

WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

Dr. Mark Mone, Chancellor
University of Wisconsin - Milwaukee
Milwaukee, Wisconsin

We have audited the accompanying financial statements of WUWM Milwaukee Public Radio (WUWM) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise WUWM's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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 auditors' 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 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 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 WUWM Milwaukee Public Radio as of June 30, 2015 and 2014, and the respective changes in 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 7 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.

Reilly, Penner & Benton LLP

November 13, 2015
Milwaukee, Wisconsin

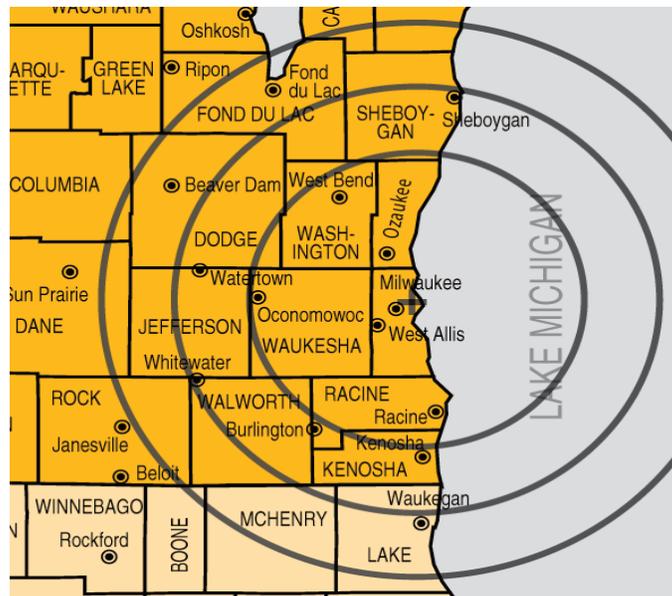
Management’s Discussion and Analysis
June 30, 2015 and 2014

This analysis was prepared by WUWM Management to be read in conjunction with the financial statements and notes.

ORGANIZATION OVERVIEW & STRATEGIC INITIATIVES

WUWM Milwaukee Public Radio (WUWM) is licensed by the Federal Communications Commission to the University of Wisconsin Board Of Regents and operated by the College of Letters and Science at the University of Wisconsin-Milwaukee. WUWM is a founding member of National Public Radio and broadcasts a format of award-winning news, information and entertainment programs 24 hours a day.

WUWM's 13,500 watt signal broadcasts from a transmitter located on the northeast side of Milwaukee. WUWM's primary coverage extends throughout the Milwaukee metropolitan area including Racine, Waukesha and West Bend. Our extended service area includes listeners throughout southeastern Wisconsin.



WUWM is the most listened to public radio station in Southeastern Wisconsin. The station was the 12th most listened to radio station among all AM and FM stations serving the metropolitan Milwaukee community. According to the Nielsen Audio, a national ratings company, there were more than 110,000 weekly listeners to WUWM. This was a nearly 20% increase over the previous year. WUWM’s market share is 2.7%. That means that 2.7% of all radio listening was to WUWM.

During 2015, WUWM served 103,800 listeners each week. This represents a 7% increase over the previous year and follows a 4% increase between 2012 and 2013 and a 10% increase between 2011 and 2012. *Car Talk* remained the most listened to hour on WUWM followed by *Morning Edition*, *Weekend Edition*, *Wait... Ask Me Another* and *BBC Newshour*. (Source: Nielsen Audio, Persons 12+, Mon-Sun 6am-12 Midnight)

WUWM’s format of in-depth news and quality entertainment is broadcast on 89.7 MHz and streamed online at wuwm.com.



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(continued)

WUWM’s website continues to provide increased service as well. The station continues to work with NPR’s Digital Services to upgrade the technology and user experience. In March, the station relaunched the website to take advantage of responsive design technology. Responsive design allows the content to scale to the size of whatever device is being used. During this year, there were more than 60,000 unique monthly users of wuwm.com. This compares with 52,000 in the previous year. More than 17,000 Facebook users follow WUWM as well. WUWM continues to provide content to NPR’s curated web app, “NPR One” and regional users of NPR’s Facebook site.



While some public radio stations do little more than broadcast programs from NPR, WUWM enhances those offerings with the work of our eleven full-time journalists. Each day WUWM reporters focus on the issues important to listeners in our region. Listeners are introduced to people who are making an impact on the community.

In addition to daily reports which aired during *Morning Edition*, the WUWM news team produced a number of special multi-part series. They included a 5 part series following the first year of a new teacher working in the Milwaukee Public Schools, an exploration of senior housing options, restoration of Milwaukee’s inner harbor and a review of 25 years of Milwaukee’s school voucher program.



Many stories produced by WUWM reporters have been aired nationally on NPR programs. This year 77 reports were broadcast on NPR’s *Morning Edition*, *All Things Considered* and on NPR newscasts. WUWM is also a collaborative partner with NPR’s *Here and Now* program.

WUWM’s daily news magazine, *Lake Effect*, presents long-form interviews and special reports focusing on the issues facing Southeastern Wisconsin. The program introduces listeners to people and ideas not normally reported on during daily newscasts. The work of the program’s staff is complemented by regular commentators and contributors who regularly share their expertise with listeners.





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(continued)

As part of WUWM's continuing efforts to explore topics of interest to residents of the region, WUWM partnered with 371 Productions, The Milwaukee Journal Sentinel, the Wisconsin Center for Investigative Journalism and Milwaukee's black oriented radio station WNOV-AM for the *Precious Lives* series. *Precious Lives* is two-year weekly public radio series (100 episodes, 3-5 minutes each) and community engagement campaign about gun violence and youth in Milwaukee.



The stories treats the matter of gun violence with children, both homicide and suicide, as a public health problem. The series looks at the problem from multiple perspectives, hearing the voices of the victim and the shooter, learning about the weapon and its path, and discovering the environmental factors contributing to each child's death. The segments are aired several times each week and are archived for community access at <http://wuwm.com/term/precious-lives-0>

WUWM is the only radio station in Milwaukee to have a full-time reporter who focuses on environmental journalism. This journalist reports on important issues throughout the region. This year, for example, she continued to following the mining debate in Northern Wisconsin with a multi-part series.



The station's long standing music service, *WUWM@Night*, continued with a greater emphasis on local arts and culture. The program features interviews with performers, in-studio concerts recorded at WUWM, and regular features including segments from *Ex Fabula* story telling events, and from Milwaukee radio legend Bob Reitman.

Again this year, WUWM's reporters, producers and Web team were honored by their peers with 29 awards from four national, state and regional broadcast journalism organizations. The Wisconsin Broadcast Association presented WUWM with 12 awards. The Midwest Broadcast Journalist Association regional competition resulted in 7 awards. The Milwaukee Press Club recognized WUWM with 6 awards. The National Association of Black Journalists presented the station with 2 national awards. The Radio Television Digital News Association presented 2 regional awards to WUWM.

Management’s Discussion and Analysis
June 30, 2015 and 2014
(continued)

Later, the RTDNA presented WUWM with an Edward R. Murrow Award for outstanding News Series (large market radio) for *Project Milwaukee: Black Men in Prison*. This prestigious honor is one of the most respected in the broadcast industry, and represents WUWM’s relentless pursuit of excellence in journalism. Over more than seven months, beginning in November 2013, WUWM explored Wisconsin’s high rate of black male incarceration, through expert analysis and personal stories. WUWM’s Newsroom and *Lake Effect* reports and interviews focused on the reasons for the high incarceration rate, the impact on the community and solutions. The series included two special community forums, which WUWM co-hosted with Milwaukee Public Television. The two news organizations collaborated over the course of many months to offer complementary reports on this complex issue.



From left to right: Latoya Dennis, Bob Bach, Marti Mikkelson, Ann-Elise Henzl, Mitch Teich, Susan Bence, Bonnie North, Marge Pitrof, Michelle Maternowski.
Not pictured: Erin Toner

Part of WUWM's mission is to provide a professional internship program for students. We take this commitment seriously. Student interns at WUWM work alongside the station’s professional staff. While some media outlets use student interns as "gofers," students at WUWM receive hands-on experience. They work in the newsroom, help produce *Lake Effect* assist with program production, programming, marketing and fundraising.

All of these services are made possible with the financial support from individuals, corporations and foundations plus funding from the University of Wisconsin-Milwaukee and the Corporation for Public Broadcasting.





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WUWM's work is guided by a 17-member Advisory Board (not all board members pictured). The group advises management on programming, fund raising and strategic issues. As part of their efforts this year, the Board helped refine a list of issues which are important enough to warrant special journalistic coverage. This list includes the environment, state/local politics, education, arts/culture, health care, business/economics and equity/diversity issues. While WUWM journalists focus on all of these areas, the station has been able to fund full-time reporters who share their reporting expertise on the environment and arts/culture.

The station is also guided by strategic objectives. The "WUWM 2020" plan directs the station to:

- (1) to create additional quality local programming, which focuses on issues facing listeners in Southeastern Wisconsin,
- (2) to develop partnerships and engage in a marketing program which allows the station to be further integrated into the fabric of the community and,
- (3) to build and maintain an infrastructure to allow the station to create this programming, serve the community and distribute content on multiple platforms.



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Management's Discussion and Analysis
June 30, 2015 and 2014
(continued)

▶ USING THE FINANCIAL STATEMENTS

WUWM's financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB). The financial statements include WUWM's funds that are part of the University of Wisconsin - Milwaukee Foundation (UWM Foundation) a non-profit 501(c)(3), the University of Wisconsin - Milwaukee (UWM), and the University of Wisconsin Trust Fund.

The Statements of Net Position includes all assets and liabilities. The difference between assets and liabilities is reported as net position.

Certain significant revenue streams relied upon for operations are reported as non-operating revenue, as defined by GASB Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, including UW- Milwaukee appropriations, indirect administrative support from the University of Wisconsin – Milwaukee and non-cash contributions and trade. This reporting model results in operating deficits on the Statements of Activities.

The use of capital assets is reflected in the financial statements as depreciation expense, which amortizes the cost of an asset over its expected useful life. Depreciation expense is included in the functional expense categories.

The Statements of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

The notes to the financial statements provide additional information that is essential to gaining a full understanding of the data provided in the financial statements.



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Management's Discussion and Analysis
June 30, 2015 and 2014
(continued)

► **CONDENSED FINANCIAL STATEMENTS**

| <u>Condensed Statements of Net Position</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|--------------------------|--------------------------|
| Assets | | |
| Current assets | \$2,862,113 | \$2,517,198 |
| Non-current assets | 65,595 | 88,866 |
| Total assets | <u>2,927,708</u> | <u>2,606,064</u> |
| Liabilities and Net Position | | |
| Current liabilities | <u>\$304,627</u> | <u>\$288,901</u> |
| Net Position | | |
| Net investment in capital assets | 65,595 | 88,866 |
| Restricted for endowment – non-expendable principal | 85,448 | 85,448 |
| Restricted for endowment – expendable earnings | 16,372 | 19,111 |
| Restricted by donor purpose | 158,143 | 32,582 |
| Unrestricted | <u>2,297,523</u> | <u>2,091,156</u> |
| Total net position | <u>2,623,081</u> | <u>2,317,163</u> |

| <u>Condensed Statements of Activities</u> | <u>Fiscal 2015</u> | <u>Fiscal 2014</u> |
|---|---------------------------|---------------------------|
| Operating revenues | \$3,433,998 | \$2,915,690 |
| Operating expenses | <u>3,939,858</u> | <u>3,971,352</u> |
| Operating loss | (505,860) | (1,055,842) |
| Non-operating revenue | <u>811,778</u> | <u>969,211</u> |
| Income (loss) before contributions and transfers | 305,918 | (86,631) |
| Contributions and Transfers | <u>-</u> | <u>2,000</u> |
| Change in Net Position | 305,918 | (84,631) |
| Net position, beginning of year | <u>2,317,163</u> | <u>2,401,794</u> |
| Net position, end of year | <u>\$2,623,081</u> | <u>\$2,317,163</u> |



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Management's Discussion and Analysis
June 30, 2015 and 2014
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▶ SUMMARY OF FINANCIAL ACTIVITY

Comparing fiscal 2015 to fiscal 2014 shows an increase in net position of \$305,918 or 13.20%. Total assets increased by \$321,644 or 12.34%. Total liabilities increased by \$15,726 or 5.44%.

Total station revenue increased by \$358,875 or 9.23% to \$4,245,776. This was primarily attributed to an increase in underwriting revenue raised through an outsourced firm. Total expenses decreased by \$31,674 or .80% to \$3,939,858.

Direct (cash) revenue increased by \$508,884 to \$3,785,815. This was largely attributed an increase in underwriting revenue raised through an outsourced firm.

Indirect (noncash) revenue and expenses decreased by \$150,009 or 24.59% to \$459,961. This category consists of the value of indirect administrative support from UW-Milwaukee, underwriting trades and in-kind donations.

Net property and equipment decreased by \$23,271. The decrease was the result of a combination of capital acquisitions in the amount of \$14,475 and depreciation in the amount of \$37,746.

▶ REQUESTS FOR INFORMATION

Questions or requests for additional information should be addressed to:

WUWM Milwaukee Public Radio
Manager of Finance and Administration
P.O. Box 413
Milwaukee, WI 53201-0413

Email: wuwm@uwm.edu



WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

Statements of Net Position
June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and equivalents | \$ 2,416,841 | \$ 2,158,843 |
| Accounts receivable | 302,702 | 241,384 |
| Interest and investment earnings receivable | - | 169 |
| Prepaid expenses | 142,570 | 116,802 |
| Total current assets | <u>2,862,113</u> | <u>2,517,198</u> |
| Non-current assets: | | |
| Property and equipment, net | <u>65,595</u> | <u>88,866</u> |
| Total assets | <u>\$ 2,927,708</u> | <u>\$ 2,606,064</u> |
| LIABILITIES AND NET POSITION | | |
| Current liabilities: | | |
| Wages and other payables | \$ 239,437 | \$ 216,206 |
| Unearned underwriting revenue | <u>65,190</u> | <u>72,695</u> |
| Total current liabilities | 304,627 | 288,901 |
| Net position: | | |
| Net investment in capital assets | 65,595 | 88,866 |
| Restricted for endowment - non-expendable principal | 85,448 | 85,448 |
| Restricted for endowment - expendable earnings | 16,372 | 19,111 |
| Restricted by donor purpose | 158,143 | 32,582 |
| Unrestricted | <u>2,297,523</u> | <u>2,091,156</u> |
| Total net position | <u>2,623,081</u> | <u>2,317,163</u> |
| Total liabilities and net position | <u>\$ 2,927,708</u> | <u>\$ 2,606,064</u> |

The accompanying notes to the financial statements
are an integral part of these statements



WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

Statements of Activities
Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Operating revenues: | | |
| CPB Community Service Grant | \$ 281,034 | \$ 264,340 |
| Membership contributions | 1,735,406 | 1,597,934 |
| Underwriting | 1,415,245 | 1,047,815 |
| Telecasting, production, and other income | 1,586 | 790 |
| Special fundraising activities | 727 | 4,811 |
| Total operating revenues | <u>3,433,998</u> | <u>2,915,690</u> |
| Operating expenses: | | |
| Program services: | | |
| Programming | 1,673,987 | 1,713,499 |
| Broadcasting | 253,472 | 295,392 |
| Program information | 145,931 | 264,631 |
| Total program services expenses | <u>2,073,390</u> | <u>2,273,522</u> |
| Supporting services: | | |
| Management and general | 891,495 | 877,626 |
| Fundraising | 330,120 | 326,975 |
| Underwriting | 644,853 | 493,409 |
| Total supporting services expenses | <u>1,866,468</u> | <u>1,698,010</u> |
| Total operating expenses | <u>3,939,858</u> | <u>3,971,532</u> |
| Operating loss | (505,860) | (1,055,842) |
| Non-operating revenues: | | |
| UW-Milwaukee appropriations | 332,935 | 325,162 |
| Interest and investment gains | 18,882 | 34,079 |
| Indirect administrative support - UWM | 401,308 | 388,160 |
| Miscellaneous non-cash donations | 58,653 | 221,810 |
| Total non-operating revenues | <u>811,778</u> | <u>969,211</u> |
| Income before contributions and transfers | 305,918 | (86,631) |
| Contributions and transfers: | | |
| Capital contributions | - | 2,000 |
| Total contributions and transfers | <u>-</u> | <u>2,000</u> |
| Change in net position | 305,918 | (84,631) |
| Net position, beginning of year | 2,317,163 | 2,401,794 |
| Net position, end of year | <u>\$ 2,623,081</u> | <u>\$ 2,317,163</u> |

The accompanying notes to the financial statements
are an integral part of these statements



WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

Statements of Cash Flows
Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|--|-----------------|------------------|
| Cash flows from operating activities: | | |
| CPB Community Service Grant received | \$ 281,034 | \$ 264,340 |
| Membership contributions received | 1,735,406 | 1,597,934 |
| Underwriting revenues received | 1,351,813 | 993,354 |
| Telecasting, production, and other income received | 1,586 | 790 |
| Special fundraising activities income received | 727 | 4,811 |
| Payments to vendors | (1,793,502) | (1,490,549) |
| Payments to and on behalf of employees | (1,656,577) | (1,631,066) |
| Net cash used by operating activities | (79,513) | (260,386) |
| Cash flows from non-capital financing activities: | | |
| UW-Milwaukee appropriations | 332,935 | 319,828 |
| Cash flows from capital financing activities: | | |
| Capital contributions | - | 2,000 |
| Purchases of capital assets | (14,475) | (7,948) |
| Net cash used by capital financing activities | (14,475) | (5,948) |
| Cash flows from investing activities: | | |
| Interest and investment gains | 19,051 | 34,112 |
| Net increase in cash and equivalents | 257,998 | 87,606 |
| Cash and equivalents at beginning of year | 2,158,843 | 2,071,237 |
| Cash and equivalents at end of year | \$ 2,416,841 | \$ 2,158,843 |

The accompanying notes to the financial statements
are an integral part of these statements



WUWM MILWAUKEE PUBLIC RADIO
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Statements of Cash Flows
Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------------|----------------------------|
| Reconciliation of operating loss to net cash used for operating activities | | |
| Operating loss | \$ (505,860) | \$ (1,055,842) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Depreciation expense | 37,746 | 36,064 |
| Indirect administrative support | 401,308 | 388,160 |
| Miscellaneous non-cash expenses | 58,653 | 221,810 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (61,318) | (78,857) |
| Prepaid expenses | (25,768) | 157,561 |
| Accounts payable and accrued expenses | 23,231 | 46,320 |
| Unearned underwriting revenue | <u>(7,505)</u> | <u>24,398</u> |
| Total adjustments | <u>426,347</u> | <u>795,456</u> |
| Net cash used by operating activities | \$ <u>(79,513)</u> | \$ <u>(260,386)</u> |
| Non-cash activities: | | |
| Indirect administrative support | \$ 401,308 | \$ 388,160 |
| In-kind services, property, and trade contributions | 58,653 | 221,810 |

The accompanying notes to the financial statements
are an integral part of these statements



WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

Notes to the Financial Statements
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies

Organization

WUWM Milwaukee Public Radio (WUWM) is a public telecommunication entity licensed to the Board of Regents of the University of Wisconsin System and operated by the University of Wisconsin-Milwaukee (UWM or UW-Milwaukee). Programming broadcast by WUWM is either produced locally or purchased from National Public Radio, American Public Media Public Radio International, or Public Radio Exchange.

Funds are solicited directly by the WUWM staff for deposit into accounts at the UWM Foundation, Inc. The UWM Foundation is a non-stock, non-profit organization incorporated under the laws of Wisconsin to aid the University of Wisconsin-Milwaukee by soliciting for the benefit of the University gifts from individuals, associations, corporation, or other entities. All funds received for WUWM are restricted to purposes benefiting WUWM. The UWM Foundation provides cash custody and handling services to the station by receiving and investing deposits and making disbursements at the direction of WUWM management. More information about the UWM Foundation can be found at www.uwmfdn.org.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Enterprise fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Significant inter-organization accounts and transactions have been eliminated.

Revenues from government-mandated or voluntary non-exchange transactions, such as contributions and grants, are recognized when all applicable eligibility requirements are met. Eligibility requirements are established by the provider of the funds and may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies. Restrictions that specify the purpose for which resources are required to be used are not considered eligibility requirements and do not affect when non-exchange revenue is recognized.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

Non-cash contributions are recognized as non-operating revenues in the period of receipt unless they involve trades for which on-air underwriting credits have not yet been broadcast. Non-cash expenses are shown in the functional categories of operating expenses contained in the Statements of Activities. Material expense amounts that relate to more than one category are allocated to the respective categories based on the number of employees in each department.

Operating revenues are directly related to programming, production, and development activities. Non-operating revenues are indirectly related to programming, production, and development activities.

Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

1. Summary of Significant Accounting Policies (continued)

Certain significant revenue streams relied upon for operations are reported as non-operating revenue, as defined by GASB Statement Number 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, including UW-Milwaukee appropriations, indirect administrative support from UWM, and non-cash contributions and trade. This reporting model results in operating deficits on the Statements of Activities.

The use of capital assets is reflected in the financial statements as depreciation expense, which amortizes the cost of an asset over its expected useful life. Depreciation expense is included in the functional expense categories.

The membership contributions category includes donations from individuals, businesses, foundations and non-profits, employer matching gifts, and vehicle donation programs.

Pledges that are legally enforceable are recorded as assets and reported at their estimated realizable values. There were no enforceable pledges at June 30, 2015 and 2014.

Accounting Estimates

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

Cash and Equivalents

Cash and equivalents include cash balances deposited with UWM, and highly liquid investments with an original maturity of three months or less held by the UW Trust Fund and the UWM Foundation Fund.

Investments

WUWM does not hold outside investments at this time. All funds with the UWM Foundation, the State Investment Fund, and the UW System Trust Fund as of June 30, 2015 and 2014 fall under the classification of “Cash and Equivalents” (See also Note 2, Cash and Equivalents).

Capital Assets

Items classified as capital assets are recorded at cost or for donated property, at the estimated fair-market value at the date of the donation. A capital asset is defined as any single asset that has an acquisition cost of \$5,000 or more and a useful life of more than one year, whether purchased outright or acquired through a capital lease or donation. Capital assets may also include certain constructed or fabricated items and certain component parts. Depreciation is calculated using the straight-line method over a useful life of seven years. Expenses for repairs and maintenance are charged to operating expenses as incurred.

Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

1. Summary of Significant Accounting Policies (continued)

Payables Due to the University of Wisconsin-Milwaukee

For project grants associated with funds on deposit at the UWM Foundation, UWM pays expenses on WUWM's behalf and receives quarterly reimbursements upon invoicing the UWM Foundation. The difference between expenses paid and cash reimbursements to UWM are reported as either payables or prepaid expenses.

Unearned Support

Payments received but not yet earned for grants with eligibility requirements are reported as liabilities on the Statements of Net Position.

Unearned Underwriting Revenue

Revenue is recognized when underwriting credits are broadcast. Payments received but not yet earned are reported as liabilities on the Statements of Net Position.

Restricted Net Position

Restricted net position is reported when constraints placed on net position are externally imposed, such as by donors or grantors. WUWM's restricted net position includes purpose restrictions placed by donors on contributed support or gifts. Unrestricted net position may be used at the discretion of WUWM management.

Net Position

Government Accounting Standards Board (GASB) has issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63). GASB 63 establishes standards for reporting deferred outflows and inflows of resources and net position. Under GASB 63, WUWM classifies net position in the government wide financial statements as follows:

- *Net Investment in Capital Assets* – includes WUWM's capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement for those assets.
- *Restricted Net Position* – includes balances that have limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Unrestricted Net Position* – all balances that do not fall into one of the other two categories

WUWM applies restricted resources first when expense is incurred for purposes for which both a restricted and unrestricted net position are available.

Subsequent Events

Management has evaluated all subsequent events through November 13, 2015 for possible inclusion as a disclosure in the financial statements. There were no subsequent events that required disclosure.



Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

2. Cash and Equivalents

UWM Foundation

Contributions received from businesses and individuals are deposited with the UWM Foundation. The Foundation's investments are held by bank administered trust funds. The management of the Foundation has granted the investment managers discretionary authority over investment decisions based upon the Foundation's investment policy. The deposit balance invested in the Foundation was \$1,608,941 and \$1,352,708 as of June 30, 2015 and 2014, respectively.

State Investment Fund

The State of Wisconsin performs banking activity for revenues from Corporation for Public Broadcasting (CPB) grants, state appropriations, and auxiliary enterprises. The State Investment Fund represents a pool of cash balances of various state agencies and certain public institutions. Interest earnings are income to the State Investment Fund as a whole and are not distributed to the individual State agencies. The deposit balance invested in the State's bank was \$2,348 and \$1,433 as of June 30, 2015 and 2014, respectively.

UW System Trust Fund

The UW System Trust Fund provides banking service for WUWM for specific grants that were previously held in the State Investment Fund. The purpose of the trust fund account is to provide investment earnings for WUWM on funds that will not be expended immediately. The deposit balance invested in the UW System Trust was \$805,552 and \$804,703 as of June 30, 2015 and 2014, respectively.

3. Capital Assets

During fiscal 2015, one capital asset was purchased for \$14,475 and none were disposed of. During fiscal 2014, one capital asset was purchased for \$7,948 and none were disposed of.

| Capital Assets at June 30 | <u>2015</u> | <u>2014</u> |
|-------------------------------|------------------|------------------|
| Equipment | \$ 756,887 | \$ 742,412 |
| Less Accumulated Depreciation | (691,292) | (653,546) |
| Book Value | <u>\$ 65,595</u> | <u>\$ 88,866</u> |

4. Restricted Net Position

Endowment

Endowment fund principal is permanently restricted by donor stipulation. In January of each year, the UWM Foundation board determines an annual spending percentage based on a three-year rolling average of the total of the principal account and the investment earnings account. If the calculated spending allowance exceeds the deposit balance in the investment earnings account, the actual spending allowance will be reduced to match that amount. As of June 30, 2015 and 2014, the principal account balance was \$85,448 and \$85,448, respectively. As of June 30, 2015 and 2014, the investment earnings account balance was \$16,372 and \$19,111, respectively. These amounts are reflected as net position on the Statements of Net Position as restricted for endowment - non-expendable principal, and restricted for endowment - expendable earnings, respectively.



Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

4. Restricted Net Position (continued)

Donor Purpose

Unexpended donations received for a specific purpose or fundraising appeals are reflected on the Statement of Net Position as Net Position - Restricted by donor purpose. Donations in this category totaled \$158,143 and \$32,582 at June 30, 2015 and 2014, respectively.

5. Corporation for Public Broadcasting and Other Grants and Contracts

CPB Community Service Grant (CSG)

Each year, a portion of the CSG is restricted for the purchase of nationally produced programming. WUWM meets this restriction in the fiscal year received by purchasing programming from National Public Radio, American Public Media, or Public Radio International. At June 30, 2015 and 2014, no temporarily restricted net position remained.

FY2015: \$281,034 total. \$74,109 restricted portion used to purchase national programming.
FY2014: \$264,340 total. \$68,782 restricted portion used to purchase national programming.

6. Designated Net Position

WUWM management has designated net position held in the UW System Trust Fund as operating reserves. Prior to fiscal year 2011, these funds were designated for facilities and equipment related to the relocation project. Designated assets are not restricted by donor or grantor and, as such, are not broken out on the Statements of Net Position. This designated but unrestricted net position totaled \$805,552 and \$804,703 at June 30, 2015 and 2014, respectively.

7. Operating Lease

On WUWM's behalf, the State of Wisconsin entered into a 15-year operating lease agreement with BREOF BNK Midwest LLC for space in the Chase Tower building. Total lease payments were \$291,044 and \$279,417 for the years ended June 30, 2015 and 2014, respectively.

The future minimum commitments related to this lease are as follows for the fiscal years ended June 30:

| | <u>Lease Obligation</u> | |
|--------------|-------------------------|-------------------------|
| 2016 | \$ | 306,270 |
| 2017 | | 309,284 |
| 2018 | | 312,389 |
| 2019 | | 315,587 |
| 2020 | | 327,666 |
| 2021 – 2025 | | 1,602,702 |
| Total | \$ | <u>3,173,898</u> |



Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

8. Donated Goods and Services

Indirect administrative support from UWM is the most significant source of donated services to WUWM. It is derived from a CPB developed allocation method that uses a ratio of WUWM total expenses to UWM expense categories that benefit the station.

All other In-kind and traded goods and services are recorded as revenues and expenses at the estimated fair market value. Unearned trade contributions totaled \$5,307 and \$32,776 at June 30, 2015 and 2014, respectively.

| Indirect, In-kind, and Trades | 2015 | | 2014 | |
|---------------------------------------|-------------|----------------|-------------|----------------|
| Indirect Administrative Support - UWM | \$ | 401,308 | \$ | 388,160 |
| In-kind Accounting | | 1,000 | | - |
| In-kind Tower Rental - Fox 6 | | 10,000 | | 10,000 |
| Local Advertising Trades | | 43,107 | | 183,463 |
| Fundraising Related Trades | | 360 | | 12,569 |
| In-kind donations for Fundraising | | 2,652 | | 5,350 |
| Other Trades | | 1,534 | | 10,428 |
| Total | \$ | 459,961 | \$ | 609,970 |

9. Compensated Absences for Employees

Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. Leave policies restrict the accumulation of unused vacation and thus limit actual payments made to employees upon termination or retirement. The liability and the expense for compensated absences are based on the subsequent years' rates of pay. Revenue is recognized for the value of compensated absence liability for employees who are funded with grant money from the State of Wisconsin/UWM.

The total compensated absence liability, shown as part of the wages and other payables liability on the Statements of Net Position, was \$175,977 and \$158,369 as of June 30, 2015 and 2014, respectively.

10. Employee Retirement Plan

Permanent and qualifying limited-term employees of WUWM are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of Wisconsin Statutes. The Wisconsin Retirement System is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information may be obtained on the Department of Employee Trust Funds' website, www.etf.wi.gov or by writing to:

Department of Employee Trust Funds
P.O. Box 7931
Madison, Wisconsin 53707-7931



WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

11. Fundraising Activities

The gross proceeds from special events and ticket sales are reported on the Statements of Activities. Net proceeds after expenses were \$727 and \$4,811 for the years ended June 30, 2015 and 2014, respectively.

Contributions received from vehicle donations programs are reported in Membership contributions on the Statements of Activities. Vehicle donations totaled \$45,094 and \$61,035 for the years ended June 30, 2015 and 2014, respectively.

12. Federal Income Taxes

WUWM has been granted tax exempt status by the Internal Revenue Service. Accordingly, no provision or credit for income taxes is recorded in the accompanying financial statements.

13. Commitments

On May 24, 2013, WUWM entered into an agreement with a company to provide underwriting services beginning July 1, 2013. This agreement expires June 30, 2018 and may be extended by up to two additional one-year terms. WUWM has agreed to compensate the company a set percentage of underwriting revenue generated by the company.