

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Financial Statements

For the Year Ended June 30, 2013

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA
Springfield, Illinois

Financial Statements
For the Year Ended June 30, 2013

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JAMES P. BRAY, CPA (Retired)

December 2, 2013

The Board of Trustees of the
University of Illinois-Springfield
WUIS/WIPA
Springfield, Illinois

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying basic financial statements of the University of Illinois-Springfield, WUIS/WIPA (WUIS/WIPA) as of June 30, 2013, and for the year then ended as listed in the foregoing table of contents under "Financial Section."

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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 preparation of financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of WUIS/WIPA as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of WUIS/WIPA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WUIS/WIPA's internal control over financial reporting and compliance.



BRAY, DRAKE, LILES & RICHARDSON LLP

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities WUIS for the year ended June 30, 2013. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

Management's Discussion and Analysis

INTRODUCTION AND BACKGROUND

WUIS is the public radio station serving Springfield and the central and west central Illinois region. It is licensed to the University of Illinois with its offices housed at the University's Springfield campus. It is a unit within the college's Center for State Policy and Leadership.

The station is a news/information station throughout the week. Its weekend programs include news/information, public radio entertainment programs and locally hosted music programs in the area of blues, roots, jazz, bluegrass, classical and singer-songwriter. The station is committed to serving the information needs of the region.

WUIS

WUIS links thousands of people to the programming of National Public Radio (NPR) in central and west central Illinois.

Its mission is to cultivate curious, civically engaged audiences and enrich the community through independent journalism, programming and outreach.

WUIS has a statehouse bureau which provides state government news to public radio stations across Illinois. It is home to the long-running analysis program "State Week" and offers two additional digital channels of programming. In 2013, WUIS dedicated an FTE to its Harvest Desk, reporting on food issues from seed to plate in partnership with Harvest Public Media a collaborative with public radio stations in Kansas City, Colorado, Missouri, Iowa, and Nebraska.

WUIS, through its main signal at 91.9, its Pittsfield repeater station 89.3 and WUIS.org is the premiere radio source for state government news in the region reaching nearly 30,000 listeners. It is also home to a variety of arts and cultural coverage including a live Americana music series "Bedrock 66 Live" and broadcasts of regional symphony orchestras.

USING THE FINANCIAL STATEMENTS

WUIS' financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented to focus on WUIS as a whole.

STATEMENT OF NET ASSETS

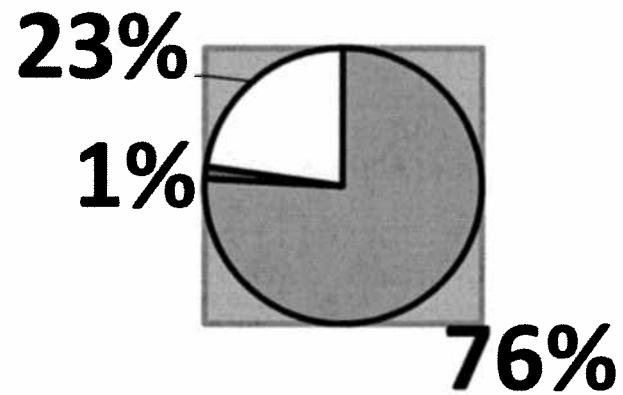
The Statement of Net Position presents the financial position of WUIS at the end of the fiscal year and includes all assets and liabilities of WUIS using the accrual basis of accounting. Generally assets and liabilities are reported at cost. A summarized comparison of the University's assets, liabilities and net position at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Current and noncurrent assets:		
Cash and cash equivalents	\$ 877,549	\$ 718,332
Other current assets	16,334	558
Capital assets, net	<u>262,717</u>	<u>300,028</u>
Total assets	<u>\$1,156,600</u>	<u>\$1,018,918</u>
Current and noncurrent liabilities:		
Accounts payable	\$ 13,952	\$ 569
Deferred revenue, grant & other	76,067	18,983
Accrued compensated absences	<u>92,932</u>	<u>78,752</u>
Total liabilities	<u>182,951</u>	<u>98,314</u>
Total net position	<u>\$ 973,649</u>	<u>\$ 920,604</u>

The change in total net position for FY13 was largely the result of an increase in support from WUIS underwriters and business contributors. Cash continues to increase (+6%) as a percentage of total assets, along with an increase (+1%) in other current assets and a decrease (-7%) in the percentage of total assets provided by capital assets, net. The increase in other current assets was due to an increase in grant accounts receivable at year end, and the decrease in capital assets was due to depreciation. Accounts payable, accrued salaries and deferred revenue balances at June 30th netted to an increase in current liabilities. The liability for compensated absences was increased due to a net increase in leave balances for WUIS FTE employees.

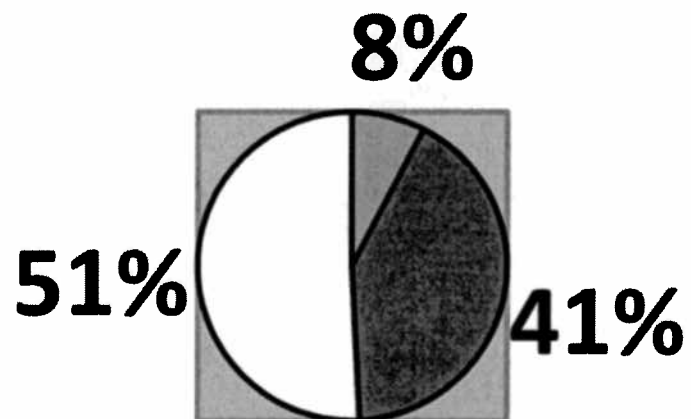
Assets

■ Cash
&...



Liabilities

■ Accou
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Position presents the results of WUIS' revenue and expense activity as operating or non-operating. The following schedule summarizes WUIS' fiscal year 2013 and 2012 activity:

	<u>2013</u>	<u>2012</u>
<u>Operating revenues:</u>		
University Funding	\$ 759,460	\$ 881,774
Contributions and Membership income	802,355	699,858
State and Community Service Grants	321,037	372,510
Other income	<u>27,561</u>	<u>39,408</u>
Total operating revenues	<u>1,910,413</u>	<u>1,993,550</u>
Total operating expenses	<u>1,966,942</u>	<u>1,926,239</u>
Operating Income (loss)	<u>(56,529)</u>	<u>67,311</u>
<u>Nonoperating revenues:</u>		
Interest income	3,884	761
On behalf payments for fringe benefits	105,690	109,709
Interest on capital asset related debt	<u>0</u>	<u>(2,970)</u>
Net nonoperating revenues (expenses)	<u>109,574</u>	<u>107,500</u>
Capital gifts	<u>0</u>	<u>0</u>
Increase in net position	<u>53,045</u>	<u>174,811</u>
Net position, beginning of year	<u>920,604</u>	<u>745,793</u>
Net position, end of year	<u>\$ 973,649</u>	<u>\$ 920,604</u>

A net decrease in University provided operating revenues is attributable to a decrease in the indirect University support recognized by WUIS, a decrease in University departmental budget transfers, and an increase in underwriting transfers and programming sponsorships. Contributions and Membership income saw increases in gifts from members, gifts-in-kind and increases in business underwriting and sponsorships, resulting in a net increase. CPB grant funding and State of Illinois grant funding remained stable in FY13, although some grant revenue was deferred to FY14, in order to increase spending flexibility in that fiscal year. Other income decreased due to a change in business model for a WUIS local production. A portion of this income decrease was offset by a decrease in operating expense due to this change. Total operating expenses increased in FY13 as a result of an increase in FTE benefit costs, and increases in programming costs due to a change in the station's format.

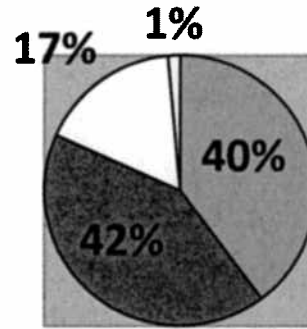
Revenues

■ University Funding

■ Cont/Mmbrshp Income

□ State & Community
Service Grants

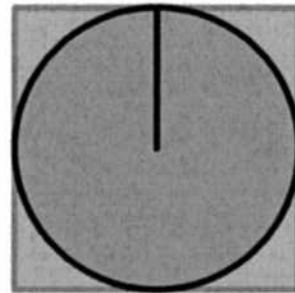
□ Other



Expenses

■ Operating

**\$1,966,
942
100%**



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about WUIS' financial results, by reporting the major sources and uses of cash. A summary of the statement of cash flows for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Cash flows from operating activities:		
Total sources	\$1,291,757	\$1,313,611
Total uses	<u>(1,136,425)</u>	<u>(1,066,980)</u>
Net cash provided (used) by operating activities	<u>155,332</u>	<u>246,631</u>
Cash flows from capital and related financing activities:		
Capital gifts and contributions	-	-
Purchase of capital assets	-	-
Interest payments on borrowings	-	(2,970)
Principal payments on borrowings	<u>-</u>	<u>(84,848)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(87,818)</u>
Cash flows from investing activities:		
Interest on investments, net	<u>3,885</u>	<u>761</u>
Net cash provided (used) by investing activities	<u>3,885</u>	<u>761</u>
Net increase (decrease) in cash	<u>159,217</u>	<u>159,574</u>
Cash and cash equivalents, beginning of the year	<u>718,332</u>	<u>558,758</u>
Cash and cash equivalents, end of the year	<u>\$ 877,549</u>	<u>\$ 718,332</u>

The revenue sources for the Cash Flows From Operating Activities includes Federal Grants, Public Broadcasting Entities, State Departments, State University, Business and Industry, Fundraising and Indirect Support. The expense for Cash Flows From Operating Activities include Operating Expense (less capital expenses) and Indirect Support.

Cash Flows From Capital and Related Financing Activities includes Proceeds from new borrowings, interest payments on borrowings, and Principal payments on borrowings.

Cash Flows From Investing Activities includes Endowment Interest.

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

WUIS depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from five to fifty years.

	<u>2013</u>	<u>2012</u>
Building	\$178,653	\$186,858
Equipment	<u>77,883</u>	<u>106,990</u>
Total	<u>\$256,536</u>	<u>\$293,848</u>

Economic Outlook

WUIS, like most public radio stations, is dependent on several revenue streams. Those include listener and business contributions, support through the Corporation for Public Broadcasting, support from its licensee--the University of Illinois, and grants through the Illinois Arts Council.

While the economy appears to remain on track for growth, the uncertainty of government support at both the state and federal levels looms as a large challenge. At the federal level, the prospect of a second sequestration has caused the station to restrict most of its travel budget for the upcoming fiscal year. The university's future funding outlook is likely to decrease slowly without integrating more student and academic initiatives. Because of funding issues at all levels of government, forecasting the revenue picture further than one year out is difficult to predict with any level of accuracy.

For the short term, the station has seen increases in support of its corporate underwriting, an area where many stations saw decline during the recession and slow recovery. A note of caution would be that some of those underwriting sources are dependent on government and grant funds which could still dry up over the long term. The addition of additional cultivation capacity in this area is seen as the most likely area of revenue growth.

Listener support is an important component of the station's income, however it is not likely to grow significantly. The station's recurring monthly giving program has been successful in retaining members and increasing average gift sizes.

An area the public media system has identified as high potential is major gifts. The cultivation process can be long, several years, but can be significant. Capacity in the development department must be added to seize this opportunity. In a community largely dominated by state government and government related businesses as the employer, some of that giving will also be tied to the financial health of government.

In the short term, our funding from the Corporation for Public Broadcasting looks reasonably good, except for a loss that may be experienced with more sequestration. Due to partisan debates about public broadcasting, the long range outlook for federal support is unpredictable. The CPB is also implementing a collaboration program that is encouraging stations to reallocate resources or reduce losses through mergers and joint projects. Limited additional dollars are being provided as a carrot for participants. Stricter fiscal and operational compliance with the result of reduced grant amounts for noncompliance is the stick in this program. WUIS is participating in conversations regarding efficiencies and joint projects but no low hanging fruit is apparent.

Illinois state government continues to struggle financially. The state continues to lag behind in payments. The recently passed pension reform may result in additional costs if the university creates a supplemental retirement program. State funding of higher education will affect the level of institutional support the station receives and the state's fiscal health will impact the funding from the Illinois Arts Council.

WUIS continues to face fiscal challenges with the cost of providing benefits, especially healthcare. The station pays most employees with non-appropriated funds, therefore WUIS is required to cover the cost of benefits for those employees. For Fiscal Year 2013, those costs rose from nearly 45% of salary to just above 54% of salary. Unless the state changes its policies on benefits, this cost can be expected to remain. Such costs compress salaries and could be a deterrent to grantors. It is hoped that the State will lower that rate in coming years.

WUIS has been on a determined mission to remain on solid fiscal ground. The station has continued to increase financial reserves which will serve the station well in a fiscal emergency or for an emergency capital expenditure. It would also serve as a buffer should there be a dramatic shift in our funding sources.

For the future the station must seek alternative revenue sources, build up its program to attract larger gifts from donors and continue to seek grant and external funding for service and staff expansion. The station is preparing to focus on select areas for specialized news coverage and to build philanthropic support targeted to those specific areas. WUIS been a good steward of its resources in recent years and is as prepared as possible for the loss of a funding stream, should that occur.

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Statement of Net Assets

June 30, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$ 877,549
Accounts receivable	16,226
Other current assets	<u>108</u>
Total current assets	<u>893,883</u>

Noncurrent Assets:

Capital assets, net	<u>262,717</u>
Total noncurrent assets	<u>262,717</u>
Total assets	<u>\$ 1,156,600</u>

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities:

Accounts payable	\$ 13,952
Accrued salaries	19,191
Deferred revenue	<u>56,876</u>
Total current liabilities	<u>90,019</u>

Noncurrent Liabilities:

Accrued compensated absences	<u>92,932</u>
Total liabilities	<u>182,951</u>

Net Assets

Invested in capital assets, net of related debt	262,717
Unrestricted	<u>710,932</u>
Total net assets	<u>973,649</u>
Total liabilities and net assets	<u>\$ 1,156,600</u>

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Statement of Revenues, Expenses and
Changes in Net Assets

For the Year Ended June 30, 2013

Operating Revenues:

University funding	\$ 280,519
University funding - indirect support	478,941
Contributions and membership income	353,918
Community service grants	265,532
State and other government grants	55,505
Business and industry contributions	270,917
In-kind contributions	177,520
Other income	<u>27,561</u>
Total operating revenues	<u>1,910,413</u>

Operating Expenses:

Local programming and production	1,045,552
Broadcasting	151,774
Program information	75,109
Fund raising and membership development	265,859
Grant and underwriting solicitation	156,572
Management and general	237,515
Unallocated depreciation	<u>34,561</u>
Total operating expenses	<u>1,966,942</u>
Operating income (loss)	<u>(56,529)</u>

Nonoperating Revenues (Expenses):

Investment income	3,884
On behalf payments for fringe benefits	<u>105,690</u>
Net nonoperating revenues (expenses)	<u>109,574</u>

Increase in net assets	53,045
Net assets, beginning of year	<u>920,604</u>
Net assets, end of year	<u>\$ 973,649</u>

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities:

University funding	\$ 280,519
Cash received from community service grants	265,532
Cash received from federal and state grants	93,310
Contributions and membership income	624,835
Other income	27,561
Payments to employees and benefits	(452,059)
Payments to suppliers	<u>(684,366)</u>
Net cash provided (used) by operating activities	<u>155,332</u>

Cash Flows from Investing Activities:

Interest on investments	<u>3,885</u>
Net cash provided (used) by investing activities	<u>3,885</u>
Net increase (decrease) in cash	<u>159,217</u>
Cash and cash equivalents, beginning of the year	<u>718,332</u>
Cash and cash equivalents, end of the year	<u>\$ 877,549</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (56,529)
Adjustments to reconcile excess (deficit) of support and revenues over expenses to net cash provided (used) by operating activities:	
On behalf payments for fringe benefits	105,690
Loss on disposal of capital assets	2,750
Depreciation	34,561
Changes in assets and liabilities:	
(Increase) decrease in receivables	(16,226)
(Increase) decrease in other current assets	450
Increase (decrease) in accounts payable	13,383
Increase (decrease) in accrued salaries	3,043
Increase (decrease) in deferred revenue	54,031
Increase (decrease) in accrued compensated absences	<u>14,179</u>
Net cash provided (used) by operating activities	<u>\$ 155,332</u>
Noncash investing, capital and financing activities:	
On behalf payments for fringe benefits	<u>\$ 105,690</u>

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Notes to Financial Statements

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

1.A. REPORTING ENTITY

This report includes all of the funds of WUIS/WIPA. The reporting entity for WUIS/WIPA consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. WUIS/WIPA has no discretely presented component units.

WUIS/WIPA's financial reporting entity is composed of the following:

Primary Government: WUIS/WIPA

In determining the financial reporting entity, WUIS/WIPA complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

WUIS/WIPA is a public radio station owned and operated by the University of Illinois-Springfield.

1.B. BASIS OF PRESENTATION

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for business-type activities provided to the general public. The measurement of financial activity focuses on net income measurement similar to the private sector.

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Notes to Financial Statements - (continued)

June 30, 2013

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

The measurement focus for proprietary funds is the flow of economic resources. All proprietary funds are accounted for using the accrual basis method of accounting. On this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The proprietary fund operating revenues consist of university funding, contributions from members, community service grants, and federal and state grants. Operating expenses are those incurred in providing program and production, broadcasting, program information, fundraising and membership development, grant and underwriting, and administrative services.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, all highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

CAPITAL ASSETS

WUIS/WIPA GAAP basis of accounting reports capital assets and reports depreciation where appropriate.

Business-Type Activities (Enterprise Fund)

Capital assets valued at \$5,000 or more are capitalized. Capital assets are stated at actual or estimated historical cost. Donated fixed assets are valued at their fair market value on the date donated. Depreciation is computed on the straight-line method over the estimated useful life of the asset. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	50 years
Machinery, furniture, and equipment	5-20 years
Vehicles	5 years

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Notes to Financial Statements - (continued)

June 30, 2013

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

EQUITY CLASSIFICATION

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position-Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position-All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is WUIS/WIPA's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

1.E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) as applicable to governments requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

1.F. PLEDGES AND CONTRIBUTIONS

WUIS/WIPA engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to WUIS/WIPA for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers and listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received. However, uncollected pledges are not enforceable against contributors. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of WUIS/WIPA.

1.G. CORPORATION FOR PUBLIC BROADCASTING COMMUNITY SERVICE GRANTS

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

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

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Notes to Financial Statements - (continued)

June 30, 2013

**1.G. CORPORATION FOR PUBLIC BROADCASTING COMMUNITY SERVICE GRANTS
(continued)**

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.

NOTE 2 – IN-KIND CONTRIBUTIONS

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. WUIS/WIPA reports gifts of equipment, professional services, materials and other nonmonetary contributions as revenue in the accompanying statement of revenues, expenses and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services nonprofessional volunteers are not recorded as revenue and expenses as there is no objective basis available to measure the value of such services.

NOTE 3 – CASH AND CASH EQUIVALENTS

For purposes of classifying categories of credit risk, the bank balances of WUIS/WIPA's deposits at June 30, 2013 are entirely covered by federal depository insurance or by collateral held by an agent in the University's name.

WUIS/WIPA cash is composed of cash in University operating accounts.

NOTE 4 – INVESTMENTS

Investments are carried at fair value. Donated investments are carried at fair value at the date of donation. All other investments are carried at fair value, as determined by quoted market prices.

Illinois Statutes and Board policy authorize the University to invest in obligations of the U.S. Treasury, agencies, and instrumentalities (U.S. Government securities); bank and savings and loan time deposits; corporate bonds, stock and commercial paper; repurchase agreements; and mutual funds. At June 30, 2013, WUIS/WIPA had no repurchase agreements. WUIS/WIPA's operating cash is held by the University in operating fund pools and have been classified in these financial statements as cash and cash equivalents. These pools do not have any interest rate risk, credit risk, custodial credit risk, concentration credit risk or foreign currency risk. At June 30, 2013, the operating fund pools had an effective duration of 1.0 years.

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Notes to Financial Statements - (continued)
June 30, 2013

NOTE 5 – CAPITAL ASSETS

Capital assets activity for WUIS/WIPA is summarized below:

Depreciable Capital Assets:

	<u>Balances</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>June 30, 2013</u>
Land	\$ 6,180	\$ 0	\$ 0	\$ 6,180
Building	410,239	0	0	410,239
Equipment	<u>508,370</u>	<u>0</u>	<u>(23,034)</u>	<u>485,336</u>
Subtotal	<u>924,789</u>	<u>0</u>	<u>(23,034)</u>	<u>901,755</u>
Less accum. depreciation	<u>624,761</u>	<u>34,562</u>	<u>(20,284)</u>	<u>639,039</u>
Net	<u>\$300,028</u>	<u>\$(34,562)</u>	<u>\$ (2,750)</u>	<u>\$262,716</u>

NOTE 6 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences includes personnel earned but unused vacation and sick leave days, valued at the current rate of pay and includes the employers portion of FICA/Medicare. In addition, the current portion of accrued compensated absences was determined to be immaterial.

Changes in Compensated Absences Balance

Balance, beginning of year	\$78,752
Additions/(Deductions)	<u>14,180</u>
Balance, end of year	<u>\$92,932</u>

NOTE 7 – STATE UNIVERSITIES RETIREMENT SYSTEM

WUIS/WIPA, as a part of the University of Illinois-Springfield, is a part of 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. That report may be obtained by accessing the website at www.surs.org or by calling 1-800-275-7877.

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Notes to Financial Statements - (continued)

June 30, 2013

NOTE 7 – STATE UNIVERSITIES RETIREMENT SYSTEM – (continued)

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full-time; or (c) employed less than full-time and attending classes with an employer. Of those WUIS/WIPA employees ineligible to participate, the majority are students at the University of Illinois.

SURS provides retirement, disability and death benefits. Members are eligible for normal retirement at any age after 35 years of service, at age 60 after 8 years of service or at age 62 after 5 years of service. There are also provisions for early retirement. Retirement benefits are based on certain formulas that generally are a function of years of service and the average salary based on the highest earnings of any four consecutive years. Disability benefits are paid to disabled members with two years of covered service, generally at 50% of basic compensation until the total benefits paid equal 50% of the total earnings in covered service. Death benefits are payable to survivors of an active member with one and one half years of covered service or of a former member with ten years of covered service. These benefits are payable until children attain the age of 18, to a spouse after age 50 and to a dependent parent after age 55. Benefits are equal to the retirement contributions and interest, a lump sum payment of \$1,000, and a monthly annuity equal to a portion of the accrued normal retirement benefit based on specified formulas.

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. The current rate is 35.2% of annual covered payroll. The contributions requirements of plan members and employers are established and may be amended by the Illinois General Assembly. WUIS/WIPA's contributions to SURS for the year ended June 30, 2013 was \$35,579 equal to the required contributions for each year.

WUIS/WIPA employees hired prior to April 1, 1986 are exempt from contributions required under the Federal Insurance Contribution Act. Employees hired after March 31, 1986 are required to contribute 1.45% of their gross salary for Medicare. WUIS/WIPA is required to match this contribution.

Employees may also elect to participate in certain tax-sheltered retirement plans. These voluntary plans permit employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plans. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to these plans.

NOTE 8 – POSTEMPLOYMENT BENEFITS

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,

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Notes to Financial Statements - (continued)

June 30, 2013

NOTE 8 – POSTEMPLOYMENT BENEFITS – (continued)

1998, and who are vested in the State Employees' 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 to 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 WUIS/WIPA'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 State of Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefits provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois 62763-3838.

NOTE 9 – INDIRECT ADMINISTRATIVE SUPPORT

Indirect administrative support from the University of Illinois-Springfield consists of allocated institutional support and physical plant costs incurred by the University of Illinois-Springfield for which WUIS/WIPA receives benefits. The fair value of this support is recognized in the Statement of Revenues, Expenses and Changes in Net Position. The value of this support included in the Statement of Revenues, Expenses and Changes in Net Position was \$478,941.

NOTE 10 – CONTRIBUTED INKIND SUPPORT

Contributed support represents expenses paid on behalf of WUIS/WIPA by others outside the reporting entity, and includes contributed professional services, donated materials and facilities, and indirect administrative support. The amount of contributed support and services is reflected as revenues in the statement of revenues, expenses and changes in net position. As expenses of an equivalent amount are also recognized, there is no impact on net position.

A summary of the contributed support received in the year ended June 30, 2013 is as follows:

The amount of donated materials and services recognized in the year ended June 30, 2013 was \$83,520.

The University of Illinois Foundation contributed professional services consisting of processing donations, records maintenance, fund-raising expertise, and administrative services. The value of these professional services totaled \$94,000.

Contributed support from the State of Illinois consists of benefit contributions on behalf of WUIS/WIPA. For the year ended June 30, 2013, State of Illinois contributions were based on 38.23% health/life/dental; 12.04% SURS; 1.45% medicare tax of creditable earnings not paid from federal funds. The value of the on-behalf contributions totaled \$105,690.

**UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA**

Notes to Financial Statements - (continued)

June 30, 2013

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation – WUIS/WIPA is subject to litigation in the normal course of business. Management does not believe that WUIS/WIPA is party to any pending litigation which would have a material adverse effect on its financial statements or future operations.

GOVERNMENT AUDITING STANDARDS
INTERNAL CONTROL and COMPLIANCE SECTION

BRAY , DRAKE, LILES & RICHARDSON LLP
Certified Public Accountants

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December 2, 2013

To the Board of Trustees of the University of Illinois-Springfield
WUIS/WIPA
Springfield, Illinois

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the University of Illinois-Springfield, WUIS/WIPA (WUIS/WIPA) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise WUIS/WIPA's basic financial statements, and have issued our report dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WUIS/WIPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WUIS/WIPA's internal control. Accordingly, we do not express an opinion on the effectiveness of WUIS/WIPA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WUIS/WIPA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.



BRAY, DRAKE, LILES & RICHARDSON LLP

Illinois Department of
Professional Regulation License: #066-002934