

FINANCIAL STATEMENTS AND AUDITORS' REPORT

WGLT-FM RADIO

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

June 30, 2012

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mr. Bruce Bergethon
Station Manager
WGLT-FM Radio

We have audited the accompanying statement of net assets of WGLT-FM Radio (a public telecommunications entity operated by Illinois State University) as of June 30, 2012, and the related statements of revenues, expenses, and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of WGLT-FM management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with the basis of accounting described in note A2 to the financial statements.

The management's discussion and analysis on pages four through seven is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Guthoff Mehall Allen & Company, P.C.

Bloomington, Illinois
December 18, 2012

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

**Management's Discussion and Analysis
For the Year Ended June 30, 2012**

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, 2012. 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.

Since 1992, WGLT's format has consisted primarily of "news, blues and all that jazz." Locally produced jazz and blues music programming make 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.

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. With a full transition to digital broadcasting in 2008, WGLT now provides three Hybrid Digital (HD) broadcast signals (including HD2, "Blues 24/7," and HD3, "News and Ideas"), all of which are also available online. 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.

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 45th year on the air in 2011.

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.

The financial statements for WGLT, which consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in New Assets 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

WGLT Public Station
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Management's Discussion and Analysis - continued
For the Year Ended June 30, 2012

Overview of the Financial Statements - continued

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 Assets includes Assets, Liabilities and Net Assets of the Station as of June 30, 2012. 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 Assets. 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, 2012 appears to have weakened compared to the previous fiscal year. Underwriting income was down from the previous fiscal year, as were gross and net income for special events. Regular annual individual giving matched its continued high level from FY 2010 and FY 2011. The prior fiscal year's one-time only estate gift of \$100,000 from a WGLT supporter created an anomalous increase in operating revenue and consequently a higher than average Net Operating Income for FY 2011; this year's operating expenses were more typical, combined with a decrease in operating revenue. The station was unable, as previously intended, to create a reserve fund in the ISU Foundation in FY 2012, but did create the second of two endowments with \$20,000 of the previously mentioned estate gift during the year. In addition, the Station received a third endowment that was transferred from the ISU College of Business. See page 21, Note J.

There were few unanticipated expenses in GLT's FY 2012. After several years, the station moved to replace a fulltime clerical/ business management position that had been vacant since 2009 with a part time hire (completed in August 2012.) GLT staff, like most University personnel, received a modest salary increase during the year.

Net Assets totaled \$457,239 for the year ended June 30, 2012 (FY 2012) and \$487,495 for the year ended June 30, 2011 (FY 2011). Net Assets at end of year decreased by \$30,256 in FY 2012 compared to an increase of \$168,384 in FY 2011. Operating Revenues totaled \$1,565,288 in FY 2012 compared to \$1,725,845 in FY 2011, while Operating Expenses totaled \$1,636,435 in FY 2012 compared to \$1,557,461 in FY 2011. The net operating loss for FY 2012 was \$71,147, compared to operating income of \$168,384 in FY 2011.

The station's property and equipment, net of accumulated depreciation, totaled \$203,217 at June 30, 2012.

WGLT Public Station
(A Licensee of Illinois State University)

Management's Discussion and Analysis - continued
For the Year Ended June 30, 2012

Financial Analysis of the Statements

The Station's condensed financial statements for FY 2012 and 2011 are presented on the current and following pages.

Condensed Statement of Net Assets

	2012	2011
ASSETS		
Current assets	\$ 425,164	\$ 467,934
Noncurrent assets	60,891	-
Property and equipment, net	203,217	217,309
Total assets	689,272	685,243
 LIABILITIES		
Current liabilities	232,033	197,748
Noncurrent liabilities	-	-
Total liabilities	232,033	197,748
 NET ASSETS		
Invested in capital assets, net of related debt	203,217	217,309
Restricted for:		
Equipment	14,752	19,291
Signal expansion	250	245
Other – nonexpendable endowment	54,198	-
Other – expendable endowment	6,693	-
Unrestricted	178,129	250,650
Total net assets	457,239	487,495
 TOTAL NET ASSETS AND LIABILITIES	\$ 689,272	\$ 685,243

Condensed Statement of Revenues, Expenses and Changes in Net Assets

State appropriations – operations	\$ 478,727	\$ 464,355
Other operating revenues	1,086,561	1,261,490
Operating expenses:		
National Programming	(178,911)	(116,156)
Local and Other Programming	(549,298)	(532,334)
Broadcasting	(135,067)	(159,901)
Program Information	(163,151)	(138,780)
Underwriting and grant solicitation	(115,003)	(106,018)
Fundraising and membership development	(241,840)	(253,020)
Management and general	(253,165)	(251,252)
Operating profit (loss)	(71,147)	168,384

WGLT Public Station
(A Licensee of Illinois State University)

Management's Discussion and Analysis - continued
For the Year Ended June 30, 2012

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

	2012	2011
Non-operating revenue	40,891	-
Non-operating expenses	-	-
Net non-operating revenue	40,891	-
Change in net assets	(30,256)	168,384
Net assets, beginning of year	487,495	319,111
Net assets, end of year	\$ 457,239	\$ 487,495

Condensed Statement of Cash Flows

Net cash flows from operating activities	\$ 60,456	\$ 151,489
Net cash flows from non-capital financing activities	(21,106)	30,386
Net cash flows from capital and related financing activities	(17,037)	(26,957)
Net cash flows from investing activities	-	-
Net increase (decrease) in cash	(22,313)	154,918
Cash and cash equivalents, beginning of year	338,689	183,771
Cash and cash equivalents, end of year	\$ 361,002	\$ 338,689

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 \$203,217 and \$217,309 at June 2012 and 2011, 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, 2012

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 ASSETS

June 30, 2012

ASSETS

CURRENT ASSETS	
Cash	\$ 361,002
Accounts receivable (net of allowance of \$3,057)	19,915
Grants receivable	16,780
Prepaid expenses	<u>27,467</u>
Total current assets	425,164
NONCURRENT ASSETS	
Endowment Fund Investments (note J)	60,891
Property and equipment - net of accumulated depreciation of \$565,848 (note A3 and D)	<u>203,217</u>
Total noncurrent assets	<u>264,108</u>
Total assets	<u>\$ 689,272</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 66,726
Due to ISU	9,280
Accrued vacation and sick pay (note C)	149,027
Deferred revenue	<u>7,000</u>
Total current liabilities	232,033
NET ASSETS	
Invested in capital assets, net of related debt	203,217
Restricted for:	
Equipment	14,752
Signal expansion	250
Other - non-expendable endowment	54,198
Other - expendable endowment	6,693
Unrestricted	<u>178,129</u>
Total net assets	<u>457,239</u>
Total liabilities and net assets	<u>\$ 689,272</u>

The accompanying notes are an integral part of this statement.

WGLT-FM Radio

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended June 30, 2012

OPERATING REVENUES

General appropriations from Illinois State University (note F)	\$ 478,727
Contributed support	280,623
Special fund-raising projects	110,036
Donated facilities and administrative support from Illinois State University (note G)	132,073
Donated materials and other services (note A5)	85,598
Subscription and membership income	308,301
Corporation for Public Broadcasting - Community Service grants	140,763
Illinois Public Broadcasting grant	<u>29,167</u>
Total operating revenues	1,565,288

OPERATING EXPENSES

Program services	
Programming and production	
National	178,911
Local and other	549,298
Broadcasting	135,067
Program information	<u>163,151</u>
Total program services	1,026,427
Supporting services	
Underwriting and grant solicitation	115,003
Fundraising and membership development	241,840
Management and general	<u>253,165</u>
Total supporting services	<u>610,008</u>
Total operating expenses	<u>1,636,435</u>

Operating (loss) (71,147)

NON-OPERATING REVENUE

Endowment contributions	39,950
Unrealized gain on endowment funds	<u>941</u>
Total non-operating revenues	<u>40,891</u>
Change in net assets	(30,256)

NET ASSETS at beginning of year 487,495

NET ASSETS and end of year \$ 457,239

The accompanying notes are an integral part of this statement.

WGLT-FM Radio

STATEMENT OF CASH FLOWS For the year ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

State appropriations	\$ 534,576
Membership contributions	308,301
Community service grants	140,763
Contributed support	283,797
Special fundraising projects	104,536
Transfer from (to) endowment	(20,000)
Payments to vendors	(310,504)
Payments to employees	<u>(981,013)</u>

Net cash flows from operating activities 60,456

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Proceeds from (to) ISU	(21,106)
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Property and equipment acquisitions	<u>(17,037)</u>
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Net increase in cash 22,313

Cash and cash equivalents at beginning of year 338,689

Cash and cash equivalents at end of year \$ 361,002

RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating (loss)	\$ (71,147)
Adjustments to reconcile operating profit to net cash flows from operating activities:	
Depreciation expense	31,129
Transfer from (to) other funds	(20,000)
Changes in operating assets and liabilities:	
Accounts receivable, net	6,417
Grants receivable	26,682
Prepaid expense	31,984
Deferred revenue	(8,742)
Accounts payable and accrued expenses	<u>64,133</u>
Total adjustments	<u>131,603</u>

Net cash provided by operating activities \$ 60,456

The accompanying notes are an integral part of this statement.

WGLT-FM Radio

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2012

	Program Services				Supporting Services						
	Programming & Production		Broad-casting	Program Information	Total	Underwriting and Grant Solicitation	Fundraising & Membership Development	Management & General	Total		
	National	Local & Other								2012 Total	2011 Total
Salaries	\$ -	\$ 295,711	\$ 59,462	\$ 45,992	\$ 401,165	\$ 74,060	\$ 94,844	\$ 150,013	\$ 318,917	\$ 720,082	\$ 690,850
Employee benefits	-	123,887	20,329	18,253	162,469	29,206	39,900	41,406	110,512	272,981	256,937
Consulting fees	-	-	706	-	706	-	-	4,188	4,188	4,894	4,000
Professional fees	-	500	-	12,015	12,515	-	-	19,972	19,972	32,487	37,514
Occupancy	1,981	84,527	46,692	3,962	137,162	660	3,962	14,528	19,150	156,312	145,988
Production costs	-	480	-	-	480	-	-	-	-	480	5,758
Programming costs	176,930	27,490	1,654	2,250	208,324	-	4,276	1,425	5,701	214,025	152,810
Promotional costs	-	980	-	-	980	10,033	72,066	322	82,421	83,401	110,223
Repairs and maintenance	-	-	70	-	70	-	-	1,768	1,768	1,838	5,648
Equipment expense	-	899	4,946	-	5,845	-	-	130	130	5,975	13,170
Memberships	-	496	184	-	680	530	11,348	729	12,607	13,287	5,761
Subscriptions	-	1,505	-	-	1,505	-	1,416	830	2,246	3,751	12,552
Postage	-	61	-	2,589	2,589	-	2,589	2,589	5,178	7,767	9,117
Printing	-	61	-	14,583	14,644	-	3,550	2,759	6,309	20,953	24,474
Telephone	-	1,037	804	-	1,841	-	-	1,764	1,764	3,605	3,522
Auto expense	-	251	-	26	277	226	361	2,305	2,892	3,169	6,072
Insurance	-	-	-	-	-	-	-	1,010	1,010	1,010	1,010
Travel	-	479	-	-	479	-	-	53	53	532	631
Advertising	-	1,343	-	41,520	42,863	-	481	-	481	43,344	22,939
Other	-	-	220	-	220	134	1,154	6,955	8,243	8,463	2,707
Bank charges	-	-	-	-	-	154	2,679	194	3,027	3,027	8,121
Supplies	-	484	-	-	484	-	3,214	224	3,438	3,922	5,183
Totals before depreciation	178,911	540,130	135,067	141,190	995,298	115,003	241,840	253,164	610,008	1,605,306	1,524,987
Depreciation expense	-	9,168	-	21,961	31,129	-	-	-	-	31,129	32,475
Total expenses	\$ 178,911	\$ 549,298	\$ 135,067	\$ 163,151	\$ 1,026,427	\$ 115,003	\$ 241,840	\$ 253,164	\$ 610,008	\$ 1,636,435	\$ 1,557,462
FY2011	\$ 116,156	\$ 532,335	\$ 159,901	\$ 138,780	\$ 947,172	\$ 106,019	\$ 253,020	\$ 251,251	\$ 610,290	\$ 1,557,462	\$ 1,557,462

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, 2012

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, 2012

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, 2012, the value of contributed services meeting the requirements for recognition in the financial statements totaled \$85,598. 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, 2012

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, 2012

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 assets. 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.

WGLT-FM Radio

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2012

NOTE B – GRANTS – CONTINUED

The grant period for the most recent grant is October 1, 2011 though September 30, 2013. 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, 2012
		2011	2012	
2010	\$ -	\$ 32,737	\$ 157	\$ -
2011	-	71,644	64,597	8,678
2012	140,763	-	74,389	66,374

The Illinois Arts Council also provides a major source of funding for the Station. The grant period for the most recent grant is July 1, 2011 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, 2012
		2011	2012	
2011	\$ -	\$ 30,386	\$ 13,076	\$ -
2012	29,167	-	25,855	3,312

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 \$149,027 at June 30, 2012. 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
Operated by Illinois State University**

NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2012

NOTE D – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2012 is as follows:

	July 1, 2011 Beginning Balance	Additions	Reductions	June 30, 2012 Ending Balance
Building improvements	\$ 6,590	\$ -	\$ -	\$ 6,590
Transmitters, antenna and towers	383,735	-	-	383,735
Studio and other broadcasting equipment	146,896	8,803	(2,619)	153,080
Furniture and fixtures	<u>218,597</u>	<u>8,234</u>	<u>(1,171)</u>	<u>225,660</u>
Total	755,818	17,037	(3,790)	729,065
Less accumulated depreciation:				
Building improvements	6,590	-	-	6,590
Transmitters, antenna and towers	223,722	13,709	-	237,431
Studio and other broadcasting equipment	123,956	8,252	(2,619)	129,589
Furniture and fixtures	<u>184,241</u>	<u>9,618</u>	<u>(1,171)</u>	<u>192,238</u>
Total	<u>538,509</u>	<u>31,129</u>	<u>(3,790)</u>	<u>565,848</u>
Property and equipment, net	<u>\$ 217,309</u>	<u>\$ (14,092)</u>	<u>\$ -</u>	<u>\$ 203,217</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, 2012

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 \$1,380,582 for 2012.

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 \$478,727.

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 Assets as indirect administrative support and also as expense in the functional expense categories. For the year ended June 30, 2012, 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 Assets was \$132,072 for the year ended June 30, 2012.

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 terminated June 30, 2012. Payments for fiscal year 2012 were \$21,420.

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NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2012

NOTE H – RADIO TOWER LEASE - CONTINUED

The Station signed a new nine-year agreement with High Rise Communications beginning July 1, 2012. The terms require semi-annual payments due on July 15 and January 15 each year and terminate June 30, 2021. Future minimum payments per this agreement are as follows:

<u>Year ending June 30,</u>	
2013	\$ 22,490
2014	23,615
2015	24,800
2016	26,040
2017	27,340
2018-2021	123,720

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 terminates June 30, 2013. The lease may be terminated with six months' notice. Future minimum payments are \$2,820 for the year ended June 30, 2013.

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, 2012

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. See separate Illinois State University Foundation Financial Statements and Independent Auditors' Report, June 30, 2012 and 2011, 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 2012 totaled \$4,000, unrealized loss during the year was \$523, and the balance of the fund as of June 30, 2012 was \$23,477.

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NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2012

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. Contributions totaled \$25,950 during FY 2012, realized gains totaled \$1,845, and the balance of the fund as of June 30, 2012 was \$27,795.

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. Unrealized losses in FY 2012 were \$381, and the balance of the fund as of June 30, 2012 was \$9,619.

NOTE K – SUBSEQUENT EVENTS

In preparing the financial statements, WGLT has evaluated events and transactions for potential recognition or disclosure through December 18, 2012, the date the financial statements were available to be issued.