

Eastern Michigan University WEMU-FM

**Financial Report
with Supplemental Information
June 30, 2015**

Eastern Michigan University WEMU-FM

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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), as of and for the years ended June 30, 2015 and 2014 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 basic 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 audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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, 2015 and 2014 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 statements present only WEMU and are intended to present only the financial position, the changes in its financial position, and the changes in its cash flows of only that portion of the University's business-type activities that are attributable to this department of Eastern Michigan University. They do not purport to, and do not, present fairly the financial position of Eastern Michigan University as of June 30, 2015 and 2014, 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.

As discussed in Note 2 to the basic financial statements, effective July 1, 2014, the Station adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment to Statement No. 27. In accordance with Statement No. 68, the Station is now recognizing its allocated share of the University's unfunded pension benefit obligation as a liability on the statement of net position for the first time. This statement also enhances accountability and transparency through revised note disclosures. 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 on pages 4-9 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 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
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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 4, 2016

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, 2015, 2014, and 2013. 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 2013, the Station implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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*. At June 30, 2015, the Station reported a liability of \$96,675 for its allocated share of the University's net pension liability. As of June 30, 2015, the Station had deferred outflows consisting of \$9,835 in University pension contributions subsequent to the measurement date of the accrued actuarial pension obligation. In addition, the Station had deferred inflows consisting of \$9,294 in the net difference between projected and actual earnings on pension plan investments in respect to the fair value of pension obligations. The Station had no deferred inflows or outflows as of June 30, 2014 or 2013.

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) is one indicator of the improvement or erosion of the Station's financial health when considered with non-financial 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		
	2015	2014	2013
Assets			
Current assets	\$ 320	\$ 280	\$ 466
Noncurrent assets	124	132	142
Total assets	444	412	608
Deferred Outflows	10	-	-
Liabilities			
Current liabilities	15	15	15
Noncurrent liabilities	203	121	122
Total liabilities	218	136	137
Deferred Inflows	9	-	-
Net Position			
Net investment in capital assets	124	132	142
Restricted - Expendable	173	71	161
Unrestricted (deficit)	(70)	73	168
Total net position	<u>\$ 227</u>	<u>\$ 276</u>	<u>\$ 471</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		
	2015	2014	2013
Operating Revenue			
Grants from Corporation for Public Broadcasting	\$ 217	\$ 111	\$ 150
Rental income	59	62	54
Total operating revenue	276	173	204
Operating Expenses			
Program services:			
Programming and production	965	1,497	1,579
Broadcasting	240	140	147
Program information	124	120	126
Support services:			
Fundraising	140	120	126
Management	224	120	126
Total operating expenses	1,693	1,997	2,104
Operating Loss	(1,417)	(1,824)	(1,900)
Nonoperating Revenue			
General appropriations from the University	413	413	449
Administrative support from the University	461	517	540
Contributions	668	699	668
Total nonoperating revenue	1,542	1,629	1,657
Change in Net Position	125	(195)	(243)
Net Position - Beginning of year	276	471	714
Adjustment for Change in Accounting Principle	(174)	-	-
Net Position - Beginning of year - As restated	102	471	714
Net Position - End of year	<u>\$ 227</u>	<u>\$ 276</u>	<u>\$ 471</u>

Eastern Michigan University WEMU-FM

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

Noteworthy Financial Activity

Significant components of the Station's financial condition include the following:

- The Station's total assets as of June 30, 2015 increased versus the prior year by approximately \$32,000 primarily due to increased support from the Corporation for Public Broadcasting (\$106,000). Approximately \$124,000 is invested in capital assets as of June 30, 2015. The Station's total assets as of June 30, 2014 decreased versus the prior year by approximately \$196,000 primarily due to decreased support from the Corporation for Public Broadcasting (\$39,000), decreased support from the General Appropriations of the University (\$36,000), and decreased administrative support from the University (\$23,000). Over \$132,000 was invested in capital assets as of June 30, 2014.
- In 2015, operating revenue increased by approximately \$103,000 primarily due to increased support from the Corporation for Public Broadcasting. In 2014, operating revenue decreased by approximately \$32,000 primarily due to decreased support from the Corporation for Public Broadcasting.
- In 2015, nonoperating revenue decreased by approximately \$87,000 primarily due to decreased administrative support (\$56,000) and decreased contributions (\$31,000). In 2014, nonoperating revenue decreased by approximately \$28,000 primarily due to decreased general appropriations.
- In 2015, operating expenses decreased by approximately \$304,000 primarily due to decreases in programming and production (\$532,000) offset by increased broadcasting (\$100,000) and management support (\$104,000). In 2014, operating expenses decreased by approximately \$107,000 primarily due to decreases in management support (\$6,000), programming and production (\$82,000), program information (\$6,000), broadcasting (\$7,000), and fundraising (\$6,000).

Eastern Michigan University WEMU-FM

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

Condensed Statement of Cash Flows (in thousands)

	Year Ended June 30		
	2015	2014	2013
Cash (Used in) Provided by			
Operating activities	\$ (1,502)	\$ (1,829)	\$ (1,877)
Noncapital financing activities	1,542	1,629	1,657
Net Increase (Decrease) in Cash	40	(200)	(220)
Cash - Beginning of year	176	376	596
Cash - End of year	<u>\$ 216</u>	<u>\$ 176</u>	<u>\$ 376</u>

Looking Ahead

Fiscal year 2015 found WEMU in the first year of its post-three-year strategic plan to reduce its reliance on the General Fund by \$250,000 by the end of fiscal year 2014. The Station's General Fund was cut by 7 percent in line with other University departments.

The Station reduced its overall expenditures by \$100,000 with the elimination of live music programming on weekday evenings, three live weekend music programs, and one syndicated music program. WEMU also reduced its personnel budget by eliminating program producers. In addition, WEMU hosted its third State of the Station breakfast in January 2015, at which time the WEMU Community Champions program was introduced: a circle of major donors that give at least \$1,000 per year and who act as champions and ambassadors for WEMU to challenge other donors to give more as traditional funding sources continue to be redefined. The Community Champions kicked off the spring pledge drive with a \$53,000 challenge to other donors.

The Station continued its aggressive strategy to increase listening and finished first in time spent listening in the Ann Arbor Metro in Spring 2015. Two long-time news reporters left WEMU in fiscal year 2015 and two new reporters were hired for fiscal year 2016, bringing new skills in the area of reporting on multiple broadcast platforms.

The overall fundraising goal for the fiscal year was \$720,000.

In fiscal year 2016, WEMU plans to continue its aggressive audience building and fundraising strategies. The Station plans incentive-based fundraising events throughout the year to keep donor revenue more consistent and pledge drives shorter and more creative.

Eastern Michigan University WEMU-FM

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

Looking Ahead (Continued)

The Station continues to inspect its aging equipment: transmitters, generators, and other backup power supplies in fiscal year 2016 to determine their longevity. Most were purchased at the same time and are approaching 20 years. 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 non-profits.

Eastern Michigan University WEMU-FM

Statement of Net Position

	June 30	
	2015	2014
Assets		
Current assets:		
Cash	\$ 214,669	\$ 175,356
Accounts receivable from the University	<u>105,631</u>	<u>105,306</u>
Total current assets	320,300	280,662
Noncurrent assets - Property and equipment - Net (Note 3)	<u>123,866</u>	<u>131,822</u>
Total assets	444,166	412,484
Deferred Outflows (Note 5)	9,835	-
Liabilities		
Current liabilities - Unearned revenue	15,375	15,375
Noncurrent liabilities:		
Compensated absences	105,631	105,306
Unearned revenue	-	15,375
Pension obligation	<u>96,675</u>	<u>-</u>
Total noncurrent liabilities	<u>202,306</u>	<u>120,681</u>
Total liabilities	217,681	136,056
Deferred Inflows (Note 5)	<u>9,294</u>	<u>-</u>
Net Position		
Net investment in capital assets	123,866	131,822
Restricted - Expendable	172,868	71,510
Unrestricted	<u>(69,708)</u>	<u>73,096</u>
Total net position	<u>\$ 227,026</u>	<u>\$ 276,428</u>

Eastern Michigan University WEMU-FM

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2015	2014
Operating Revenue		
Grants from Corporation for Public Broadcasting	\$ 217,202	\$ 111,120
Rental income	59,277	61,431
Total operating revenue	276,479	172,551
Operating Expenses		
Program services:		
Programming and production	964,993	1,497,458
Broadcasting	240,147	139,763
Program information	123,800	119,797
Support services:		
Fundraising	140,227	119,797
Management	224,397	119,796
Total operating expenses	1,693,564	1,996,611
Operating Loss	(1,417,085)	(1,824,060)
Nonoperating Revenue		
General appropriations from the University	413,456	412,855
Administrative support from the University	460,684	517,160
Contributions	667,590	699,178
Total nonoperating revenue	1,541,730	1,629,193
Change in Net Position	124,645	(194,867)
Net Position - Beginning of year	276,428	471,295
Adjustment for Change in Accounting Principle	(174,047)	-
Net Position - Beginning of year - As restated	102,381	471,295
Net Position - End of year	\$ 227,026	\$ 276,428

Eastern Michigan University WEMU-FM

Statement of Cash Flows

	Year Ended June 30	
	2015	2014
Cash Flows from Operating Activities		
Cash received from Corporation for Public Broadcasting	\$ 217,202	\$ 111,120
Cash received from tower leases	59,277	61,431
Cash paid for programming services	(1,415,984)	(1,763,556)
Cash paid for management and fundraising	<u>(362,912)</u>	<u>(238,388)</u>
Net cash used in operating activities	(1,502,417)	(1,829,393)
Cash Flows from Noncapital Financing Activities		
Cash received from University appropriations	413,456	412,855
Cash received from administrative support	460,684	517,160
Contributions received	<u>667,590</u>	<u>699,178</u>
Net cash provided by noncapital financing activities	<u>1,541,730</u>	<u>1,629,193</u>
Net Increase (Decrease) in Cash	39,313	(200,200)
Cash - Beginning of year	<u>175,356</u>	<u>375,556</u>
Cash - End of year	<u>\$ 214,669</u>	<u>\$ 175,356</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,417,085)	\$ (1,824,060)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	7,956	10,043
Changes in assets and liabilities:		
Accounts receivable - Net	(325)	(14,494)
Accrued compensated absences	325	14,493
Unearned revenue	(15,375)	(15,375)
Net pension obligation	<u>(77,913)</u>	<u>-</u>
Total changes in assets and liabilities	<u>(93,288)</u>	<u>(15,376)</u>
Net cash used in operating activities	<u>\$ (1,502,417)</u>	<u>\$ (1,829,393)</u>

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Organization

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, 2015 and 2014

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.

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 - Deferred outflows consist of accumulated changes in the fair value of pension obligations.

Deferred Inflows - Deferred inflows consist of accumulated changes in the fair value of pension obligations.

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS 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, 2015 and 2014

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

Adoption of New Standard - The GASB issued 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*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the Statement, the University has reported a net pension liability of \$49.7 million as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. The portion of the net pension liability allocated to WEMU is \$174,047.

Note 3 - Property and Equipment

Property and equipment at June 30, 2015 and 2014 consist of the following:

	2014	Additions	Retirement	Reclassification	2015
Land	\$ 100,000	\$ -	\$ -	\$ -	100,000
Transmitter and tower	313,402	-	-	(24,602)	288,800
Studio and technical equipment	111,506	-	(15,805)	45,096	140,797
Furniture, fixture, and equipment	270,953	-	(123,646)	(20,494)	126,813
Subtotal	795,861	-	(139,451)	-	656,410
Less accumulated depreciation	(664,039)	(7,956)	139,451	-	(532,544)
Net property and equipment	<u>\$ 131,822</u>	<u>\$ (7,956)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,866</u>
	2013	Additions	Retirement	Reclassification	2014
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Transmitter and tower	313,402	-	-	-	313,402
Studio and technical equipment	111,506	-	-	-	111,506
Furniture, fixture, and equipment	270,953	-	-	-	270,953
Subtotal	795,861	-	-	-	795,861
Less accumulated depreciation	(653,996)	(10,043)	-	-	(664,039)
Net property and equipment	<u>\$ 141,865</u>	<u>\$ (10,043)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,822</u>

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2015 and 2014

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, 2015, 2014, and 2013, WEMU-FM contributed approximately \$49,000, \$54,000, and \$56,000 to the TIAA-CREF plan, respectively. The University has no liability beyond its own contributions under the TIAA-CREF plan.

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 \$105,631 and \$105,306 as of June 30, 2015 and 2014, 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 plan at the University, or one of the other six universities that are part of MPSERS.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2015 and 2014

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

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 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909. Separate pension information related to the Station's employees included in this plan is not available.

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:

	Funded Portion	Unfunded Portion
10/1/2014 - 06/30/2015	4.8%	17.72%
10/1/2013 - 9/30/2014	3.0%	16.61%
7/1/2013 - 9/30/2013	3.21%	13.41%

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, 2015 and 2014 were \$4,652,858 and \$4,218,394, respectively. Contributions include \$960,295 and \$319,866 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, 2015 and 2014, respectively.

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

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, 2015 and 2014, which was \$30,000 and \$33,000, respectively.

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by Public Act 300 of 1980, which establishes eligibility and benefit provisions for the defined benefit (DB) pension plan, and is amended from time to time. 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 that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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Notes to Financial Statements June 30, 2015 and 2014

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, the Station reported a liability of \$96,675 for its allocated share of the University's net pension liability. The net pension liability was measured as of September 30, 2014, 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, 2014, the Station's allocation was 0.19 percent of the University's proportionate share.

For the year ended June 30, 2015, WEMU recognized a decrease in pension expense of (\$77,372) which includes the allocated share of actual contributions plus amortization of beginning deferred inflows and outflows. At June 30, 2015, WEMU reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Changes of assumptions	\$ 2,880	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(9,294)
Changes in proportion and differences between University contributions and proportionate share of contributions	14	-
University contributions subsequent to the measurement date	<u>6,941</u>	<u>-</u>
Total	<u>\$ 9,835</u>	<u>\$ (9,294)</u>

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Notes to Financial Statements June 30, 2015 and 2014

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

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	Amount
2016	\$ 571
2017	(2,324)
2018	(2,324)
2019	(2,323)
Total	<u>\$ (6,400)</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 (2016).

Actuarial Assumptions - The total pension liability as of September 30, 2014 is based on the results of an actuarial valuation as of September 30, 2013 and rolled forward:

Actuarial cost method:	Entry age normal cost actuarial cost method
Assumed rate of return:	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases:	3.50 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, 2013 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.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2015 and 2014

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

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. 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.

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity Pools	30%	4.8%
Private Equity Pools	17%	8.5%
International Equity Pools	15%	6.1%
Fixed Income Pools	11%	1.5%
Real Estate and Infrastructure Pools	9%	5.3%
Real Return, Opportunistic, and Absolute Pools	11%	6.3%
Short-term Investment Pools	<u>7%</u>	-0.2%
Total	<u>100%</u>	

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Notes to Financial Statements June 30, 2015 and 2014

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

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:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Station's proportionate share of the net pension liability	\$ 120,992	\$ 96,675	\$ 75,722

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

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 \$1,557,106 and \$1,644,567 for the years ended June 30, 2015 and 2014, respectively.

Note 7 - Upcoming Accounting Pronouncement

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

Note 7 - Upcoming Accounting Pronouncement (Continued)

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 Plan (MPERS). 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 30, 2017.

Supplemental Information

Eastern Michigan University WEMU-FM

Schedule of Net Position by Fund

	June 30, 2015			June 30, 2014		
	Operating Funds		Total	Operating Funds		Total
	Unrestricted	Property Fund		Unrestricted	Property Fund	
Assets						
Current assets:						
Cash	\$ 214,669	\$ -	\$ 214,669	\$ 175,356	\$ -	\$ 175,356
Accounts receivable	105,631	-	105,631	105,306	-	105,306
Total current assets	320,300	-	320,300	280,662	-	280,662
Noncurrent assets - Property and equipment - Net	-	123,866	123,866	-	131,822	131,822
Total assets	320,300	123,866	444,166	280,662	131,822	412,484
Deferred Outflows	9,835	-	9,835	-	-	-
Liabilities						
Current liabilities - Unearned revenue	15,375	-	15,375	15,375	-	15,375
Noncurrent liabilities:						
Compensated absences	105,631	-	105,631	105,306	-	105,306
Unearned revenue	-	-	-	15,375	-	15,375
Pension obligation	96,675	-	96,675	-	-	-
Total noncurrent liabilities	202,306	-	202,306	120,681	-	120,681
Total liabilities	217,681	-	217,681	136,056	-	136,056
Deferred Inflows	9,294	-	9,294	-	-	-
Net Position						
Net investment in capital assets	-	123,866	123,866	-	131,822	131,822
Restricted - Expendable	172,868	-	172,868	71,510	-	71,510
Unrestricted (deficit)	(69,708)	-	(69,708)	73,096	-	73,096
Total net position	<u>\$ 103,160</u>	<u>\$ 123,866</u>	<u>\$ 227,026</u>	<u>\$ 144,606</u>	<u>\$ 131,822</u>	<u>\$ 276,428</u>

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

	Year Ended June 30, 2015			Year Ended June 30, 2014		
	Operating Funds		Total	Operating Funds		Total
	Unrestricted	Property Fund		Unrestricted	Property Fund	
Operating Revenue						
Grants from Corporation for Public Broadcasting	\$ 217,202	\$ -	\$ 217,202	\$ 111,120	\$ -	\$ 111,120
Rental income	59,277	-	59,277	61,431	-	61,431
Total operating revenue	276,479	-	276,479	172,551	-	172,551
Operating Expenses						
Program services:						
Programming and production	960,460	4,533	964,993	1,489,926	7,532	1,497,458
Broadcasting	239,019	1,128	240,147	139,060	703	139,763
Program information	123,218	582	123,800	119,194	603	119,797
Support services:						
Fundraising	139,568	659	140,227	119,194	603	119,797
Management	223,343	1,054	224,397	119,194	602	119,796
Total operating expenses	1,685,608	7,956	1,693,564	1,986,568	10,043	1,996,611
Operating Loss	(1,409,129)	(7,956)	(1,417,085)	(1,814,017)	(10,043)	(1,824,060)
Nonoperating Revenue						
General appropriations from the University	413,456	-	413,456	412,855	-	412,855
Administrative support from the University	460,684	-	460,684	517,160	-	517,160
Contributions	667,590	-	667,590	699,178	-	699,178
Total nonoperating revenue	1,541,730	-	1,541,730	1,629,193	-	1,629,193
Change in Net Position	132,601	(7,956)	124,645	(184,824)	(10,043)	(194,867)
Net Position - Beginning of year	144,606	131,822	276,428	329,430	141,865	471,295
Adjustment for Change in Accounting Principle	(174,047)	-	(174,047)	-	-	-
Net Position - Beginning of year - As restated	(29,441)	131,822	102,381	329,430	141,865	471,295
Net Position - End of year	<u>\$ 103,160</u>	<u>\$ 123,866</u>	<u>\$ 227,026</u>	<u>\$ 144,606</u>	<u>\$ 131,822</u>	<u>\$ 276,428</u>