

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA
Springfield, Illinois

Financial Statements
For the Year Ended June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of WUIS/WIPA of University of Illinois-Springfield, Illinois, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WUIS/WIPA of University of Illinois-Springfield, as of June 30, 2015 and 2014, and the respective changes financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of WUIS/WIPA of University of Illinois-Springfield are intended to present the financial position, the changes in financial position, and cash flows of only WUIS/WIPA of University of Illinois-Springfield's portion of the University of Illinois's financial position, the changes in financial position, and cash flows attributable to the transactions of WUIS/WIPA of University of Illinois-Springfield. They do not purport to, and do not, present fairly the financial position of the University of Illinois as of June 30, 2015 and 2014, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

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 4-9 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 February 02, 2016, on our consideration of WUIS/WIPA of University of Illinois-Springfield's internal control over financial reporting and on 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 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 of University of Illinois-Springfield's internal control over financial reporting and compliance.

Kemper CPA Group LLP

Kemper CPA Group, LLP
Champaign, Illinois
February 02, 2016

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, 2015. 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 2014, WUIS dedicated an FTE to its Education Desk, reporting on education issues from pre-natal to adult learning and higher education.

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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Current and noncurrent assets:		
Interest in pooled cash and investments	\$ 1,234,184	\$ 1,079,595
Other current assets	173	1,440
Capital assets, net	212,391	234,940
Deferred outflows of resources	29,796	-
Total assets	<u>\$ 1,476,544</u>	<u>\$ 1,315,975</u>
Current and noncurrent liabilities:		
Accounts payable	10,717	10,119
Deferred revenue, grants and other	227,334	155,496
Accrued compensated absences	86,034	93,213
Total liabilities	<u>324,085</u>	<u>258,828</u>
Total net position	<u>\$ 1,152,459</u>	<u>\$ 1,057,147</u>

The change in total assets for FY15 was the result of an increase in current assets of \$153,322, and a decrease in cap assets of \$22,549, for a change in total assets of \$130,773. Additionally, as a result of GASB 68 there was a change of \$29,796 in deferred outflows of resources. The change in total liabilities was the result of an increase in current liabilities of \$72,436, and a decrease of \$7,179 in noncurrent liabilities, for a change in total liabilities of \$65,257. The change in total net position for FY15 is \$95,312.

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 2015 and 2014 activity:

	<u>2015</u>	<u>2014</u>
Operating revenues:		
University funding	\$ 797,477	\$ 777,223
Contributions and membership income	669,978	817,335
State and community service grants	335,456	315,647
Other income	15,401	16,938
Total operating revenues	<u>1,818,312</u>	<u>1,927,143</u>
Total operating expenses	<u>1,895,234</u>	<u>1,959,927</u>
Operating income (loss)	(76,922)	(32,784)
Nonoperating revenues:		
Interest income	3,023	6,149
On behalf payments for fringe benefits	132,446	110,133
Other nonoperating revenue	1,750	0
Net nonoperating revenues	<u>137,219</u>	<u>116,282</u>
Increase in net position	<u>60,297</u>	<u>83,498</u>
Net position, beginning of year	1,057,147	973,649
Cumulative effect of change in accounting principle	35,015	0
Net position, beginning of year, adjusted	<u>1,092,162</u>	<u>973,649</u>
Net position, end of year	<u>\$ 1,152,459</u>	<u>\$ 1,057,147</u>

A net decrease in total operating revenues reflects a significant decline in revenue from business and industry contributions. It also reflects a decline in in-kind contributions. Both of these decreases were the result of the loss of the station's long-time underwriting sales representative in July of 2014. As of the end of FY15, this position remained vacant. A net decrease in operating expenses reflects a significant decline in grant and underwriting solicitation expense, which was the result of the aforementioned payroll vacancy. Operating expenses for programming, engineering, program information and depreciation decreased from the previous year. Fundraising and membership and management/general expenses increased from the previous year.

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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Total sources	\$ 1,267,788	\$ 1,369,956
Total uses	<u>(1,121,433)</u>	<u>(1,202,417)</u>
Net cash provided (used) by operating activities	<u>146,355</u>	<u>167,539</u>
Cash flows from capital and related financing activities:		
Capital gifts and contributions	-	-
Purchase of capital assets	-	-
Interest payments on borrowings	-	-
Principal payments on borrowings	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments, net	<u>3,023</u>	<u>6,149</u>
Net cash provided (used) by investing activities	<u>3,023</u>	<u>6,149</u>
Net increase (decrease) in interest in pooled cash	<u>149,378</u>	<u>173,688</u>
Interest in pooled cash, beginning of the year	<u>1,051,236</u>	<u>877,548</u>
Interest in pooled cash, end of the year	<u>\$ 1,200,614</u>	<u>\$ 1,051,236</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>2015</u>	<u>2014</u>
Land	\$ 6,180	\$ 6,180
Building	162,244	170,448
Equipment	<u>43,967</u>	<u>58,311</u>
Capital assets, net	<u>\$ 212,391</u>	<u>\$ 234,939</u>

ECONOMIC OUTLOOK

WUIS has the benefit of being funded by several revenue streams. Those include listener and business contributions, grants through the Corporation for Public Broadcasting, the Illinois Arts Council Agency, the Illinois State Library, and support from its licensee--the University of Illinois, along with major gifts and bequests.

At this time last year, some reduction in state support was anticipated and a 20% cut was planned. This resulted in the cancellation of several popular programs including Science Friday and To the Best of Our Knowledge. Also, open positions have not been filled and expenses have been closely evaluated. Currently, the Illinois budget impasse is in its eighth month and resolution isn't likely soon (some estimates are that there won't be a state budget until after the next election in November; nine months from now.). The absence of a state budget has seen higher education receive zero funding. If the state funds for FY2016 aren't appropriated, nearly one-third of WUIS' operating cash is jeopardized. This uncertainty also could impact FY2017 budgeting. WUIS has thrived by increasing its scale through a larger newsgathering operation. Significant reductions in these cash streams would require staff and service reductions.

Additionally, WUIS has seen sponsorship funding decrease by half, year-to-year. This is due to the passing of the sole account representative and time required to replace this capacity. It is also due to a year-to-year comparison from a peak year that included multi-year funding for the Education and Harvest Desks. Finally, in WUIS' market of the state capital, the budget uncertainty has begun to affect local business confidence, several funders are deferring their marketing outlays including state agencies and higher education institutions.

The development staff at WUIS is being restructured to increase non-state funding through business sponsorship, major giving, and events. A development director is required to lead the campaign. The impact on FY2016 will be minimal but will show results in FY2017. Additionally, the University of Illinois Springfield's Office of Advancement has committed 20% of a full-time development officer to cultivate planned giving for WUIS.

Listener support is an important component of the station's income providing approximately one-third of cash for operating and it continues to show maturity in regards to growth potential. This stream could be impacted by state employee cuts.

Collaboration projects are being investigated to provide capacity and/or budget relief. The CPB has awarded a grant to a group of Illinois public media that includes WUIS. The grant will provide budget relief and additional capacity over the next two years. Future sustainability of this project is being developed.

WUIS has deferred maintenance over the years to make budgets meet. The capital program developed for FY2015 to replace the main transmitter and maintain tower facilities has been deferred until state budget uncertainty ends. Regardless, the plant fund will need to be initiated by FY2017. This is a significant expense. Additional, external funding will be necessary. The station reserve will cover what funding cannot be found elsewhere leaving our reserve significantly smaller.

WUIS fiscal position is positive through contingencies being enacted. The reserves are likely to be expended instead of grown.

WUIS' revenue future is building its non-governmental revenue sources based on a public journalism mission. WUIS must attract larger gifts from donors and continue to seek grant and external funding for service and staff expansion. The station continues to prioritize news coverage which is seeing the most interest from philanthropies. WUIS been a good steward of its resources in recent years and is working to continue to be in the black. Some deficit spending may be required in the next two fiscal years to wean away from state sources.

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Statement of Net Position

June 30, 2015 and 2014

	2015	2014
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current Assets:		
Interest in pooled cash	\$ 1,200,614	\$ 1,051,236
Interest in pooled investments	33,570	28,359
Accounts receivable	-	1,440
Other current assets	173	-
Total current assets	1,234,357	1,081,035
Noncurrent Assets:		
Capital assets, net	212,391	234,940
Total noncurrent assets	212,391	234,940
Total assets	1,446,748	1,315,975
Deferred outflows of resources	29,796	-
Total assets and deferred outflows of resources	\$ 1,476,544	\$ 1,315,975
<u>LIABILITIES AND NET POSITION</u>		
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 10,717	\$ 10,119
Accrued salaries	16,001	15,581
Deferred revenue	211,333	139,915
Total current liabilities	238,051	165,615
Noncurrent Liabilities:		
Accrued compensated absences	86,034	93,213
Total liabilities	324,085	258,828
<u>Net Position</u>		
Invested in capital assets, net of related debt	212,391	234,940
Restricted, expendable	649,823	611,129
Unrestricted	290,245	211,078
Total net position	1,152,459	1,057,147
Total liabilities and net position	\$ 1,476,544	\$ 1,315,975

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Statement of Revenues, Expenses and
Changes in Net Position

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Operating Revenues:</u>		
University funding	\$ 314,846	\$ 302,514
University funding - indirect support	482,631	474,709
Contributions and membership income	392,680	350,356
Community service grants	260,707	258,759
State and other government grants	74,749	56,888
Business and industry contributions	136,547	286,675
In-kind contributions	140,751	180,304
Other income	<u>15,401</u>	<u>16,938</u>
Total operating revenues	<u>1,818,312</u>	<u>1,927,143</u>
<u>Operating Expenses:</u>		
Local programming and production	1,093,726	1,131,972
Broadcasting	175,872	202,120
Program information	56,210	70,580
Fundraising and membership development	314,512	271,384
Grant and underwriting solicitation	18,987	100,748
Management and general	211,628	155,346
Unallocated depreciation	<u>24,299</u>	<u>27,777</u>
Total operating expenses	<u>1,895,234</u>	<u>1,959,927</u>
Operating income (loss)	<u>(76,922)</u>	<u>(32,784)</u>
<u>Nonoperating Revenues (Expenses):</u>		
Net investment income	3,023	6,149
Other non-operating revenue	1,750	-
On behalf payments for fringe benefits	<u>132,446</u>	<u>110,133</u>
Net nonoperating revenues (expenses)	<u>137,219</u>	<u>116,282</u>
Increase in net position	<u>60,297</u>	<u>83,498</u>
Net position, beginning of year	1,057,147	973,649
Cumulative effect of change in accounting principle	<u>35,015</u>	<u>-</u>
Net position, beginning of year, adjusted	<u>1,092,162</u>	<u>973,649</u>
Net position, end of year	<u>\$ 1,152,459</u>	<u>\$ 1,057,147</u>

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Statement of Cash Flows

For the Years Ended June 30, 2015 and 2014

	2015	2014
<u>Cash Flows from Operating Activities:</u>		
University funding	\$ 314,846	\$ 302,514
Cash received from community service grants	260,707	258,759
Cash received from federal and state grants	147,607	154,713
Contributions and membership income	529,227	637,031
Other income	15,401	16,939
Payments to employees and benefits	(716,455)	(711,304)
Payments to suppliers	(404,978)	(491,113)
Net cash provided (used) by operating activities	146,355	167,539
<u>Cash Flows from Investing Activities:</u>		
Interest on investments	3,023	6,149
Net cash provided (used) by investing activities	3,023	6,149
Net increase (decrease) in cash	149,378	173,688
Interest in pooled cash, beginning of the year	1,051,236	877,548
Interest in pooled cash, end of the year	\$ 1,200,614	\$ 1,051,236
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (76,922)	\$ (32,784)
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	132,446	110,133
Depreciation	24,299	27,777
Reclassification of interest in pooled cash to investments	-	(28,359)
Changes in assets and liabilities:		
(Increase) decrease in receivables	1,440	14,786
(Increase) decrease in other current assets	(173)	108
Increase (decrease) in accounts payable	606	(3,832)
Increase (decrease) in accrued salaries	420	(3,610)
Increase (decrease) in deferred revenue	71,418	83,039
Increase (decrease) in accrued compensated absences	(7,179)	281
Net cash provided (used) by operating activities	\$ 146,355	\$ 167,539
Noncash investing, capital and financing activities:		
On behalf payments for fringe benefits	\$ 132,446	\$ 110,133

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1. ORGANIZATION DESCRIPTION

WUIS/WIPA of University of Illinois-Springfield (“WUIS/WIPA”) is a public telecommunications service owned and operated by the University of Illinois-Springfield (“University”). WUIS/WIPA is part of the University as a whole, and thus, for financial reporting purposes the financial balances and activities included in these financial statements are also included in the University’s financial statements. These financial statements present only WUIS/WIPA, and do not purport to, and do not, present fairly the financial position of the University as of June 30, 2015 and 2014, and changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management’s Review of Subsequent Events

Management has evaluated subsequent events through February 02, 2016, which is the date the financial statements were available to be issued.

Basis of Presentation

This accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of American as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. WUIS/WIPA follows the business-type activity reporting requirements of GASB Statement No. 35 that provides a comprehensive, entity-wide perspective of WUIS/WIPA’s financial activities.

For financial reporting purposes, WUIS/WIPA is considered part of the University, and thus, like the University is a special-purpose government engaged only in business-type activities. Accordingly, WUIS/WIPA’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to public colleges and universities. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred.

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

Cash and Cash Equivalents

To provide for efficiencies and economies in their management, the University has pooled its cash and investments, except for certain funds that are required by bond resolution to be in separate accounts. Interest in pooled cash at June 30, 2015 and 2014 represents WUIS/WIPA’s share of this pooled cash account.

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

Cash deposits and cash equivalents of the University include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury Bills.

The University's investments are reported at fair value. The fair value is determined to be the amount at which financial instruments could be exchanged in current transactions between willing partners, usually quoted at market prices. It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and conforming to all statutes governing the investment of funds.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Additional information regarding the University's deposits and investments may be obtained from the financial statements of the University.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or at the fair market value at the date of donation in the case of gifts. In accordance with accounting principles generally accepted in the United States of America for public colleges and universities, depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets valued at \$5,000 or more are capitalized. The range of estimated useful lives 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

June 30, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

WUIS/WIPA's net position is classified as follows:

- a. Invested in capital assets: This represents the total investment in capital assets, net of accumulated depreciation.
- b. Restricted net position, non-expendable: Restricted non-expendable net position consist of endowments with specific restrictions requiring that the principal be invested and only the earnings be used. There was no non-expendable, restricted net position for the years ended June 30, 2015 and 2014.
- c. Restricted net position, expendable: Restricted expendable net position include resources in which WUIS/WIPA is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- d. Unrestricted net position: Unrestricted net position represents resources that have not been restricted by external parties and are available for use by WUIS/WIPA.

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.

Donor-restricted Endowments

Donor-restricted endowments are held and administered by the University of Illinois Foundation. The University of Illinois Foundation holds the funds as agency funds based upon and consistent with the desire of the donor.

The State of Illinois adopted the Uniform Prudent Managements of Institutional Funds Act (UPMIFA), effective June 30, 2009. UPMIFA added certain prudent spending measures to the Uniform Management of Institutional Funds Act. In accordance with UPMIFA, the Board of Directors of the University of Illinois Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds; general economic conditions; the possibility of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the institution; and the investment policies of the University of Illinois Foundation.

Revenue Recognition

WUIS/WIPA has classified its revenues as either operating or non-operating revenues as follows:

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

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Non-operating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, such as state appropriations, investment income, and capital gains. Appropriations made to the University from the State of Illinois General Revenue Fund are recognized as non-operating revenues in the year appropriated to the extent expended. Other non-operating revenues include transactions relating to capital and financial activities, non-capital financing activities, and investing activities.

Grants are recorded as revenue when all applicable eligibility requirements have been met.

University Support

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

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Revenues, Expenses, and Changes in Net Position. Accordingly, certain costs have been allocated among the programs and supporting services benefited, using estimates if necessary.

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the period. Actual results could differ from those estimates.

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 plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

New Accounting Pronouncements

WUIS/WIPA adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective for periods beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Implementation of this pronouncement required a change to WUIS/WIPA's financial statements.

WUIS/WIPA adopted the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which was effective for periods beginning after June 15, 2014. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. Implementation of this pronouncement required a change to WUIS/WIPA's financial statements.

Change in Accounting Principle

The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, resulted in a cumulative effect of change in accounting principle of \$35,015. This amount represents the pension expense payments made during the year ending June 30, 2014, which under GASB 68 would have been booked as deferred outflows of resources as of June 30, 2014.

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 3. INTEREST IN POOLED INVESTMENTS

Investments consist of shares of an investment pool which are held and administered by the University of Illinois Foundation. WUIS/WIPA's share of the investment pool is stated at fair value. Fair value is generally determined by quoted market prices for the University of Illinois Foundation's investments.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair of investments. Net investment income includes interest, dividends, and realized gains and losses.

At June 30, 2015, and 2014 the fair value of WUIS/WIPA's share of the University of Illinois Foundation investment pool was \$33,570 and \$28,359, respectively. The investments carry donor restrictions and therefore are included in restricted, expendable net position.

Further information regarding the investments held by the University of Illinois Foundation may be obtained from the financial statements of the University.

NOTE 4. CAPITAL ASSETS

Capital assets activity for WUIS/WIPA is summarized below:

	<u>Balances</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>June 30, 2015</u>
Land	\$ 6,180	\$ -	\$ -	\$ 6,180
Building	410,239	-	-	410,239
Equipment	<u>485,336</u>	<u>5,000</u>	<u>76,174</u>	<u>414,162</u>
Subtotal	<u>901,755</u>	<u>5,000</u>	<u>76,174</u>	<u>830,581</u>
Less accum. depreciation	<u>666,816</u>	<u>27,548</u>	<u>76,174</u>	<u>618,190</u>
Net	<u>\$234,939</u>	<u>\$(22,548)</u>	<u>\$ -</u>	<u>\$212,391</u>

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 5. EXPENDABLE RESTRICTED NET POSITION

Expendable restricted net position is available for the following purposes at June 30, 2015 and 2014:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
WUIS Radio	\$ 397,523	\$ 386,375
Fundraising/RIS Gifts	6,490	7,739
Business Gift Fund	180,767	152,554
Music Studio Fund	16,837	16,837
Bedrock 66 Live! Gift Fund	9,119	9,129
U of I Foundation Funds	39,087	38,495
	<u>\$ 649,823</u>	<u>\$ 611,129</u>

NOTE 6. STATE UNIVERSITIES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description: The University contributes to the State University Retirement System of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State 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 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's 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.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2014 can be found in the SURS' comprehensive annual financial report (CAFR) Notes to the Financial Statements.

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 Entity employees ineligible to participate, the majority are students at the University.

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 6. STATE UNIVERSITIES RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions: The State is primarily responsible for funding the SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2014 and 2015 respectively, was 11.91% and 11.71% of employees payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of “affected annuitants” or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability: At June 30, 2014, SURS reported a net pension liability (NPL) of \$21,790,983,000. The net pension liability was measured as of June 30, 2013.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the University is \$0. The proportionate share of the State’s net pension liability associated with the University is \$8,995,845,000. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2014, and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2014.

Pension Expense: At June 30, 2014 SURS reported a collective net pension expense of \$1,650,338,000.

Employer Proportionate Share of Pension Expense: The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2014. As a result, the University recognized on-behalf revenue and pension expense of \$681,300,000 for fiscal year ended June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

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

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 6. STATE UNIVERSITIES RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

**SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources
(nearest thousand)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 88,941	
Net difference between projected and actual earnings on pension plan investments		1,271,106
Total	<u>\$ 88,941</u>	<u>1,271,106</u>

Deferral of Fiscal Year 2015 Pension Expense

The University paid \$33,473,000 in federal, trust or grant contributions for fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014 and are recognized as Deferred Outflows of Resources as of June 30, 2015.

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006 – 2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females. The only change in assumptions from the year ended June 30, 2013, is the investment rate of return, which was changed from 7.75 percent to 7.25 percent.

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. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s).

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

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 6. STATE UNIVERSITIES RETIREMENT SYSTEM (CONTINUED)

Assumptions and Other Inputs (Continued)

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	31%	7.65%
Private Equity	6%	8.65%
Non-U.S. Equity	21%	7.85%
Global Equity	8%	7.90%
Fixed Income	19%	2.50%
Treasury-Inflation Protected Securities	4%	2.30%
Real Estate	6%	6.20%
REITS	4%	6.20%
Opportunity Fund	<u>1%</u>	<u>2.50%</u>
Total	100%	5.00%
Inflation		<u>2.75%</u>
Expected Geometrical Normal Return		7.75%

Discount Rate: A single discount rate of 7.090% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 4.290% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the SURS' funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS' Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
\$26,583,701,000	\$21,790,983,000	\$17,796,571,000

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 7. POSTEMPLOYMENT BENEFITS

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially, all State and university employees become eligible for these other postemployment benefits (OPEB) if they eventually become annuitants of one of the State sponsored pension plans. The Department of Central Management Services administer these benefits for annuitants with the assistance of the State's sponsored pension plans. The portions of the Act related to OPEB establish a cost-sharing multiple-employer defined-benefit OPEB plan (plan) with a special funding situation in which the State funds substantially all nonparticipant contributions. The plan does not issue a stand-alone financial report but is included as a part of the State's financial statements. A copy of the financial statements of the State can be obtained at www.ioc.state.il.us.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and the University employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes \$5,000.

The State makes substantially all of the contributions for OPEB on behalf of the State universities. Since the State contributes substantially all of the employer contributions, the single-employer provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, have been followed for reporting the plan. The State is not required to and does not fund the plan other than the pay-as-you-go amount necessary to provide the current benefits.

NOTE 8. INDIRECT ADMINISTRATIVE SUPPORT

Indirect administrative support from the University consists of allocated institutional support and physical plant costs incurred by the University 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 for the years ended June 30, 2015 and 2014 was \$482,631 and \$474,709, respectively.

NOTE 9. CONTRIBUTED IN-KIND SUPPORT

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

UNIVERSITY OF ILLINOIS-SPRINGFIELD
WUIS/WIPA

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 9. CONTRIBUTED IN-KIND SUPPORT (CONTINUED)

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

A summary of the contributed support received in the years ended June 30, 2015 and 2014 was as follows:

The amount of donated materials and services recognized in the years ended June 30, 2015 and 2014 was \$56,751 and \$84,304, respectively.

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 recognized in the years ended June 30, 2015 and 2014 was \$84,000 and \$96,000, respectively.

Contributed support from the State of Illinois consists of benefit contributions on behalf of WUIS/WIPA. The value of the on-behalf contributions recognized in the years ended June 30, 2015 and 2014 was \$132,446 and \$110,133, respectively.

NOTE 10. RECLASSIFICATION

Certain amounts in the June 30, 2014, prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

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*

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

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 WUIS/WIPA of University of Illinois-Springfield as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise WUIS/WIPA of University of Illinois-Springfield's basic financial statements, and have issued our report thereon dated February 02, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WUIS/WIPA of University of Illinois-Springfield'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 of University of Illinois-Springfield's internal control. Accordingly, we do not express an opinion on the effectiveness of the WUIS/WIPA of University of Illinois-Springfield'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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We

did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding 2015-1, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WUIS/WIPA of University of Illinois-Springfield's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

WUIS/WIPA of University of Illinois-Springfield's Response to Finding

WUIS/WIPA of University of Illinois-Springfield's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. WUIS/WIPA of University of Illinois-Springfield's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
February 02, 2016

WUIS/WIPA OF UNIVERSITY OF ILLINOIS-SPRINGFIELD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015

Current Year Findings and Responses:

Internal Control over Financial Reporting – Significant Deficiency:

2015-1 Internal Controls over Expenses Charged to Grants

Criteria: WUIS/WIPA of University of Illinois-Springfield is responsible for establishing and maintaining a system of internal controls sufficient to ensure that grant expenses are recognized in the proper accounting period consistent with accounting principles generally accepted in the United States of America.

Condition: During our current year audit we noted National Public Radio, Inc. program and digital service fees for the period of July 1, 2015 to September 30, 2015 totaling \$43,117 were recognized during the year ended June 30, 2015.

Cause: WUIS/WIPA of University of Illinois-Springfield did not have a reliable process in place for ensuring that grant expenses were recognized in the proper accounting period.

Effect: This puts WUIS/WIPA of University of Illinois-Springfield at risk for intentional or unintentional misstatements occurring that may not be prevented or detected in a timely manner.

Recommendation: We recommend that WUIS/WIPA of University of Illinois-Springfield review its procedures for charging expenses to grants and recognizing grant revenues to ensure consistency in approach and to ensure that expenses are recognized in the period incurred in accordance with accounting principles generally accepted in the United States of America.

Management Response: WUIS/University officials agree with the finding and will continue to implement corrective actions to address the recommendation in the finding. The NPR invoices referenced above were for services provided 7/1/2015 through 9/30/2015. They were charged to a grant agreement with effective dates of 10/1/2013 through 9/30/2015.

Prior Year Findings and Responses:

None