

FINANCIAL STATEMENTS AND AUDITORS' REPORT

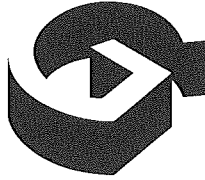
WGLT-FM RADIO

**A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY ILLINOIS STATE UNIVERSITY**

June 30, 2013

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GUTHOFF MEHALL ALLEN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Mr. Bruce Bergethon
Station Manager
WGLT-FM Radio

We have audited the accompanying statement of net position of WGLT-FM Radio (a public telecommunications entity operated by Illinois State University) as of June 30, 2013 and the related statements of revenues, expenses, and changes in net position, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, which collectively comprise the Radio Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 misstatements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WGLT-FM Radio, as of June 30, 2013, and the changes in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 thru 9 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Luttrell McCall Allen & Company, P.C.

Bloomington, Illinois
December 9, 2013

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

**Management's Discussion and Analysis
For the Year Ended June 30, 2013**

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, 2013. 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 25-30,000 listen each week. Contributing membership consists of approximately 2,000 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.wglt.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 DH 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 exceeded 50% of the annual cash income. WGLT celebrated its 46th year on the air in 2012.

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, 2013

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 Flows (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, 2013. 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, 2013 has weakened compared to the previous fiscal year. For the second year in a row, underwriting income was down by more than 10% from the previous fiscal year. Gross and net income for special events, and regular annual individual giving were both down by about 3%. This year's operating expenses increased, combined with a decrease in operating revenue. The station continued to add to three endowments, administered by the ISU Foundation, that were created in previous fiscal year. See page 22, Note J.

There were relatively few unanticipated expenses in WGLT's FY 2013. Over \$20,000 in repairs to the digital transmitter between November 2012 and February 2013 led to the decision to cease Hybrid Digital (HD) transmission in June 2013. The station moved to replace fulltime clerical/business management position that was vacated in May 2013, and created a new position in the news department, with hiring anticipated in early FY 2014. GLT staff, like most University personnel, received a modest salary increase during the year.

Net Position totaled \$325,006 for the year ended June 30, 2013 (FY 2013) and \$457,239 for the year ended June 30, 2012 (FY 2012). Net Position at end of year decreased by \$132,233 in FY 2013 compared to a decrease of \$30,256 in FY 2012. Operating Revenues totaled \$1,567,548 in FY 2013 compared to \$1,565,288 in FY 2012, while Operating Expenses totaled \$1,715,033 in FY 2013 compared to \$1,636,435 in FY 2012. The net operating loss for FY 2013 was \$147,485, compared to operating loss of \$71,147 in FY 2012.

The station's property and equipment, net of accumulated depreciation, totaled \$192,239 at June 30, 2013.

WGLT Public Station
(A Licensee of Illinois State University)

Management's Discussion and Analysis - continued
For the Year Ended June 30, 2013

Financial Analysis of the Statements

The Station's condensed financial statements for FY 2013 and 2012 are presented on the current and following pages.

Condensed Statement of Net Position

	2013	2012
ASSETS		
Current assets	\$ 257,818	\$ 425,164
Noncurrent assets	71,836	60,891
Property and equipment, net	<u>192,239</u>	<u>203,217</u>
Total assets	521,893	689,272
LIABILITIES		
Current liabilities	196,887	232,033
Noncurrent liabilities	<u>-</u>	<u>-</u>
Total liabilities	196,887	232,033
NET POSITION		
Invested in capital assets, net of related debt	192,239	203,217
Restricted for:		
Equipment	17	14,752
Signal expansion	-	250
Other – nonexpendable endowment	71,836	54,198
Other – expendable endowment	-	6,693
Unrestricted	<u>60,914</u>	<u>178,129</u>
Total net position	325,006	457,239
TOTAL NET POSITION AND LIABILITIES	<u>\$ 521,893</u>	<u>\$ 689,272</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

State appropriations – operations	\$ 500,468	\$ 478,727
Other operating revenues	1,067,080	1,086,561
Operating expenses:		
National Programming	(156,437)	(178,911)
Local and Other Programming	(573,276)	(549,298)
Broadcasting	(148,698)	(135,067)
Program Information	(152,631)	(163,151)
Underwriting and grant solicitation	(110,450)	(115,003)
Fundraising and membership development	(254,241)	(241,840)
Management and general	<u>(319,300)</u>	<u>(253,165)</u>
Operating profit (loss)	(147,485)	(71,147)

WGLT Public Station
(A Licensee of Illinois State University)

Management's Discussion and Analysis - continued
For the Year Ended June 30, 2013

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

	2013	2012
Non-operating revenue	\$ 15,252	\$ 40,891
Non-operating expenses	<u>-</u>	<u>-</u>
Net non-operating revenue	<u>15,252</u>	<u>40,891</u>
Change in net position	(132,233)	(30,256)
Net position, beginning of year	<u>457,239</u>	<u>487,495</u>
Net position, end of year	<u>\$ 325,006</u>	<u>\$ 457,239</u>

Condensed Statement of Cash Flows

Net cash flows from operating activities	\$ (134,039)	\$ 60,456
Net cash flows from non-capital financing activities	(9,280)	(21,106)
Net cash flows from capital and related financing activities	(21,379)	(17,037)
Net cash flows from investing activities	<u>-</u>	<u>-</u>
Net (decrease) in cash	(164,698)	(22,313)
Cash and cash equivalents, beginning of year	<u>361,002</u>	<u>338,689</u>
Cash and cash equivalents, end of year	<u>\$ 196,304</u>	<u>\$ 361,002</u>

Current Assets consist of cash and cash equivalents, and accounts receivable. Noncurrent assets include endowment investments. Property and equipment are presented net of accumulated depreciation of \$192,239 and \$203,217 at June 2013 and 2012, 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, 2013

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

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$ 196,304
Accounts receivable (net of allowance of \$4,150)	<u>61,514</u>
Total current assets	257,818

NONCURRENT ASSETS

Endowment Fund Investments (note J)	71,836
Property and equipment - net of accumulated depreciation of \$597,188 (note A3 and D)	<u>192,239</u>
Total noncurrent assets	<u>264,075</u>
Total assets	<u>\$ 521,893</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 26,368
Accrued vacation and sick pay (note C)	163,244
Deferred revenue	<u>7,275</u>
Total current liabilities	196,887

NET POSITION

Invested in capital assets, net of related debt	192,239
Restricted for:	
Equipment	17
Other - non-expendable endowment	71,836
Unrestricted	<u>60,914</u>
Total net position	<u>325,006</u>
Total liabilities and net position	<u>\$ 521,893</u>

The accompanying notes are an integral part of this statement.

WGLT-FM Radio

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the year ended June 30, 2013

OPERATING REVENUES

General appropriations from Illinois State University (note F)	\$ 500,468
Contributed support	276,751
Special fund-raising projects	105,661
Donated facilities and administrative support from Illinois State University (note G)	144,609
Donated materials and other services (note A5)	81,817
Subscription and membership income	289,181
Corporation for Public Broadcasting - Community Service grants	144,518
Illinois Public Broadcasting grant	<u>24,543</u>
Total operating revenues	1,567,548

OPERATING EXPENSES

Program services	
Programming and production	
National	156,437
Local and other	573,276
Broadcasting	148,698
Program information	<u>152,631</u>
Total program services	1,031,042
Supporting services	
Underwriting and grant solicitation	110,450
Fundraising and membership development	254,241
Management and general	<u>319,300</u>
Total supporting services	<u>683,991</u>
Total operating expenses	<u>1,715,033</u>

Operating (loss) (147,485)

NON-OPERATING REVENUE

Endowment contributions	9,270
Unrealized gain on endowment funds	<u>5,982</u>
Total non-operating revenues	<u>15,252</u>

Change in net position (132,233)

NET POSITION at beginning of year 457,239

NET POSITION at end of year \$ 325,006

The accompanying notes are an integral part of this statement.

WGLT-FM Radio

STATEMENT OF CASH FLOWS
For the year ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

State appropriations	\$ 541,791
Membership contributions	289,180
Community service grants	144,518
Contributed support	235,152
Special fundraising projects	105,936
Transfer from (to) endowment	4,307
Payments to vendors	(420,694)
Payments to employees	<u>(1,034,229)</u>
Net cash flows from operating activities	(134,039)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Proceeds from (to) ISU	(9,280)
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Property and equipment acquisitions	<u>(21,379)</u>
Net (decrease) in cash	(164,698)

Cash and cash equivalents at beginning of year 361,002

Cash and cash equivalents at end of year \$ 196,304

RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating (loss)	\$ (147,485)
Adjustments to reconcile operating profit to net cash flows from operating activities:	
Depreciation expense	32,357
Transfer from (to) other funds	4,307
Changes in operating assets and liabilities:	
Accounts receivable, net	(41,599)
Grants receivable	16,780
Prepaid expense	27,467
Deferred revenue	275
Accounts payable and accrued expenses	<u>(26,141)</u>
Total adjustments	<u>13,446</u>
Net cash provided (for) operating activities	<u>\$ (134,039)</u>

The accompanying notes are an integral part of this statement.

WGLT-FM Radio

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

	Program Services				Supporting Services						
	Programming & Production		Broad-casting	Program Information	Total	Underwriting and Grant Solicitation	Fundraising & Membership Development	Management & General	Total	2013 Total	2012 Total
	National	Local & Other									
Salaries	\$ -	\$ 287,265	\$ 61,691	\$ 46,910	\$ 395,866	\$ 75,856	\$ 97,935	\$ 171,295	\$ 345,086	\$ 740,952	\$ 720,082
Employee benefits	-	135,984	27,714	18,080	181,778	29,080	39,926	56,711	125,717	307,495	272,981
Consulting fees	-	-	-	-	-	-	-	3,700	3,700	3,700	4,894
Professional fees	-	500	-	-	500	-	-	26,330	26,330	26,830	32,487
Occupancy	2,169	92,550	49,894	4,338	148,951	723	4,338	15,907	20,968	169,919	156,312
Production costs	-	-	-	-	-	-	2,625	-	2,625	2,625	480
Programming costs	154,268	25,309	-	2,250	211,711	-	7,826	1,569	9,395	191,222	214,025
Promotional costs	-	-	-	15,159	15,159	2,124	76,699	4,202	83,025	98,184	83,401
Repairs and maintenance	-	-	1,156	-	1,156	-	-	-	-	1,156	1,838
Equipment expense	-	3,994	7,265	-	11,259	-	-	105	105	11,364	5,975
Memberships	-	219	950	-	1,169	2,012	2,181	1,522	5,715	6,884	13,287
Subscriptions	-	250	-	-	250	-	3,686	7,780	11,466	11,716	3,751
Postage	-	-	-	3,114	3,114	-	3,114	3,115	6,229	9,343	7,767
Printing	-	-	-	15,804	15,804	-	4,055	3,748	7,803	23,607	20,953
Telephone	-	2,028	28	-	2,056	-	-	1,481	1,481	3,537	3,605
Auto expense	-	572	-	-	572	239	333	-	572	1,144	3,169
Insurance	-	-	-	-	-	-	-	1,010	1,010	1,010	1,010
Travel	-	1,850	-	-	1,850	-	-	1,150	1,150	3,000	532
Advertising	-	-	-	37,372	37,372	-	1,000	1,809	2,809	40,181	43,344
Other	-	2	-	-	2	416	1,244	14,399	16,059	16,061	8,463
Bank charges	-	-	-	-	-	-	4,609	310	4,919	4,919	3,027
Supplies	-	-	-	-	-	-	4,670	3,157	7,827	7,827	3,922
Totals before depreciation	156,437	550,523	148,698	143,027	998,685	110,450	254,241	319,300	683,991	1,682,676	1,605,306
Depreciation expense	-	22,753	-	9,604	32,357	-	-	-	-	32,357	31,129
Total expenses	<u>\$ 156,437</u>	<u>\$ 573,276</u>	<u>\$ 148,698</u>	<u>\$ 152,631</u>	<u>\$ 1,031,042</u>	<u>\$ 110,450</u>	<u>\$ 254,241</u>	<u>\$ 319,300</u>	<u>\$ 683,991</u>	<u>\$ 1,715,033</u>	<u>\$ 1,636,435</u>
FY2012	<u>\$ 178,911</u>	<u>\$ 549,298</u>	<u>\$ 135,067</u>	<u>\$ 163,151</u>	<u>\$ 1,026,427</u>	<u>\$ 115,003</u>	<u>\$ 241,840</u>	<u>\$ 253,164</u>	<u>\$ 610,008</u>	<u>\$ 1,636,345</u>	<u>\$ 1,557,462</u>

The accompanying notes are an integral part of this statement.

WGLT-FM Radio

A Public Telecommunications Entity Operated by Illinois State University

NOTES TO FINANCIAL STATEMENTS June 30, 2013

NOTE A – SUMMARY OF ACCOUNTING POLICIES

1. Organization Description

WGLT-FM Radio (“the Station”) is a public telecommunications service operated by Illinois State University as 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 WGLT 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 WGLT Radio. Funds are distributed by the ISU Foundation in amounts determined and approved by the General Manager of WGLT Radio.

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

2. 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 now 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.

For financial reporting purposes, the Station is considered a part of the University, and thus, like the University, is a 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 when 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 still 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.

WGLT-FM Radio

A Public Telecommunications Entity Operated by Illinois State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED June 30, 2013

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

The presentation 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; the disclosure of contingent assets and liabilities and 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.

3. 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 estimated useful lives of the assets. The half-year convention is being used, in which a half-year's depreciation is recorded in the month of acquisition and a half-year's depreciation is recorded in the month of disposition. Expenditures for repairs and maintenance are charged to operating expense as incurred. Useful lives are as follows:

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

4. 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, 2012 represents the Station's share of this pooled cash account.

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.

5. Indirect/In-kind Contributions of Services, Materials and Supplies

During the year ended June 30, 2013, the value of contributed services meeting the requirements for recognition in the financial statements totaled \$81,817. In addition, many individuals volunteer their time and perform a variety of tasks that assist WGLT-FM Radio at its facilities.

WGLT-FM Radio

**A Public Telecommunications Entity
Operated by Illinois State University**

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

5. Indirect/In-kind Contributions of Services, Materials and Supplies - continued

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.

6. 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.

7. Accounts Receivable

Accounts receivable represent uncollected underwriting revenue and uncollected promises-to-give.

8. 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 Government 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 financial activities, non-capital financing activities, and investing activities.

WGLT-FM Radio

A Public Telecommunications Entity Operated by Illinois State University

NOTES TO FINANCIAL STATEMENTS – CONTINUED June 30, 2013

NOTE A – SUMMARY OF ACCOUNTING POLICIES – CONTINUED

9. 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.

10. Advertising Costs

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

11. 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.

NOTE B – 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 Grant (CSG's) to qualifying radio stations. CSG's 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 CSG's 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.

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NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2013

NOTE B – GRANTS – CONTINUED

The grant period for the most recent grant is October 1, 2012 through September 30, 2014. 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, 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 most recent grant is October 15, 2012 through August 31, 2013. 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, 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.

NOTE C – COMPENSATED ABSENCES

The liability for compensated absences was \$163,244 at June 30, 2013. 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.

WGLT-FM Radio**A Public Telecommunications Entity
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June 30, 2013**NOTE D – PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2013 is as follows:

	July 1, 2012 Beginning Balance	Additions	Reductions	June 30, 2013 Ending Balance
Building improvements	\$ 6,590	\$ -	\$ -	\$ 6,590
Transmitters, antenna and towers	383,735	14,198	-	397,933
Studio and other broad- casting equipment	153,080	-	(1,017)	152,063
Furniture and fixtures	<u>225,660</u>	<u>7,181</u>	<u>-</u>	<u>232,841</u>
Total	729,065	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 broad- casting equipment	129,589	8,778	(1,017)	137,350
Furniture and fixtures	<u>192,238</u>	<u>9,604</u>	<u>-</u>	<u>201,842</u>
Total	<u>565,848</u>	<u>32,357</u>	<u>(1,017)</u>	<u>597,188</u>
Property and equipment, net	<u>\$ 203,217</u>	<u>\$ (10,978)</u>	<u>\$ -</u>	<u>\$ 192,239</u>

NOTE E – 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 includable 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,

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NOTES TO FINANCIAL STATEMENTS – CONTINUED June 30, 2013

NOTE E – NONFEDERAL FINANCIAL SUPPORT (NFFS) – CONTINUED

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.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$1,307,171 for 2013.

NOTE F – 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 totaled \$500,468.

NOTE G – 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 the functional expense categories. For the year ended June 30, 2013, 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 \$144,609 for the year ended June 30, 2013.

NOTE H – 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 terms require semi-annual payments due on July 15 and January 15 each year and terminates June 30, 2021. Payments for fiscal year 2013 were \$22,490.

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NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2013

NOTE H – RADIO TOWER LEASE - CONTINUED

Future minimum payments per this agreement are as follows:

<u>Year ending June 30,</u>	
2014	\$ 23,615
2015	24,800
2016	26,040
2017	27,340
2018	28,700
2019-2021	95,020

The Station also has a three year operating lease effective July 1, 2010 with Zerla Properties for translator tower space in downtown Peoria. The lease requires annual payments due on July 15 each year and terminated June 30, 2013. The lease was renewed for another three year period ending 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, 2014, 2015 and 2016.

NOTE I – 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.

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NOTES TO FINANCIAL STATEMENTS – CONTINUED June 30, 2013

NOTE I – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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 retired 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 an expenditure by the State in the Illinois Comprehensive Annual Financial Report.

NOTE J – ENDOWMENT FUNDS

During fiscal year 2012, three endowment funds were created for WGLT-FM through the Illinois State University (ISU) Foundation. WGLT-FM 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, 2013 and 2012, which can be obtained from the ISU Foundation. WGLT-FM 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 WGLT as determined by the General Manager of WGLT in consultation with the Executive Director of the School of Communication. Contributions to this fund in FY 2013 totaled \$4,270, unrealized loss during the year was \$2,199, and the balance of the fund as of June 30, 2013 was \$29,946.

WGLT-FM Radio

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NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2013

NOTE J – ENDOWMENT FUNDS - CONTINUED

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 WGLT as determined by the fiscal agent for WGLT, including, but not limited to, the maintenance and enhancement of the WGLT music library. Expenses totaled \$4,252 during FY 2013, unrealized gains totaled \$2,710, and the balance of the fund as of June 30, 2013 was \$26,253.

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 minimum annual payments of \$4,000. Funds from this endowment will be used for the general operating costs of WGLT as determined by the fiscal agent for WGLT. Contributions totaled \$5,000, expenses totaled \$55, unrealized gains in FY 2013 were \$1,073, and the balance of the fund as of June 30, 2013 was \$15,637.

NOTE K – SUBSEQUENT EVENTS

In preparing the financial statements, WGLT has evaluated events and transactions for potential recognition or disclosure through December 9, 2013, the date the financial statements were available to be issued.