WMUK-FM RADIO

A Public Telecommunications Entity Operated by
Western Michigan University

Financial Report

June 30, 2016

WMUK-FM RADIO

CONTENTS

Plante & Moran, PLLC
Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Western Michigan University
WMUK-FM Radio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 financial position of WMUK-FM Radio as of June 30, 2016 and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Western Michigan University
WMUK-FM Radio

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only WMUK-FM Radio Station, a department of Western Michigan University, and do not purport to, and do not, present fairly the financial position of Western Michigan University as of June 30, 2016, the changes in its financial position, and the changes in its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The basic financial statements of WMUK-FM Radio as of and for the year ended June 30, 2015 were audited by a predecessor auditor, the internal audit department of Western Michigan University, which expressed an unmodified opinion. The predecessor auditor's report was dated January 5, 2016.

Other Matter

Management has omitted schedules of the Station's proportionate share of the net pension liability and station contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

Plante & Moran, PLLC

January 24, 2017

The following discussion and analysis of WMUK-FM's financial statements provides an overview of the radio station's activities for the year ended June 30, 2016. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the radio station's management.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above referred format and notes to financial statements.

Financial Highlights

In the fiscal year ended June 30, 2016, the radio station's expenses exceeded revenues, creating a decrease in net position of $414,743. The decrease in net position is attributable to increases in operating expenses. In the fiscal year ended June 30, 2015, revenues exceeded expenses, creating an increase in net position of $12,545.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

Following is a summary of the major components of the net position and operating results of the radio station for the year ended June 30:

	2016	2015
Assets		
Current assets	$ 560,526	$ 699,082
Non-current assets	36,000	73,000
Capital assets	509,475	546,190
Total assets	1,106,001	1,318,272
Deferred Outflows	24,931	22,571
Liabilities		
Current liabilities	134,928	109,209
Noncurrent liabilities	901,887	703,739
Total liabilities	1,036,815	812,948
Deferred Inflows	2,666	21,701
Net position:		
Net investment in capital assets	509,475	546,190
Restricted - Expendable	115,798	165,674
Unrestricted	(533,822)	(205,670)
Total net position	$ 91,451	$ 506,194

Operating Results for the Year Ended June 30

	2016	2015
Operating revenues		
Grants and contracts	$ 136,792	$ 144,993
Contributions through fund-raising projects	441,710	532,800
Other operating revenues	270,514	298,679
Total operating revenues	849,016	976,472
Operating expenses	2,081,033	1,674,550
Net operating loss	(1,232,017)	(698,078)
Nonoperating revenues		
Appropriations from WMU	817,274	710,623
Total nonoperating revenues	817,274	710,623
Increase (decrease) in net position	(414,743)	12,545
Net position - Beginning of year	506,194	673,609
Adjustment for Change in Accounting Principle	-	(179,960)
Net Position - Beginning of year (as restated)	506,194	493,649
Net position - End of year	$ 91,451	$ 506,194

Change in Accounting Principle

In accordance with the statements, the Station has reported a change in accounting principle adjustment, under GASB No. 68, to unrestricted net position of $179,960, which is the Station's allocated share of the University's net pension liability and related deferred outflows as of July 1, 2014.

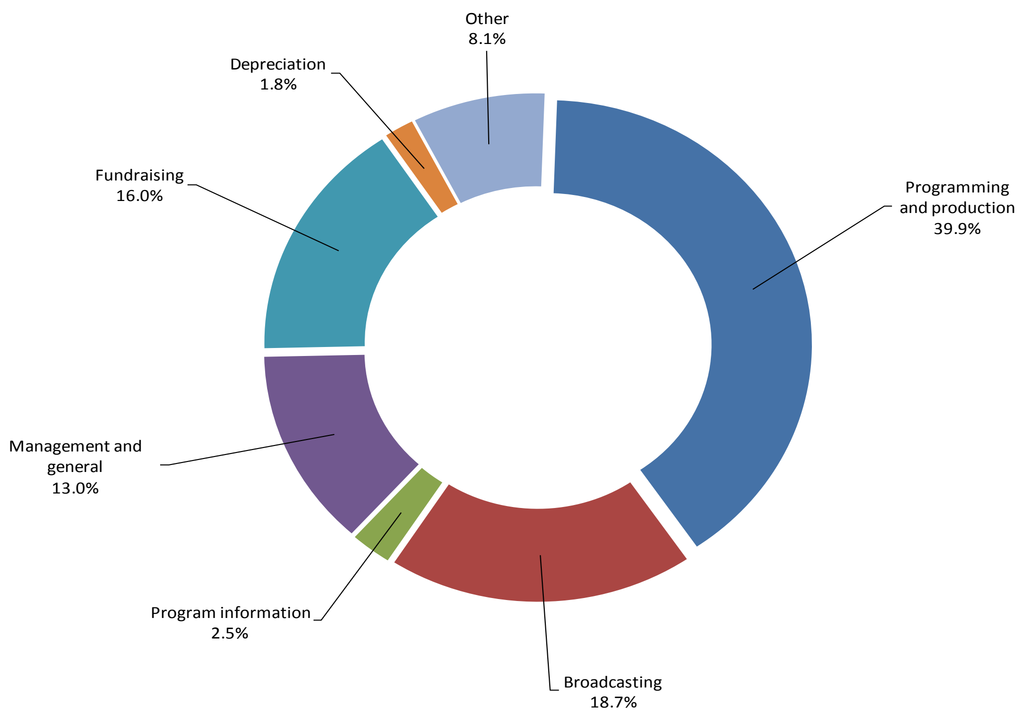
Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from services, such as underwriting. In addition, certain federal, state and private grants are considered operating if they are not for capital purposes and are considered a contract for services. A significant source of operating revenue is $136,792 in grants for the year ended June 30, 2016. This is compared to grant revenue of $144,993 for the year ended June 30, 2015. A majority of this amount is from the Corporation for Public Broadcasting. Revenue for underwriting services amount to $269,614 and

$298,424 for the years ended June 30, 2016 and 2015, respectively. Contributions through fund-raising projects totaled $441,710 and $532,800 for the years ended June 30, 2016 and 2015, respectively. This decrease was due to a large contribution in fiscal year 2015 designated for studio upgrades.

Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the radio station. Operating expenses totaled $2,081,033 for the year ended June 30, 2016 as compared to $1,674,550 for the year ended June 30, 2015. Salaries, wages, and benefits were $1,079,283 for the year ended June 30, 2016, as compared to $947,498 for the year ended June 30, 2015. The increase in operating expenses is primarily due to the increase in salaries, wages, and benefits, as well as the increase in net pension liability.



Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist of direct and indirect support from Western Michigan University. Nonoperating revenues increased approximately $100,000 from 2015. The increase is primarily due to an increase in University supported payroll and institutional support.

Statement of Cash Flows

Another way to assess the financial health of the radio station is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows helps users assess an entity's ability to generate future net cash flows and its ability to meet obligations as they come due.

Cash Flows for the Year Ended June 30

	2016	2015
Cash provided by (used in):		
Operating activities	$ (724,454)	$ (524,362)
Noncapital financing activities	559,464	497,637
Net increase (decrease) in cash	(164,990)	(26,725)
Cash - beginning of year	447,787	474,512
Cash - end of year	$ 282,797	$ 447,787

The most significant component of cash flows provided from operating activities is support received from underwriting activities, grants, and payments to employees. Net cash used in operating activities was $724,454 for the year ended June 30, 2016. This is compared to $524,362 for the year ended June 30, 2015. The net cash provided from noncapital financing was $559,464 in 2016 and $497,637 in 2015. This includes appropriations and support received from Western Michigan University.

Capital Assets

At June 30, 2016, the radio station had $509,475 invested in capital assets, net of accumulated depreciation of $526,130. Depreciation charges totaled $36,715 for the current fiscal year. Depreciation charges totaled $38,970 for the year ended June 30, 2015. Details of these assets for this year are shown below.

	2016	2015
Land	$ 20,000	$ 20,000
Transmitter, antenna and tower	851,060	949,357
Equipment	164,545	164,545
Total	$ 1,035,605	$ 1,133,902

Economic Factors and Next Year's Operations

WMUK's management considered the following factors and indicators when planning next year's operations:

1. WMUK is planning a major strategic analysis and assessment, with assistance from a third-party public radio consulting firm, designed to assist the station in reorienting its mission, programming and operations. This consultation will also be designed to research, analyze and address declines in total audience, membership, and underwriting revenues.

2. As part of the above process, WMUK will be growing its major donor development operations through its development office. Management strongly believes that signal expansion is the station's most critical need for sustained revenue growth, and philanthropy from major donors will play a vital role in achieving this strategic aim.

3. FY 2016 represented the first time in recent years that the Station has incorporated a formal master budget plan for a fiscal year. The annual budget proposal is used for strategic planning purposes, and further helps station management develop a consistent monitoring baseline for its operating budget.

4. WMUK management anticipates that FY2017 will continue to pose similar challenges to those of the previous FY. In particular, management has already detected an unusual drop in membership and underwriting revenues midway through FY2017. It is not yet clear why revenues have been so impacted, but possible causes include: poor economic market conditions, listener fatigue during an unusually intense presidential election year, and general declines in listenership that are also reflected across the entire public radio system.

WMUK-FM RADIO
A Public Telecommunication Entity Operated by
Western Michigan University
Statement of Net Position

		Year Ended June 30 2016
Assets		
Current Assets		
Cash (Note 2)	$	282,797
Accounts receivable		15,711
Accounts receivable from WMUF		226,532
Pledges receivable (Note 3)		35,486
Total current assets		560,526
Noncurrent Assets		
Pledges Receivable (Note 3)		36,000
Property and Equipment, Net (Note 4)		509,475
Total noncurrent assets		545,475
Total assets		1,106,001
Deferred Outflows of Resources -		
MPSERS pension related deferrals		24,931
Liabilities and Net Position		
Current Liabilities		
Accounts payable		21,008
Accrued wages		41,672
Current portion of other - postemployment benefits (Note 8)		15,040
Deferred revenue		
Underwriting		36,597
Unexpended grants		20,611
Total current liabilities		134,928
Noncurrent Liabilities		
Accrued Compensated Absences (Note 6)		38,828
Other postemployment benefits - Net of current portion (Note 8)		532,640
Net Pension Liability (Note 9)		330,419
Total noncurrent liabilities		901,887
Total Liabilities		1,036,815
Deferred Inflows of Resources -		
MPSERS related pension inflows		2,666
Net Position		
Net investment in capital assets		509,475
Restricted - Expendable		115,798
Unrestricted		(533,822)
Total net position	$	91,451

See Notes to Financial Statements.

WMUK-FM RADIO
A Public Telecommunication Entity Operated by
Western Michigan University
Statement of Revenues, Expenses, and Changes in Net Position

	Year ended June 30 2016
Operating Revenues	
Corporation for Public Broadcasting support	
Community Service Grant	$ 136,792
Underwriting	269,614
Contributions through fund-raising projects	441,710
Other	900
Total operating revenues	849,016
Operating Expenses	
Program Services	
Programming and production	829,635
Broadcasting	389,521
Program information	52,571
Support Services	
Management and general	270,002
Fund raising	332,044
Depreciation	36,715
Other Expenses	170,545
Total operating expenses	2,081,033
Operating loss	(1,232,017)
Nonoperating Revenues	
Western Michigan University	
General appropriation	20,052
Direct general fund staff support	539,412
Broadcast tower electricity and ground maintenance	51,112
Institutional support	127,090
Operations and maintenance of plant	57,025
Annual value of building facilities	22,583
Net nonoperating revenues	817,274
(Decrease) Increase in net position	(414,743)
Net Position	
Beginning of year	506,194
Adjustment for change in accounting principle (Note 1)	-
Net Position - Beginning of year (as restated)	506,194
End of year	$ 91,451

See Notes to Financial Statements.

WMUK-FM RADIO
A Public Telecommunication Entity Operated by
Western Michigan University
Statement of Cash Flows

		Year ended June 30 2016
Cash Flows from Operating Activities		
Grants and contracts	$	141,553
Payments to suppliers		(517,824)
Payments to employees		(1,070,973)
Contributions		446,507
Other		276,283
Net cash used in operating activities		(724,454)
Cash Flows from Noncapital Financing Activities		
General appropriations from WMU		559,464
Net cash provided by noncapital financing activities		559,464
Net Decrease in Cash		(164,990)
Cash - Beginning of Year		447,787
Cash - End of Year	$	282,797
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities:		
Operating loss	$	(1,232,017)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		36,715
Expense allocations to WMU (Note 5)		257,810
Decrease (increase) in assets:		
Accounts receivable		5,769
Pledges receivable		33,733
Increase (decrease) in liabilities:		
Accounts payable		18,857
Compensated absences		7,019
Accrued wages		1,291
Deferred underwriting		1,824
Deferred contributions		(28,936)
Unexpended grants		2,936
Net Pension Liability		170,545
Net cash used in operating activities	$	(724,454)

See Notes to Financial Statements.

Note 1 – Summary of Significant Accounting Policies

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Organization

WMUK 102.1 FM ("Station") is a department of Western Michigan University ("University") primarily devoted to providing public radio programming to listeners in Southwest Michigan and Northern Indiana. The station also provides students with opportunities for hands-on training in radio broadcasting and digital media.

Federal Income Taxes

The Internal Revenue Service has ruled that the units of Western Michigan University, which include the Station, are exempt under Code Sections 115(a) and 501c(3) of the Internal Revenue Code.

Basis of Presentation

The financial statements have been prepared in accordance with guidelines set forth by the Corporation for Public Broadcasting and with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Station, as part of the University, follows the "business-type" activities reporting requirements of GASB No. 34.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounts Receivable

Based on the Station's collection history and management's estimate, there was no allowance for doubtful accounts recorded as of June 30, 2016. Accounts receivable from WMUF reflect contributions received by Western Michigan University Foundation ("WMUF") for the benefit of the WMUK-FM that had yet to be transferred to the Station as of the fiscal year end.

In-Kind Contributions

Facilities are donated by Western Michigan University. Office and studio space, including related occupancy costs, are recorded as revenue and expense at estimated fair rental value. Support and revenues from Western Michigan University consist of certain direct and allocated expenses incurred by the University on behalf of the station.

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Capital Assets

Capital Assets acquired for the exclusive or predominant use by the Station have been capitalized at cost. Physical assets, with the exception of land, are depreciated on the straight-line method over the estimated useful lives of the respective assets. Estimated service lives are as follows:

Land	20 years
Transmitter, antenna and tower	50 years
Equipment	3-15 years

Net Position

Station resources are classified for accounting and financial reporting purposes into the following net asset categories:

- Net Investment in Capital Assets – resources resulting from capital acquisition or construction, net of accumulated depreciation.

- Restricted Expendable – net position subject to externally imposed stipulations as to use. This net position is restricted to use for the benefit of the Station according to grant and donor restrictions.

- Unrestricted – net position which is available for use of the Station.

Revenue Recognition

Revenue is recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended. Operating revenue of the Station consists of general appropriations from the University, contributions, community service grants from the CPB, underwriting, and auxiliary enterprise revenue. Nonoperating revenue of the Network consists of investing activities and capital contributions. Restricted and unrestricted resources are spent and tracked at the station level within the guidelines of donor restrictions.

Note 1 – Summary of Significant Accounting Policies (Continued)

Operating and Nonoperating Revenue

Revenues are classified as either operating or nonoperating according to standards issued by GASB. Operating revenues include grants, underwriting and other exchange transactions. Gifts and contributions are also included in this category.

Nonoperating revenues include certain significant revenue streams that may be relied upon for operations, including University allocations.

Unearned Revenue

Unearned revenue represents underwriting revenue and grant revenue that will be recognized by the Station during the year in which it is earned.

Contributions and Pledges

Contributions are recorded when received. Voluntary nonexchange transations (pledges) are recognized in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded net of allowance for uncollectible pledges.

Pensions

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

Pension and Other Post-Employment Benefit Expenses

As a department of Western Michigan University, the Station is charged an annually assessed percentage of payroll to fund the actual annual contributions to the pension and other post-employment benefit plans described in notes 8 and 9. For the year ended, June 30, 2016 these costs were approximately $113,700. These costs are reported with the salaries wages and benefits and allocated functionally for presentation within the statement of revenues, expenses, and changes in net position. The expense resulting from the non-cash change in net pension and OPEB liabilities has not been allocated functionally and is reported as "Other Expenses"

Note 1 – Summary of Significant Accounting Policies (Continued)

on the statement of revenues, expenses, and changes in net position. This expense is not included in the calculation of indirect support from the University and therefore is not included in the Station's calculation of nonfederal financial support (see note 7) as per the Corporation for Public Broadcasting's (CPB) financial reporting guidelines.

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The government deferred outflows of resources related to the net pension liability, see Note 9 for more information.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government deferred inflows of resources related to the net position liability, see Note 9 for more information.

Note 2 – Cash

The Station's cash is accounted for in the same method the University accounts for cash and investments. The University uses the "pooled cash" method of accounting for substantially all of its cash and investments. External investment managers are provided with an investment policy statement, as set forth by the Board of Trustees. A complete classification of the University's cash and investments is contained in the University's annual financial report.

Note 3 – Pledges Receivable

Pledges receivable represent amounts promised by donors for the benefit of the Station. A portion of these donations are solicited and collected by WMUF. The balance is presented net of a discount to present value and an allowance for uncollectible contributions. Those pledges that are expected to be collected over a period greater than one year are discounted to present value using the yield on a comparable Treasury bill at the time the commitment is made. The station has one pledge with an outstanding balance of $37,500 that was discounted to its estimated net present value. Management believes that this commitment is fully collectible and has not recorded a valuation allowance on the outstanding balance. The balance of the pledges receivable has a general valuation allowance of $1,400 at June 30, 2016, or approximately 4% based on historical collection history. Pledges deemed uncollectible are charged against the allowance for uncollectible contributions in the period in which the determination is made.

Note 3 – Pledges Receivable (Continued)

	2016
Pledges expected to be collected within 1 year	$ 36,886
Pledges expected to be collected within 1 - 5 years	37,500
Total	74,386
Less allowance for uncollectible contributions	(1,400)
Present value discount	(1,500)
Net pledges receivable	$ 71,486

Note 4 – Capital Assets

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets:				
Land	$ 20,000	$ -	$ -	$ 20,000
Transmitter, antenna and tower	949,357	-	98,297	851,060
Equipment	164,545	-	-	164,545
Total capital assets	1,133,902	-	98,297	1,035,605
Less Accumulated Depreciation:				
Transmitter, antenna and tower	423,167	36,715	98,297	361,585
Equipment	164,545	-	-	164,545
Total accumulated depreciation	587,712	$ 36,715	$ 98,297	526,130
Capital assets, net	$ 546,190			$ 509,475

Note 5 – Donated and In-kind Expenses by Function

The value of indirect expenses provided by the university broken down by function for the year ended June 30:

		2016
Broadcasting	$	128,642
Management and general		67,783
Fund raising		13,980
Programming information		-
Local programming		47,405
	$	257,810

Note 6 – Compensated Absences

University employees earn sick leave each pay period and can accumulate up to 2,080 hours. Prior to July 1, 2010, employees who resigned and had at least seven years of service received twenty five percent of their accumulated sick leave balance and retirees received one hundred percent of their unused sick leave up to 1,040 hours. As of July 1, 2010, this policy was changed. Employees no longer receive a payout if they resign and employees hired after September 1, 2010 will not be eligible for a sick leave payout upon retirement.

Prior to July 1, 2010, annual leave accrued anywhere from 96 to 200 hours per year depending on years of service. In addition, employees were allowed to maintain a bank of up to 240 hours with the unused balance paid to the employee upon separation from the University, regardless of the reason. As of July 1, 2011, the University revised its policy and began to give employees their annual allotment of annual leave up front each fiscal year regardless of past service. The University has also reduced the number of hours employees were allowed to carry over year to year. Employees are now allowed only 24 hours of carry forward annually.

The annual leave portion of the compensated absences liability is calculated based on the pay rates in effect as of June 30 and the number of eligible payout hours in the employee's bank as of that date. The sick leave portion is based on an estimate of the Station's share of an actuarial calculated liability for all University employees.

Note 7 - 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 as either a contribution or a payment and meeting all the respective criteria for each.

Note 7 - Nonfederal Financial Support (NFFS) (Continued)

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 public 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. However, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2016 NFFS. This change excludes all revenue received for any capital purchases.

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.

Calculated in accordance with CPB guidelines, the Station reported total NFFS of $1,527,299 for the year ended June 30, 2016.

Note 8 - Retirement Plans

Defined Contribution Plan

The Station offers all employees eligible for benefits the opportunity to participate in the TIAA-CREF plan through Western Michigan University. Funding for the plan consists of an employer contribution of 11 percent of covered compensation for employees hired before January 1, 2013. For participating employees hired on or after January 1, 2013, the Station contributes 9 percent of covered compensation. The Station contribution increases to 10 percent if the employee tax-defers at least 1 percent but less than 2 percent and to 11 percent if the employee tax-defers 2 percent or more. The Station has no liability beyond its contribution. Benefits vest immediately for eligible salaried employees and vest after a five-year period for eligible hourly nonexempt participants.

Other Postemployment Benefits

Plan Description - The Station, through Western Michigan University, provides retiree life insurance, health, and dental care benefits, including prescription drug coverage, to retired

Note 8 - Retirement Plans (Continued)

employees, their spouses, and dependent children. Benefits are provided to all retired faculty, academic, and support staff that retired at the age of 55 or older and had provided 10 years or more of service to the Station for employees hired on or before September 1, 2010. Employees who are professional and support staff hired after September 1, 2010 pay 100 percent of the premium upon retirement and must be at the age of 60 or older and have provided 15 or more years of service to the Station.

This is a single-employer defined benefit plan administered by the University. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions (or by the employer if not funded through the plan).

Funding Policy - Retirees or their surviving spouses are required to make annual contributions of between $815 to $19,875, depending on their age and if their spouses or dependents are covered. The Station has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). The costs of administering the plan are borne by the Station.

Funding Progress - For the years ended June 30, 2016 and 2015, the Station has estimated the cost of providing retiree healthcare benefits through its allocated share of the University’s actuarial valuation as of June 30, 2015 based on WMUK’s relative payroll to University covered payroll. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

	2,016	2015
Annual required contribution (recommended)	$ 69,957	$ 42,498
Interest on the prior year's net OPEB obligation	51,359	31,178
Less adjustment to annual required contribution	(60,976)	(36,732)
Annual OPEB cost	60,340	36,944
Amounts contributed:		
Payments of current premiums	(15,040)	(14,234)
Advance funding	-	-
Increase in net OPEB obligation	45,300	22,710
OPEB obligation - Beginning of year	502,380	479,670
OPEB obligation - End of year	$ 547,680	$ 502,380

Note 8 - Retirement Plans (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and preceding year is as follows:

	Fiscal Year Ended June 30	
	2016	2015
Annual OPEB costs	$ 39,058	$ 36,944
Percentage contributed	38%	39%
Net OPEB obligation	$ 547,680	$ 502,380

The funding progress of the plan as of the most recent valuation date is as follows:

	Valuation as of June 30	
	2016	2015
Actuarial value of assets	$ -	$ -
Actuarial accrued liability (AAL)	$ (472,069)	$ (427,367)
Unfunded AAL (UAAL)	$ (472,069)	$ (427,367)
Funded ratio	0.00%	0.00%
Annual covered payroll	$ 456,077	$ 437,650
Ratio of UAAL to covered payroll	103.5%	97.7%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 8 - Retirement Plans (Continued)

In the June 30, 2015 actuarial valuation, the unit credit method was used. The actuarial assumptions included a 6.35 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the

employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. Both rates included a 2.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a seven-year period.

For the year ended June 30, 2016, the Station used a 6.35 percent investment rate of return, which was consistent with the investment's actual return, to determine the interest on the prior year's net obligation.

Note 9 – Michigan Public School Employees' Retirement System

Plan Description – The Station, through Western Michigan University, participates in the Michigan Public School Employees' Retirement System (MPSERS or System), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all hourly employees and some salary employees hired prior to January 1, 1996. Employees hired on or after January 1, 1996 cannot participate in MPSERS, unless they previously were enrolled in the plan at the Station, or one of the other six universities that are part of MPSERS. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

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

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

Note 9 – Michigan Public School Employees' Retirement System (Continued)

	Funded Portion	Unfunded Portion
October 1, 2015 - June 30, 2016	4.87%	20.26%
July 1, 2014 - September 30, 2015	4.80%	17.72%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

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

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

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

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

Net Pension Liability, Deferrals, and Pension Expense – The Station reported a liability of $330,419 and $183,780 for its allocated share of the net pension liability as of June 30, 2016 and 2015, respectively. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used update procedures to roll forward the estimated liability to September 30, 2015. The University's proportion of the net pension liability was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2015, the University proportion was 21.51 percent, a decrease of .16 percent from its proportion measured as of September 30, 2014. On September 29, 2015, the University received approximately $24.2 million from the

Note 9 – Michigan Public School Employees' Retirement System (Continued)

plan for a plan error in requiring excess contributions. This refund reduced the plan's net position and increased the University's net pension liability as of June 30, 2016. The amount the University allocated to the Station is based on the Station's payroll covered by MPSERS as a percentage of the University's total covered payroll for MPSERS.

For the year ended June 30, 2016 the Station's portion of the University's recognized pension expense was $11,740. At June 30, 2016, the Station reported it's allocated share of the University's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	4,539	-
Net difference between projected and actual earnings on pension plan assets	957	-
Changes in proportion and differences between Station contributions and proportionate share of contributions	228	(499)
Station contributions subsequent to the measurement date	19,208	-
Total	$ 24,931	$ (499)

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

Year Ending June 30	Amount
2017	$ 3,149
2018	(1,118)
2019	(1,118)
2020	4,312
Total	$ 5,225

Note 9 – Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2017).

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

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 9 – Michigan Public School Employees' Retirement System (Continued)

Investment Category	June 30, 2016 Target Allocation	June 30, 2016 Real Rate of Return
Domestic Equity Pools	28.0%	5.9%
Private Equity Pools	18.0%	9.2%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	90.0%
Real Estate & Infrastructure Pools	10.0%	4.3%
Real Return, Opportunistic, and Absolute Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate – The following presents the allocated net pension liability of the Station, calculated using the discount rate of 8.00 percent, as well as what the Station net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

	1.00 percent decrease (7.00 percent)	Current Discount Rate (8.00 percent)	1.00 percent increase (9.00 percent)
2016	$ 387,693	$ 330,419	$ 280,983

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Postemployment Benefits Other Than Pensions (OPEB) – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS Board of trustees annually sets the employer contribution rate to fund the benefits on a pay as you go basis. Participating employers are required to contribute at that rate. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

Note 10 - Upcoming Accounting Pronouncements

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which addresses the recognition and measurement of irrevocable split-interest agreements where the government is a beneficiary of the agreement. This standard will require the University to recognize on the face of the financial statements any assets, liabilities, and deferred inflows of resources at the inception of the agreement. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2018.