spring 2017.

The overall fundraising goal for the fiscal year was \$720,000, which was exceeded by nearly \$48,000. The Station increased fundraising from 2016 by over \$130,000.

In FY2018, WEMU will continue its aggressive audience building and fundraising strategies with increased focus on corporate and foundation gifts. The Station will also continue incentive-based fundraising events throughout the year to keep donor revenue more consistent and pledge drives shorter and more creative. WEMU will also be considering new program options upon the retirement of its longtime music director in December 2017.

WEMU will continue to inspect its aging equipment (transmitters, generators, and other backup power supplies) in fiscal year 2018 to determine its longevity. Most items were purchased at the same time and are approaching 20 years old. The Station needs to determine the feasibility of retaining current equipment, along with its increased risk of failure and need for maintenance. Any new major equipment purchases will come from the Station's designated equipment fund.

The Station remains committed to serve the University's mission of public service through programming, community support, civic engagement, and free public service announcements to nonprofits.

Eastern Michigan University WEMU-FM

Statement of Net Position

	June 30	
	2017	2016
Assets		
Current assets:		
Cash	\$ 145,420	\$ 87,609
Accounts receivable from the University	<u>121,999</u>	<u>125,866</u>
Total current assets	267,419	213,475
Noncurrent assets - Property and equipment - Net (Note 3)	<u>107,955</u>	<u>115,911</u>
Total assets	375,374	329,386
Deferred Outflows of Resources (Note 5)	7,778	16,840
Liabilities		
Noncurrent liabilities:		
Compensated absences	122,001	125,868
Pension obligation	<u>113,322</u>	<u>211,296</u>
Total liabilities	235,323	337,164
Deferred Inflows of Resources (Note 5)	<u>2,678</u>	<u>1,378</u>
Net Position		
Net investment in capital assets	107,955	115,911
Restricted - Expendable	256,429	239,641
Unrestricted	<u>(219,233)</u>	<u>(347,868)</u>
Total net position	<u>\$ 145,151</u>	<u>\$ 7,684</u>

Eastern Michigan University WEMU-FM

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2017	2016
Operating Revenue		
Grants from Corporation for Public Broadcasting	\$ 144,974	\$ 151,382
Rental income	53,676	59,181
Total operating revenue	198,650	210,563
Operating Expenses		
Program services:		
Programming and production	1,035,320	1,211,427
Broadcasting	235,237	281,896
Program information	109,812	130,013
Support services:		
Fundraising	133,752	149,657
Management	220,665	252,128
Total operating expenses	1,734,786	2,025,121
Operating Loss	(1,536,136)	(1,814,558)
Nonoperating Revenue		
General appropriations from the University	413,399	431,343
Administrative support from the University	489,894	527,184
Contributions	770,310	636,689
Total nonoperating revenue	1,673,603	1,595,216
Change in Net Position	137,467	(219,342)
Net Position - Beginning of year	7,684	227,026
Net Position - End of year	<u>\$ 145,151</u>	<u>\$ 7,684</u>

Eastern Michigan University WEMU-FM

Statement of Cash Flows

	Year Ended June 30	
	2017	2016
Cash Flows from Operating Activities		
Cash received from Corporation for Public Broadcasting	\$ 144,974	\$ 151,382
Cash received from tower leases	53,676	59,181
Cash paid for programming services	(1,472,013)	(1,517,713)
Cash paid for management and fundraising	(352,790)	(400,205)
	<u>(1,626,153)</u>	<u>(1,707,355)</u>
Net cash used in operating activities		
Cash Flows from Noncapital Financing Activities		
Cash received from university appropriations	423,760	416,422
Cash received from administrative support	489,894	527,184
Contributions received	770,310	636,689
	<u>1,683,964</u>	<u>1,580,295</u>
Net cash provided by noncapital financing activities		
Net Increase (Decrease) in Cash	57,811	(127,060)
Cash - Beginning of year	<u>87,609</u>	<u>214,669</u>
Cash - End of year	<u>\$ 145,420</u>	<u>\$ 87,609</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,536,136)	\$ (1,814,558)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	7,956	7,955
Changes in assets and liabilities:		
Accounts receivable - Net	3,867	(20,235)
Accrued compensated absences	(3,867)	20,237
Unearned revenue	-	(15,375)
Net pension obligation	(97,973)	114,623
	<u>(97,973)</u>	<u>99,250</u>
Total changes in assets and liabilities		
Net cash used in operating activities	<u>\$ (1,626,153)</u>	<u>\$ (1,707,353)</u>

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2017 and 2016

Note 1 - Organization

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

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

Note 2 - Basis of Presentation and Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The GASB established standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into three net position categories according to externally imposed restrictions.

The three net position categories are as follows:

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

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

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2017 and 2016

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

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

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

Unearned Revenue - WEMU receives advance payments of rent related to a tower lease agreement. These payments are reported as unearned revenue and recognized when earned. As of June 30, 2017 and 2016, all unearned revenue has been earned by the Station.

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

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

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

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

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

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

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

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

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

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

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2017 and 2016

Note 3 - Property and Equipment

Property and equipment at June 30, 2017 and 2016 consist of the following:

	2016	Additions	Retirement	Reclassification	2017
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Transmitter and tower	288,800	-	-	-	288,800
Studio and technical equipment	140,797	-	-	-	140,797
Furniture, fixture, and equipment	126,813	-	-	-	126,813
Subtotal	656,410	-	-	-	656,410
Less accumulated depreciation	(540,499)	(7,956)	-	-	(548,455)
Net property and equipment	<u>\$ 115,911</u>	<u>\$ (7,956)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,955</u>

	2015	Additions	Retirement	Reclassification	2016
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Transmitter and tower	288,800	-	-	-	288,800
Studio and technical equipment	140,797	-	-	-	140,797
Furniture, fixture, and equipment	126,813	-	-	-	126,813
Subtotal	656,410	-	-	-	656,410
Less accumulated depreciation	(532,544)	(7,955)	-	-	(540,499)
Net property and equipment	<u>\$ 123,866</u>	<u>\$ (7,955)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,911</u>

Note 4 - Retirement Benefits and Compensated Absences

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

Defined Contribution Plan

TIAA-CREF is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee benefits generally vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. For the years ended June 30, 2017, 2016, and 2015, WEMU-FM contributed approximately \$55,000, \$47,000, and \$49,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contributions under the TIAA-CREF plan.

Note 4 - Retirement Benefits and Compensated Absences (Continued)

The University provides termination benefits upon retirement resulting from unused sick days. The University calculates its sick pay liability in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. In 2013, the University modified the sick leave and short-term disability policy to eliminate sick leave accruals and retirement payouts for certain employees. In addition, the revised policy established a new short-term disability plan to provide income protection for certain employees unable to work for an extended period because of nonwork-related illness or period of incapacity. The Station's portion of this liability is \$121,999 and \$125,866 as of June 30, 2017 and 2016, respectively.

Note 5 - Michigan Public School Employees' Retirement System

Plan Description - The Station, through the University, participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the University and therefore, substantially all of the employees of the Station; all hourly employees and some salary employees hired prior to January 1, 1996 participate in MPSERS. Employees hired on or after January 1, 1996 cannot participate in MPSERS unless they previously were enrolled in the System at the University or one of the other six universities that are part of MPSERS.

The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. The report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at P.O. Box 30171, Lansing, MI 48909-7671. Separate pension information related to the Station's employees included in this plan is not available.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2017 and 2016

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

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

The University's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. The University contributes to MPSERS a percentage of member and nonmember payrolls, determined by the plan's actuaries, for the unfunded portion of future pensions. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Normal Pension Cost	Unfunded Portion
July 1, 2015 - September 30, 2015	4.8%	17.72%
October 1, 2015 - September 30, 2016	4.9%	20.26%
October 1, 2016 - June 30, 2017	4.3%	18.75%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions. The University's required and actual contributions to the plan for the years ended June 30, 2017 and 2016 were \$5,506,014 and \$4,817,034, respectively. Contributions include \$666,577 and \$706,663 of revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2017 and 2016, respectively.

As a result of the above requirements, WEMU records an allocation of the University's required and actual contributions to the plan for the years ended June 30, 2017 and 2016, which was \$34,000 and \$36,000, respectively.

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

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

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member.

Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

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

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction. Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2017 and 2016, the Station reported a liability of \$113,322 and \$211,296, respectively, for its allocated share of the University's net pension liability. The net pension liability was measured as of September 30, 2016 and 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the MPSERS net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. The amount the University allocated to the Station is based on WEMU's unrestricted net position (before the pension liability, deferred inflows, and deferred outflows) as a percentage of the University's net position base. At September 30, 2016 and 2015, the Station's allocation was .016 and 0.28 percent, respectively, of the University's proportionate share.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2017 and 2016

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

For the years ended June 30, 2017 and 2016, WEMU recognized a pension recovery of \$3,683 and expense of \$11,988, respectively. At June 30, 2017 and 2016, WEMU reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	June 30, 2017		June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 181	\$ -	\$ 2,902	\$ -
Net difference between projected and actual earnings on pension plan investments	1,099	-	612	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	(1,901)	602	(4)
University contributions subsequent to the measurement date	6,498	-	12,724	-
Total	<u>\$ 7,778</u>	<u>\$ (1,901)</u>	<u>\$ 16,840</u>	<u>\$ (4)</u>

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

Years Ending	June 30	
	2017	2016
2017	\$ -	\$ 2,786
2018	(1,994)	(715)
2019	(275)	(715)
2020	1,549	2,757
2021	99	-
Total	<u>\$ (621)</u>	<u>\$ 4,113</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2018).

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

Actuarial Assumptions - The total pension liability as of September 30, 2016 and 2015 is based on the results of an actuarial valuation as of September 30, 2015 and September 30, 2014, and rolled forward. The following actuarial assumptions applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	8.00 percent, net of investment expenses based on the groups
Rate of pay increases	3.5 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2016 and 2015 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent at September 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, including 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.

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of .5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ended June 30, 2017.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2017 and 2016

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Plan Year September 30, 2016		Plan Year September 30, 2015	
	Long-term Expected		Long-term Expected	
	Target Allocation	Real Rate of Return	Target Allocation	Real Rate of Return
Domestic equity pools	28.0%	5.9%	28.0%	5.9%
Alternate investment pools	18.0%	9.2%	18.0%	9.2%
International equity pools	16.0%	7.2%	16.0%	7.2%
Fixed-income pools	10.5%	0.9%	10.5%	0.9%
Real estate and infrastructure pools	10.0%	4.3%	10.0%	4.3%
Absolute return pools	15.5%	6.0%	15.5%	6.0%
Short-term investment pools	2.0%	0.0%	2.0%	0.0%
Total	100%		100%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the allocated net pension liability of WEMU, calculated using the discount rate of 8.00 percent, as well as what WEMU's allocated net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

	Current		
	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
Station's proportionate share of the net pension liability - June 30, 2017	\$ 132,418	\$ 113,322	\$ 96,817
Station's proportionate share of the net pension liability - June 30, 2016	247,921	211,296	179,683

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

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2017 and 2016

Note 6 - Nonfederal Financial Support (NFFS)

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

Calculated in accordance with CPB guidelines, the combined network reported total NFFS of \$1,671,117 and \$1,592,888 for the years ended June 30, 2017 and 2016, respectively.

Note 7 - Issued but Not Adopted Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statement that WEMU will implement in the future.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the University, and therefore WEMU, to recognize on the face of the financial statements its proportionate share of the retiree health benefits included within the Michigan Public School Employees' Retirement System (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for periods beginning after June 15, 2017.

Supplemental Information

Eastern Michigan University WEMU-FM

Schedule of Net Position by Fund

	June 30, 2017			June 30, 2016		
	Operating Funds		Total	Operating Funds		Total
	Unrestricted	Property Fund		Unrestricted	Property Fund	
Assets						
Current assets:						
Cash	\$ 145,420	\$ -	\$ 145,420	\$ 87,609	\$ -	\$ 87,609
Accounts receivable	121,999	-	121,999	125,866	-	125,866
Total current assets	267,419	-	267,419	213,475	-	213,475
Noncurrent assets - Property and equipment - Net	-	107,955	107,955	-	115,911	115,911
Total assets	267,419	107,955	375,374	213,475	115,911	329,386
Deferred Outflows of Resources	7,778	-	7,778	16,840	-	16,840
Liabilities - Noncurrent liabilities						
Compensated absences	122,001	-	122,001	125,868	-	125,868
Pension obligation	113,322	-	113,322	211,296	-	211,296
Total liabilities	235,323	-	235,323	337,164	-	337,164
Deferred Inflows of Resources	2,678	-	2,678	1,378	-	1,378
Net Position						
Net investment in capital assets	-	107,955	107,955	-	115,911	115,911
Restricted - Expendable	256,429	-	256,429	239,641	-	239,641
Unrestricted (deficit)	(219,233)	-	(219,233)	(347,868)	-	(347,868)
Total net position	<u>\$ 37,196</u>	<u>\$ 107,955</u>	<u>\$ 145,151</u>	<u>\$ (108,227)</u>	<u>\$ 115,911</u>	<u>\$ 7,684</u>

Eastern Michigan University WEMU-FM

Schedule of Revenue, Expenses, and Changes in Net Position by Fund

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Operating Funds		Total	Operating Funds		Total
	Unrestricted	Property Fund		Unrestricted	Property Fund	
Operating Revenue						
Grants from Corporation for Public Broadcasting	\$ 144,974	\$ -	\$ 144,974	\$ 151,382	\$ -	\$ 151,382
Rental income	53,676	-	53,676	59,181	-	59,181
Total operating revenue	198,650	-	198,650	210,563	-	210,563
Operating Expenses						
Program services:						
Programming and production	1,030,572	4,748	1,035,320	1,206,668	4,759	1,211,427
Broadcasting	234,158	1,079	235,237	280,789	1,107	281,896
Program information	109,308	504	109,812	129,502	511	130,013
Support services:						
Fundraising	133,139	613	133,752	149,069	588	149,657
Management	219,653	1,012	220,665	251,138	990	252,128
Total operating expenses	1,726,830	7,956	1,734,786	2,017,166	7,955	2,025,121
Operating Loss	(1,528,180)	(7,956)	(1,536,136)	(1,806,603)	(7,955)	(1,814,558)
Nonoperating Revenue						
General appropriations from the University	413,399	-	413,399	431,343	-	431,343
Administrative support from the University	489,894	-	489,894	527,184	-	527,184
Contributions	770,310	-	770,310	636,689	-	636,689
Total nonoperating revenue	1,673,603	-	1,673,603	1,595,216	-	1,595,216
Change in Net Position	145,423	(7,956)	137,467	(211,387)	(7,955)	(219,342)
Net Position - Beginning of year	(108,227)	115,911	7,684	103,160	123,866	227,026
Net Position - End of year	<u>\$ 37,196</u>	<u>\$ 107,955</u>	<u>\$ 145,151</u>	<u>\$ (108,227)</u>	<u>\$ 115,911</u>	<u>\$ 7,684</u>