

WGLT-FM RADIO

A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY ILLINOIS STATE UNIVERSITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the years ended June 30, 2014 and 2013

WGLT-FM RADIO

A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY ILLINOIS STATE UNIVERSITY

For the years ended June 30, 2014 and 2013

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Mr. Bruce Bergethon
WGLT-FM Radio
Bloomington, Illinois

We have audited the accompanying financial statements of WGLT-FM Radio (a public telecommunications entity operated by Illinois State University) as of and for the year ended June 30, 2014, and the related notes to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of WGLT-FM Radio as of June 30, 2014, and the changes in financial position, and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of WGLT-FM Radio as of June 30, 2013, were audited by other auditors whose report dated December 9, 2013, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WGLT-FM Radio's basic financial statements. The statements of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of functional expenses are the responsibility of management and were derived from and relate 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 statements of functional expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sulaski & Webb

Sulaski and Webb
Certified Public Accountants

February 12, 2015

**WGLT Public Station
(A Licensee of Illinois State University)**

Management's Discussion and Analysis
For the Year Ended June 30, 2014

Introduction and Reporting Entity

The following discussion and analysis is an overview of the financial position and activities of WGLT public radio station for the year ended June 30, 2014. Management of the station has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

WGLT is licensed to Illinois State University, an instrumentality of the State of Illinois, which is governed by a Board of Trustees, all of whom are appointed by the Governor and ratified by the Legislature, plus the president of Illinois State University.

The station's primary function is to provide noncommercial educational audio programming to the citizens of Central Illinois. From a main transmitter in Bloomington/Normal, with a translator in Peoria, the radio signal reaches an estimated 400,000 population; out of that number approximately 20-250,000 listen each week. Contributing membership consists of approximately 1,600 households.

From 1992 to 2013, WGLT's format consisted primarily of "news, blues and all that jazz." Locally produced jazz and blues music programming made up over 120 hours of the weekly schedule, with National Public Radio (NPR) and American Public Media (APM) news and cultural programs plus locally produced news programming constituting most of the rest of the 24 hour service. Because of declining listenership and membership revenue for daytime jazz programming over a five year period, and using additional listener research done in 2010, station management made the decision to replace daytime jazz with news and information programming, effective 8/5/13. In conjunction with this format shift, the station's new positioning statement became "news and ideas."

WGLT has provided an Internet webstream of its on-air programming since 2000. Since March 2006, WGLT has operated a second, web-only 24 hour blues service. In April 2012, the station added two 24 hour webstreams, one of jazz and one of folk music. These web-based program streams, available from the station website (www.wgl.org) have been supplemented by free "podcasts" of WGLT-produced programs since November 2006; there are currently eight weekly podcasts. WGLT provided three Hybrid Digital (HD) broadcast signals (including HD2, "Blues 24/7," and HD3, "News and Ideas"), from 2008 to 2013; the HD service was curtailed in June 2013 due to excessive maintenance costs and extremely low public service metrics.

During the last decade, listenership and local support have grown. Since FY 2004, locally generated funding (including annual listener support, local business underwriting, and net income from station events and fundraising activities) has equaled approximately 50% of the annual cash income. WGLT celebrated its 48th year on the air in 2014.

Overview of the Financial Statements

The station's financial statements present the combined current year activity of WGLT, including income and expenses from Illinois State University, the Corporation for Public Broadcasting, the State of Illinois, local businesses, local events, and listener contributions. Some of these cash flows are handled through the Illinois State University Foundation, an entity legally separate from Illinois State University.

**WGLT Public Station
(A Licensee of Illinois State University)**

Management's Discussion and Analysis - continued
For the Year Ended June 30, 2014

Overview of the Financial Statements - continued

The financial statements for WGLT, which consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flow (direct method), were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. The station now follows the business-type activity reporting requirements of GASB Statement No. 35 that provides a comprehensive, entity-wide perspective of the station's financial activities and replaces the fund group presentation previously required.

The Statement of Net Position includes Assets, Liabilities and Net Position of the Station as of June 30, 2014. This statement is classified into Current and Non-Current Assets and Liabilities, with Net Operating Income (Loss), which is then combined with Non-Operating Revenues (Expenses) to provide the total Change in Net Position. The Statement of Cash Flows shows the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Highlights

The financial position of radio station WGLT at June 30, 2014 has continued to weaken compared to previous fiscal years. Underwriting income continues to be down slightly, and more than 10% from FY 12. Gross and net income for special events was up, but regular annual individual giving was down by about 9%. This is not unexpected in the first year following a major programming shift. The station's operating expenses increased in FY 14, primarily due to increased national programming rights costs and the addition of a position in the local news department. Combined with a decrease in operating revenue, this led to a second consecutive year of operating losses at a level of \$150,000.

The station continued to add to three endowments, administered by the ISU Foundation, that were created in the fiscal year 2012. See page 18, Note 10.

There were relatively few unanticipated expenses in GLT's FY 2014. A severe tornado in November 2013 caused the complete destruction of the station's satellite downlink, causing about \$14,000 in replacement costs (some of which were repaid by University insurance, although not until FY 15.) The station hired to fill a vacancy in the Development Director position in September 2014. GLT staff, like most University personnel, received a modest salary increase during the year.

Net position totaled \$202,482 for the year ended June 30, 2014 (FY 2014) and \$325,006 for the year ended June 30, 2013 (FY 2013). Net position at end of year decreased by \$122,524 in FY 2014 compared to a decrease of \$132,233 in FY 2013. Operating revenues totaled \$1,616,842 in FY 2014 compared to \$1,567,548 in FY 2013, while Operating expenses totaled \$1,772,586 in FY 2014 compared to \$1,715,033 in FY 2013. The net operating loss for FY 2014 was \$155,744, compared to operating loss of \$147,485 in FY 2013.

The station's property and equipment, net of accumulated depreciation, totaled \$180,442 at June 30, 2014.

WGLT Public Station
(A Licensee of Illinois State University)

Management's Discussion and Analysis - continued
For the Year Ended June 30, 2014

Financial Analysis of the Statements

The Station's condensed financial statements for FY 2014 and 2013 are presented on the current and following pages.

Condensed Statement of Net Position

	2014	2013
ASSETS		
Current assets	\$ 105,449	\$ 257,818
Noncurrent assets	104,331	71,836
Property and equipment, net	180,442	192,239
Total assets	90,222	521,893
LIABILITIES		
Current liabilities	187,740	196,887
Noncurrent liabilities	-	-
Total liabilities	187,740	196,887
NET POSITION		
Invested in capital assets, net of related debt	180,442	192,239
Restricted for:		
Equipment	2,300	17
Signal expansion	-	-
Other – nonexpendable endowment	104,064	71,836
Other – expendable endowment	267	-
Unrestricted	(84,591)	60,914
Total net position	202,482	325,006
TOTAL NET POSITION AND LIABILITIES	\$ 390,222	\$ 521,893

Condensed Statement of Revenues, Expenses and Changes in Net Assets

State appropriations – operations	\$ 533,762	\$ 500,468
Other operating revenues	1,083,080	1,067,080
Operating expenses:		
National Programming	(190,439)	(156,437)
Local and Other Programming	(625,874)	(573,276)
Broadcasting	(163,363)	(148,698)
Program Information	(126,470)	(152,631)
Underwriting and grant solicitation	(126,621)	(110,450)
Fundraising and membership development	(270,257)	(254,241)
Management and general	(272,562)	(319,300)
Operating profit (loss)	(155,744)	(147,485)

WGLT Public Station
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Management's Discussion and Analysis - continued
For the Year Ended June 30, 2014

Condensed Statement of Revenues, Expenses and Changes in Net Assets - continued

	2014	2013
Non-operating revenue	33,220	15,252
Non-operating expenses	-	-
Net non-operating revenue	33,220	15,252
Change in net assets	(122,524)	(132,233)
Net position, beginning of year	325,006	457,239
Net position, end of year	\$ 202,482	\$ 325,006

Condensed Statement of Cash Flows

Net cash flows from operating activities	\$ (148,695)	\$ (134,039)
Net cash flows from non-capital financing activities	-	(9,280)
Net cash flows from capital and related financing activities	(18,372)	(21,379)
Net cash flows from investing activities	-	-
Net increase (decrease) in cash	(167,067)	(164,698)
Cash and cash equivalents, beginning of year	196,304	361,002
Cash and cash equivalents, end of year	\$ 29,237	\$ 196,304

Current assets consist of cash and cash equivalents, accounts receivable and prepaid expenses. Noncurrent assets include endowment investments. Property and equipment are presented net of accumulated depreciation of \$625,377 and \$597,188 at June 2014 and 2013, respectively. Current liabilities consist of accounts payable and accrued expenses, accrued vacation and sick pay, and deferred revenues.

Operating revenues consist primarily of state appropriations, community service grants, membership contributions, and contributed support. Operating expenses consist primarily of broadcasting, programming and production, management and general, depreciation and grants expense. The net cash flow from operating activities and state appropriations was used primarily for the purchase of program rights, property and equipment and for salary expenditures.

**WGLT Public Station
(A Licensee of Illinois State University)**

Management's Discussion and Analysis - continued
For the Year Ended June 30, 2014

Request for Information

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of public radio station WGLT's finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

WGLT Public Radio
Illinois State University
Campus Box 8910
Normal, IL 61790-8910

WGLT-FM RADIO

STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 29,237	\$ 196,304
Accounts receivable (net of allowance of \$3,000 and \$4,150, respectively)	13,492	61,514
Grants receivable	<u>62,720</u>	<u>-</u>
Total current assets	<u>105,449</u>	<u>257,818</u>
Noncurrent Assets		
Endowment fund investments	104,331	71,836
Property and equipment	805,819	789,427
Less: Accumulated depreciation	<u>(625,377)</u>	<u>(597,188)</u>
Total noncurrent assets	<u>284,773</u>	<u>264,075</u>
Total assets	<u>390,222</u>	<u>521,893</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	24,764	26,368
Accrued vacation and sick pay	162,976	163,244
Deferred revenue	<u>-</u>	<u>7,275</u>
Total current liabilities	<u>187,740</u>	<u>196,887</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	180,442	192,239
Restricted for:		
Equipment	2,300	17
Expendable endowment	267	-
Nonexpendable endowment	104,064	71,836
Unrestricted	<u>(84,591)</u>	<u>60,914</u>
Total net position	<u>\$ 202,482</u>	<u>\$ 325,006</u>

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

WGLT-FM RADIO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
General appropriations from Illinois State University	\$ 533,762	\$ 500,468
Contributed support	263,047	276,751
Special fund-raising projects	120,593	105,661
Donated facilities and administrative support from Illinois State University	172,911	144,609
Donated materials and other services	80,306	81,817
Subscription and membership income	276,794	289,181
Corporation for Public Broadcasting - community service grants	141,904	144,518
Illinois Public Broadcasting grant	<u>27,525</u>	<u>24,543</u>
Total operating revenue	<u>1,616,842</u>	<u>1,567,548</u>
OPERATING EXPENSES		
Program services		
Programming and production		
National	190,439	156,437
Local and other	625,874	573,276
Broadcasting	163,363	148,698
Program information	<u>126,470</u>	<u>152,631</u>
Total program services	<u>1,106,146</u>	<u>1,031,042</u>
Supporting services		
Underwriting and grant solicitation	123,621	110,450
Fundraising and membership development	270,257	254,241
Management and general	<u>272,562</u>	<u>319,300</u>
Total supporting services	<u>666,440</u>	<u>683,991</u>
Total operating expenses	<u>1,772,586</u>	<u>1,715,033</u>
Operating income (loss)	<u>(155,744)</u>	<u>(147,485)</u>
NON-OPERATING REVENUE		
Unrealized gain on endowment funds	<u>12,220</u>	<u>5,982</u>
Total non-operating revenue	<u>12,220</u>	<u>5,982</u>
ADDITIONS TO ENDOWMENTS	<u>21,000</u>	<u>9,270</u>
INCREASE (DECREASE) IN NET POSITION	(122,524)	(132,233)
NET POSITION - Beginning of year	<u>325,006</u>	<u>457,239</u>
NET POSITION - End of year	<u>\$ 202,482</u>	<u>\$ 325,006</u>

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

WGLT-FM RADIO

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
State appropriations	\$ 546,337	\$ 541,791
Membership contributions	276,794	289,180
Community service grants	94,134	144,518
Contributed support	311,069	235,152
Special fundraising projects	113,318	105,936
Transfer from (to) endowment	725	4,307
Payments to vendors	(416,703)	(420,694)
Payments to employees	<u>(1,074,369)</u>	<u>(1,034,229)</u>
Net cash provided (used) by operating activities	<u>(148,695)</u>	<u>(134,039)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from (to) Illinois State University	<u>-</u>	<u>(9,280)</u>
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(9,280)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of property and equipment	<u>(18,372)</u>	<u>(21,379)</u>
Net cash provided (used) by capital financing activities	<u>(18,372)</u>	<u>(21,379)</u>
Net increase (decrease) in cash	(167,067)	(164,698)
Cash, beginning of period	<u>196,304</u>	<u>361,002</u>
Cash, end of period	<u>\$ 29,237</u>	<u>\$ 196,304</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS USED IN OPERATING ACTIVITIES:		
Operating income (loss)	\$ (155,744)	\$ (147,485)
Adjustments to reconcile:		
Depreciation	30,169	32,357
Transfer from (to) other funds	725	4,307
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	48,022	(41,599)
(Increase) decrease in grants receivable	(62,720)	16,780
(Increase) decrease in prepaid expense	-	27,467
Increase (decrease) in accounts payable	(1,872)	(26,141)
Increase (decrease) in deferred revenue	<u>(7,275)</u>	<u>275</u>
Net cash provided (used) by operating activities	<u>\$ (148,695)</u>	<u>\$ (134,039)</u>

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

WGLT-FM RADIO

NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2014 and 2013

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Summary of Operations

WGLT-FM Radio (“the Station”) is a public telecommunications service operated by Illinois State University as a part of the School of Communications within the College of Arts and Sciences located at the University’s campus in Normal, Illinois. The financial statements of the Station also include the accounts for the ISU Foundation, an Illinois not-for-profit corporation affiliated with Illinois State University. The ISU Foundation solicits funds in the name of and with the approval of the Station. Funds are distributed by the ISU Foundation in amounts determined and approved by the General Manager of the Station.

The Station is part of the University as a whole, and as such, for financial reporting purposes the financial balances and activities included in these financial statements are also included in the University’s financial statements. Because the University is considered a political subdivision of the State of Illinois, the Station is considered to be a governmental unit. Therefore, the Station is exempt from federal and state income taxes.

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), including Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities. The Station follows the business type activity reporting requirements of GASB Statement No. 35 that provides a comprehensive, entity-wide perspective of the Stations’ financial activities and replaces the fund group presentation previously required. The Station maintains the following fund type:

Proprietary Fund – For financial reporting purposes, the Station is considered a part of the University, and thus, like the University, is special purpose government engaged only in business-type activities. Accordingly, the Station’s financial statements have been presented using the economic resources management focus and the accrual basis of accounting applicable to public colleges and universities. Under the accrual basis, revenues are recognized and earned, and expenses are recorded when an obligation to pay has been incurred. The station has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB.

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

Cash and cash equivalents – The University has pooled its cash and investments, except for certain funds that are required by bond resolution to be in separate accounts. Interest in pooled cash at June 30, 2014 represents the Station’s share of this pooled cash.

For purposes of the Statement of Cash Flows, all short-term investments that are highly liquid are considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than 90 days.

WGLT-FM RADIO

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Capital assets – Capital assets are recorded at cost at the date of acquisition or at the fair market value at the date of donation in the case of gifts. In accordance with accounting principles generally accepted in the United States of America for public colleges and universities, depreciation is computed using the straight-line method over the following estimated useful lives:

Studio and broadcast equipment	5 years
Furniture and fixtures	7 years
Transmitter, antenna and tower	15 years
Building improvements	20 years

When property or equipment are retired or otherwise disposed, the asset and accumulated depreciation accounts are adjusted accordingly. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Indirect/In-kind contributions of services, materials and supplies – During the year ended June 30, 2014, the value of a contributed services meeting the requirements for recognition in the financial statements totaled \$80,306. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Station at its facilities.

Facilities allocated from the University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense on a prorated basis. Administrative support from the University consists of adjusted allocated financial and physical plant charges incurred by the University on behalf of the Station.

Promises to give – At various times during the year, the Friends of WGLT sponsor fundraising events to solicit promises to give on behalf of the Station. If these promises to give are not collected in a reasonable period, they are written off as uncollectible. Contributions and collected promises to give are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Station.

Accounts receivable – Accounts receivable represents uncollected underwriting revenue and uncollected promises to give. Allowances for uncollectible accounts have been established at June 30, 2014 and 2013, based on experience and a review of the current status of accounts.

Revenue recognition – The station has classified its revenues as either operating or non-operating revenues as follows:

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

Non-operating revenue – Non-operating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting, and GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, such as investment income, and capital grants. Non-operating revenues include transactions relating to capital and financing activities, non-capital financing activities, and investing activities.

WGLT-FM RADIO

NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2014 and 2013

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Restricted support – The Station reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. The Station applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Advertising costs – Advertising costs are expensed in the period in which they are incurred.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. COMPENSATED ABSENCES

The liability for compensated absences at June 30, 2014 and 2013 was \$162,976 and \$163,244, respectively. Illinois State University policy allows employees to accumulate 360 hours of vacation time, 420 hours for faculty employees. All accrued vacation is payable upon termination. Sick leave hours earned prior to January 1, 1984 and after January 1, 1998 are not payable to the employees. However, one-half of the hours earned between January 1, 1984 and January 1, 1998 are payable to employees upon death, retirement, resignation, or termination.

3. GRANTS

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

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

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

WGLT-FM RADIO

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

3. GRANTS (Continued)

The grant period for the grant obtained during the year ended June 30, 2014 is October 1, 2013 through September 30, 2015. The Community Service Grant received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Received	Expended		Uncommitted Balance at June 30, 2014
		2013	2014	
2012	\$ -	\$ 66,374	\$ -	\$ -
2013	-	102,370	42,148	-
2014	141,904	-	100,461	41,443

The grant period for the grant obtained during the year ended June 30, 2013 is October 1, 2012 through September 30, 2014, and was received and expended as follows:

Year of Grant	Grants Received	Expended		Uncommitted Balance at June 30, 2013
		2012	2013	
2011	\$ -	\$ 64,597	\$ 8,678	\$ -
2012	-	74,389	66,374	-
2013	144,518	-	102,370	42,148

The Illinois Arts Council also provides a major source of funding for the Station. The Grant period for the grant obtained during the year ended June 30, 2014 is October 15, 2013 through August 31, 2014. The purpose of this grant is to supplement the cost of operating and maintaining a public broadcasting station. The Illinois Public Broadcasting Grant received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Received	Expended		Uncommitted Balance at June 30, 2014
		2013	2014	
2013	\$ -	\$ 3,716	\$ 20,827	\$ -
2014	27,525	-	12,575	14,950

The grant period for the grant obtained during the year ended June 30, 2013 is October 15, 2012 through August 31, 2013, and was received and expended as follows:

Year of Grant	Grants Received	Expended		Uncommitted Balance at June 30, 2013
		2012	2013	
2012	\$ -	\$ 25,855	\$ 3,312	\$ -
2013	24,543	-	3,716	20,827

The above grants are recorded as revenue when the grant was received or pledged. In some instances, they are multi-year grants, and therefore, current year's revenue includes amounts that will not be expended in the current year.

WGLT-FM RADIO

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

4. 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. NFFS is defined as the total value of cash and the fair market value of property and services received either as a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be included as NFFS: (1) the source may be an entity except the federal government or any other broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$1,429,054 and \$1,307,171 for the year ended June 30, 2014 and 2013, respectively.

5. PROPERTY AND EQUIPMENT

A summary of property and equipment activity for the year ended June 30, 2014, was as follows:

	July 1, 2013 Beginning Balance	Additions	Reductions	June 30, 2014 Ending Balance
Building improvement	\$ 6,590	\$ -	\$ -	\$ 6,590
Transmitters, antenna and towers	397,933	10,115	-	408,048
Studio and other broadcasting equipment	152,063	4,049	(281)	155,831
Furniture and fixtures	232,841	4,208	(1,699)	235,350
Total	\$ 789,427	\$ 18,372	\$ (1,980)	\$ 805,819
Less accumulated depreciation:				
Building improvements	6,590	-	-	6,590
Transmitters, antenna and towers	251,406	14,579	-	265,985
Studio and other broadcasting equipment	137,350	7,515	(281)	144,584
Furniture and fixtures	201,842	8,075	(1,699)	208,218
Total	597,188	30,169	(1,980)	625,377
Property and equipment, net	\$ 192,239	\$ (11,797)	\$ -	\$ 180,442

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

5. PROPERTY AND EQUIPMENT (Continued)

A summary of property and equipment activity for the year ended June 30, 2013, was as follows:

	July 1, 2012 Beginning Balance	Additions	Reductions	June 30, 2013 Ending Balance
Building improvement	\$ 6,590	\$ -	\$ -	\$ 6,590
Transmitters, antenna and towers	383,735	14,198	-	397,933
Studio and other broadcasting equipment	153,080	-	(1,017)	152,063
Furniture and fixtures	225,660	7,181	-	232,841
Total	\$ 769,065	\$ 21,379	\$ (1,017)	\$ 789,427
Less accumulated depreciation:				
Building improvements	6,590	-	-	6,590
Transmitters, antenna and towers	237,431	13,975	-	251,406
Studio and other broadcasting equipment	129,589	8,778	(1,017)	137,350
Furniture and fixtures	192,238	9,604	0	201,842
Total	565,848	32,357	(1,017)	597,188
Property and equipment, net	<u>\$ 203,217</u>	<u>\$ (10,978)</u>	<u>\$ -</u>	<u>\$ 192,239</u>

6. INDIRECT ADMINISTRATIVE SUPPORT

Indirect support from other state agencies consists of allocated institutional support and physical plant costs incurred by the State for which the Station receives benefits. The fair value of this support is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as indirect administrative support and also as expense in functional expense categories. For the year ended June 30, 2014, indirect support was calculated by ISU based on the net assignable square footage of the radio station, and a formula reflecting ISU operating expenses benefiting the station. The value of this support included in the Statement of Revenues, Expenses, and Changes in Net Position was \$170,573 and \$144,609 for the years ended June 30, 2014 and 2013, respectively.

WGLT-FM RADIO

NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2014 and 2013

7. STATE APPROPRIATIONS

This classification includes financial resources provided to the Station through budgetary authorizations of the State Assembly. State appropriations utilized during the fiscal year ended June 30, 2014 and June 30, 2013 totaled \$533,762 and \$500,468, respectively.

8. RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS

State University Retirement System (SURS)

Station employees are covered under Illinois State University retirement system. Illinois State University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate.

Post-employment

The State of Illinois provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental and vision benefits. For annuitants who returned on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service do not have to contribute towards health, dental and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays Illinois State University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as expenditure by the State in the Illinois Comprehensive Annual Finance Report.

WGLT-FM RADIO

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

9. RADIO TOWER LEASE

The Station has an operating license agreement with High Rise Communications for space to operate the Station's transmitter and antenna. The lease terms require semi-annual payments due on July 15th and January 15th each year and terminates June 30, 2021. Lease payments were \$32,615 and \$22,490 for the years ended June 30, 2014 and 2013, respectively.

Future minimum payments per this agreement are as follows:

Year ending June 30,	
2015	\$ 24,800
2016	26,040
2017	27,340
2018	28,700
2019	30,140
Thereafter	<u>64,880</u>
Total	<u>\$ 201,900</u>

The Station also has a three year operating lease effective July 1, 2013 with Zerla Properties for translator tower space in downtown Peoria. The lease required annual payments due on July 15th each year and terminates June 30, 2016. The lease may be terminated with six months' notice. Future minimum payments are \$2,820 each for the years ended June 30, 2015 and 2016.

10. ENDOWMENT FUNDS

During fiscal year 2012, three endowment funds were created for the Station through the Illinois State University (ISU) Foundation. The Station endowment funds are pooled with the ISU Endowment Fund and are tracked as separate units of the Fund. The ISU Endowment Fund is a diversified portfolio consisting of equities, fixed income, and alternative investment strategies, with the objective of growing assets and income at a rate in excess of inflation and distributions. Required disclosure about the fair value of the investments is contained in the separate Illinois State University Foundation Financial Statements and Independent Auditors' Report, June 30, 2014 and 2013, which can be obtained from the ISU Foundation. The Station has the following endowment agreements:

WGLT Future Endowment Fund – This fund is fully funded with an estate gift in the amount of \$20,000. It will be used for the general operating expenses of the Station as determined by the General Manager of WGLT in consultation with the Executive Director of the School of Communication. Contributions to this fund were \$16,000 and \$4,270, expenses were \$252 and \$0, unrealized gain was \$5,365 and unrealized loss was \$2,199, and the balance of the fund was \$51,059 and \$29,946 as of June 30, 2014 and 2013, respectively.

Albert Attaway Fund – This fund was created through a transfer of a pre-existing endowment in the College of Business. The funds will be used for the general operating costs of the Station as determined by the fiscal agent for the Station, including, but not limited to, the maintenance and enhancement of the Station music library. Expenses were \$351 and \$4,252, unrealized gains were \$4,197 and \$2,710, and the balance of the fund was \$30,099 and \$26,253 as of June 30, 2014 and 2013, respectively.

WGLT-FM RADIO

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

10. ENDOWMENT FUNDS (Continued)

Sutherland Endowment – This fund was established with initial contributions of \$10,000, and will become fully endowed when all gifts to the fund meet or exceed the minimum funding level of \$20,000, which will include the minimum annual payments of \$4,000. Funds from this endowment will be used for the general operating costs of the Station as determined by the fiscal agent for the Station. Contributions to this fund were \$5,000 and \$5,000, expenses were \$122 and \$55, unrealized gains were \$2,658 and \$1,073, and the balance of the fund was \$23,173 and \$15,637 as of June 30, 2014 and 2013, respectively.

11. NEW ACCOUNTING STANDARDS

In fiscal year 2014, the Station implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections -2012- An Amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Station implemented these standards during the current year; however, GASB Statements No. 66, 67, and 70 did not have a material impact on the financial statements. The implementation of GASB Statement No. 65 established accounting and financial reporting standards that reclassify and recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

12. SUBSEQUENT EVENTS

The Station has evaluated events occurring subsequent to June 30, 2014 as to their potential impact to the financial statements through February 12, 2015, which is the date the financial statements were available to be issued.

WGLT-FM RADIO

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014

	Program Services					Total Supporting Services				
	Programming & Production			Program Information	Total Program Services	Underwriting & Grant Solicitation	Fundraising & Membership Development	Management & General	Total Supporting Services	Total Expenses June 30, 2014
National	Local & Other	Broadcasting								
Salaries	\$ -	\$ 336,768	\$ 63,890	\$ 21,880	\$ 422,538	\$ 75,332	\$ 124,160	\$ 152,729	\$ 352,221	\$ 774,759
Employee benefits	-	149,576	28,750	6,541	184,867	21,527	41,346	51,602	114,475	299,342
Consulting fees	-	8,860	-	-	8,860	-	1,090	-	1,090	9,950
Professional fees	-	860	-	480	1,340	-	2,125	27,406	29,531	30,871
Occupancy	2,558	109,451	55,432	5,117	172,558	853	6,532	18,763	26,148	198,706
Production costs	-	-	-	-	-	-	48,702	-	48,702	48,702
Programming costs	187,881	9,176	-	2,230	199,287	-	-	1,308	1,308	200,595
Promotional costs	-	21	-	19,580	19,601	1,167	23,658	458	25,283	44,884
Repairs and maintenance	-	-	2,654	-	2,654	-	-	1,822	1,822	4,476
Equipment expense	-	-	9,867	-	9,867	-	-	-	-	9,867
Memberships	-	-	-	-	-	700	-	3,720	4,420	4,420
Subscriptions	-	2,134	810	-	2,944	240	6,320	1,236	7,796	10,740
Postage	-	-	-	2,147	2,147	-	2,147	2,147	4,294	6,441
Printing	-	-	-	6,163	6,163	1,980	4,519	4,180	10,679	16,842
Telephone	-	588	-	-	588	-	112	1,667	1,779	2,367
Auto expense	-	365	-	-	365	316	48	-	364	729
Insurance	-	-	-	-	-	-	-	880	880	880
Travel	-	-	-	-	-	-	-	587	587	587
Advertising	-	-	-	40,238	40,238	-	525	888	1,413	41,651
Other	-	-	-	-	-	-	5,807	-	5,807	5,807
Bank charges	-	-	-	-	-	-	-	682	682	682
Supplies	-	-	1,960	-	1,960	-	3,166	2,487	5,653	7,613
Bad debt	-	-	-	-	-	21,506	-	-	21,506	21,506
Totals before depreciation	190,439	617,799	163,363	104,376	1,075,977	123,621	270,257	272,562	666,440	1,742,417
Depreciation expense	-	8,075	-	22,094	30,169	-	-	-	-	30,169
Total expenses	\$ 190,439	\$ 625,874	\$ 163,363	\$ 126,470	\$ 1,106,146	\$ 123,621	\$ 270,257	\$ 272,562	\$ 666,440	\$ 1,772,586

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

WGLT-FM RADIO

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013

	Program Services					Total Supporting Services				
	Programming & Production			Program Information	Total Program Services	Underwriting & Grant Solicitation	Fundraising & Membership Development	Management & General	Total Supporting Services	Total Expenses June 30, 2013
	National	Local & Other	Broadcasting							
Salaries	\$ -	\$ 287,265	\$ 61,691	\$ 46,910	\$ 395,866	\$ 75,856	\$ 97,935	\$ 171,295	\$ 345,086	\$ 740,952
Employee benefits	-	135,984	27,714	18,080	181,778	29,080	39,926	56,711	125,717	307,495
Consulting fees	-	-	-	-	-	-	-	3,700	3,700	3,700
Professional fees	-	500	-	-	500	-	-	26,330	26,330	26,830
Occupancy	2,169	92,550	49,894	4,338	148,951	723	4,338	15,907	20,968	169,919
Production costs	-	-	-	-	-	-	2,625	-	2,625	2,625
Programming costs	154,268	25,309	-	2,250	181,827	-	7,826	1,569	9,395	191,222
Promotional costs	-	-	-	15,159	15,159	2,124	76,699	4,202	83,025	98,184
Repairs and maintenance	-	-	1,156	-	1,156	-	-	-	-	1,156
Equipment expense	-	3,994	7,265	-	11,259	-	-	105	105	11,364
Memberships	-	219	950	-	1,169	2,012	2,181	1,522	5,715	6,884
Subscriptions	-	250	-	-	250	-	3,686	7,780	11,466	11,716
Postage	-	-	-	3,114	3,114	-	3,114	3,115	6,229	9,343
Printing	-	-	-	15,804	15,804	-	4,055	3,748	7,803	23,607
Telephone	-	2,028	28	-	2,056	-	-	1,481	1,481	3,537
Auto expense	-	572	-	-	572	239	333	-	572	1,144
Insurance	-	-	-	-	-	-	-	1,010	1,010	1,010
Travel	-	1,850	-	-	1,850	-	-	1,150	1,150	3,000
Advertising	-	-	-	37,372	37,372	-	1,000	1,809	2,809	40,181
Other	-	2	-	-	2	416	1,244	14,399	16,059	16,061
Bank charges	-	-	-	-	-	-	4,609	310	4,919	4,919
Supplies	-	-	-	-	-	-	4,670	3,157	7,827	7,827
Totals before depreciation	156,437	550,523	148,698	143,027	998,685	110,450	254,241	319,300	683,991	1,682,676
Depreciation expense	-	22,753	-	9,604	32,357	-	-	-	-	32,357
Total expenses	\$ 156,437	\$ 573,276	\$ 148,698	\$ 152,631	\$ 1,031,042	\$ 110,450	\$ 254,241	\$ 319,300	\$ 683,991	\$ 1,715,033

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