

WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

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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, 2017 and 2016, 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 (U.S. GAAP); 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 audits. We conducted our audits 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of WUWM Milwaukee Public Radio as of June 30, 2017 and 2016, and the respective changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. GAAP.

Emphasis of Matter

As discussed in Note 1, the financial statements present only WUWM Milwaukee Public Radio and do not purport to, and do not present fairly the financial position of the University of Wisconsin-Milwaukee, the UWM Foundation, or the University of Wisconsin System.

Other Matters

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis 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.

Change in Accounting Estimate

As discussed in Notes 1, 11 and 15 to the financial statements, during the year ended June 30, 2016, WUWM had a change in accounting estimate relating to employee accrued vacation time. Our opinion is not modified with respect to this matter.

November 15, 2017
Milwaukee, Wisconsin

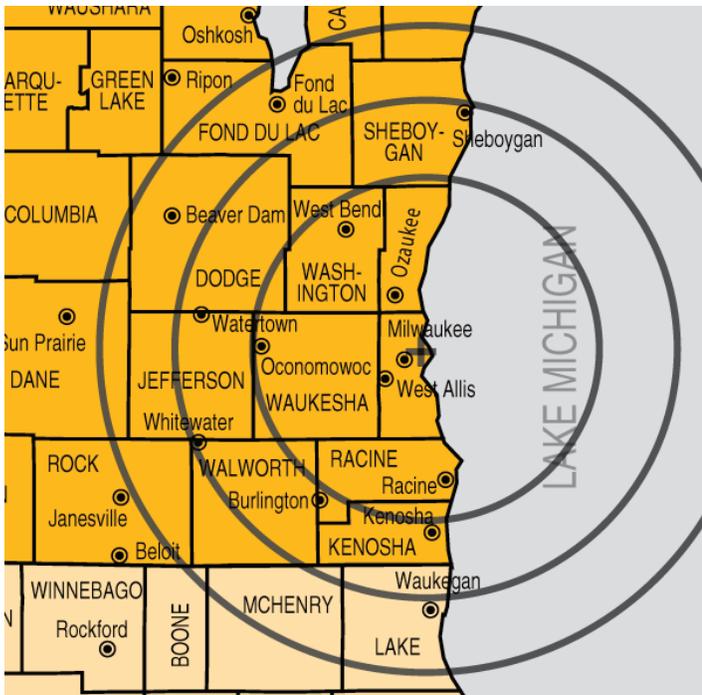
Management’s Discussion and Analysis
June 30, 2017 and 2016

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 Nielson Audio, a national ratings company, there were more than 97,100 weekly listeners to WUWM. The 7am and 8am hours of MORNING EDITION were the most popular hours on WUWM followed by HERE AND NOW, ALL THINGS CONSIDERED, FRESH AIR and the BBC NEWSHOUR (Source: Nielson Ratings Company).

WUWM’s format of in-depth news and quality entertainment is broadcast on 89.7 MHz and streamed online at wuwm.com, via the NPR web app, iTunes Radio and iHeartMedia.

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.

During this fiscal year, there were more than 821,000 unique monthly users of wuwm.com. That is an increase of about 29% from the previous year. The number of listeners who tuned in to the station’s online stream grew by 28% and the Facebook page grew by 32%.

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

- (1) Develop the capacity to create more programming that relates to the space in which we live, WUWM has the largest team of radio-only journalists than any other Milwaukee radio station.
- (2) Attract new consumers and make connections with the community we serve through partnerships, events, forums, etc.
- (3) Build and maintain an infrastructure to allow the station to create this programming, serve the community and distribute content on multiple platforms.

Management's Discussion and Analysis
June 30, 2017 and 2016
(continued)

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 produced a number of special multi-part series. They included a series of reports on the application by Waukesha County for Lake Michigan water, as well as lead in the soil, challenges facing veterans and profiles of candidates for elected office.



Many stories produced by WUWM reporters have been aired nationally on NPR programs. This year 86 reports were broadcast on NPR's *Morning Edition*, *All Things Considered* and on NPR newscasts (That is up from 52 one year ago). WUWM is also a collaborative partner with NPR's *Here and Now* program.

WUWM's daily news magazine, *Lake Effect*, (co-hosted by Bonnie North and Mitch Teich (pictured) 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.



WUWM continues to expand its local journalism through special reporting initiatives.



Since 2008, Susan Bence has covered environmental issues in Southeastern Wisconsin. Her work has been heard this year on WUWM's *Morning Edition*, and *Lake Effect* as well as on NPR's news magazines including *Here and Now*. She has been called in this year to provide her reporting expertise on the Milwaukee PBS series *10thirty six*.

This marked WUWM's second year of an educational reporting initiative headed up by Rachel Morello. She continues to work closely with NPR's education team and other education reporters from around the country. Since joining the WUWM team, Morello has reported on many school funding issues, the difficulty in educating homeless students and how the Milwaukee Public Schools are working to attract and retain teachers. Her reporting is regularly featured on WUWM's *Morning Edition* and *Lake Effect* as well as on NPR's news magazines.



Management's Discussion and Analysis
June 30, 2017 and 2016
(continued)



An arts reporting initiative, led by Bonnie North, since 2006 has resulted in countless numbers of features, interviews and reviews heard primarily during WUWM's *Lake Effect*. Bonnie has been frequently asked to moderate and host community discussions based on her reporting. She is also co-host of the *Lake Effect* program.

UWM continued its award-winning, in-depth *Project Milwaukee* series in March of 2017 with an exploration of segregation.

Milwaukee has a reputation as being one of the most -- if not *the most* -- segregated cities in the United States. *Project Milwaukee: Segregation Matters* dug into the issue, asking how the complex problem came about, why it endures, how segregation contributes to persistent poverty, and whether there are ways to break through the boundaries that divide the community.



The series included more than two dozen reports and interviews, and culminated in a forum that focused on solutions. *Milwaukee Magazine* was a cohost for the event at the Back Room @ Colectivo on March 6.

The series also included the use of a special module on WUWM.COM, which allowed listeners to submit their questions, and an online video summarizing the decades of school desegregation and "re-segregation."

WUWM also remains committed to arts and cultural programming. Utilizing WUWM's performance studio, the station is able to feature 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.



Management’s Discussion and Analysis
June 30, 2017 and 2016
(continued)



WUWM's News staff, *Lake Effect* program and website received 34 awards from January through June of 2017, for stories, interviews and web posts produced and aired/published in 2016.

The contests were held by five organizations for journalists and featured statewide, regional (multi-state) and national competitions.

WUWM's honors included eight first place awards, two regional RTDNA Edward R. Murrow awards, and two national PRNDI second place awards.



The awards recognize a wide variety of WUWM news content, including election coverage, series, broadcast writing, soft feature and talk/public affairs programming.



Pictured: (Top Row): Marge Pitrof, Anne Jedrzejczak, Rachel Morello, Kim Matthews, LaToya Dennis, Dave Edwards, Ann-Elise Henzl, Audrey Nowakowski, Erin Frank, Bruce Winter.
(Center Row) Michelle Maternowski, Bonnie North, Marti Mikkelson, Jen McCollum, Ann Piatt, Renee Gilbertson.
(Bottom Row) John Strelecki, Rachel Owens, Joy Powers, Gina Dragutinovich, Cheryl Locher.
(Not Pictured) Susan Bence, Christine Lamitina, Michelle Nobbe, Bonnie Petrie, Mitch Teich

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.

Management's Discussion and Analysis
June 30, 2017 and 2016
(continued)

WUWM's work is guided by a 19-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, education and arts/culture.



(Top Row): Karen Rhyan, Eric Korbitz, Bill Koenig, Margaret Hickey, Tom Gauthier, Eileen Dubner (Vice-Chair).
(Bottom Row): Letha Joseph, Vivian Moller, Laura Gough (Chair), Beth Weckmueller.
(Not Pictured): Helen Ambuel, F. Michael Arnow, Bruce Campbell, Dave Clark, Julie Krawczyk, Robert Remme, Amy Shaprio, Joseph Wilson.



WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

Management's Discussion and Analysis
June 30, 2017 and 2016
(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.

Management's Discussion and Analysis
June 30, 2017 and 2016
(continued)

▶ **CONDENSED FINANCIAL STATEMENTS**

<u>Condensed Statements of Net Position</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current assets	\$3,661,715	\$3,115,883
Non-current assets	59,373	57,140
Total assets	<u>3,721,088</u>	<u>3,173,023</u>
Liabilities and Net Position		
Current liabilities	<u>182,801</u>	<u>189,583</u>
Net Position		
Net investment in capital assets	59,373	57,140
Restricted for endowment – non-expendable principal	85,448	85,448
Restricted for endowment – expendable earnings	21,396	11,658
Restricted by donor purpose	513,931	242,245
Unrestricted	<u>2,858,139</u>	<u>2,586,949</u>
Total net position	<u>\$3,538,287</u>	<u>\$2,983,440</u>

<u>Condensed Statements of Activities</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>
Operating revenues	\$4,033,415	\$3,707,397
Operating expenses	4,062,136	4,314,705
Operating loss	<u>(28,721)</u>	<u>(607,308)</u>
Non-operating revenue	583,068	851,580
Special item – change in accounting estimate	-	116,087
Capital contributions	500	-
Change in Net Position	<u>554,847</u>	<u>360,359</u>
Net position, beginning of year	<u>2,983,440</u>	<u>2,623,081</u>
Net position, end of year	<u>\$3,538,287</u>	<u>\$2,983,440</u>



WUWM MILWAUKEE PUBLIC RADIO
Milwaukee, Wisconsin

Management's Discussion and Analysis
June 30, 2017 and 2016
(continued)

▶ SUMMARY OF FINANCIAL ACTIVITY

Comparing fiscal 2017 to fiscal 2016 shows an increase in net position of \$554,847 or 18.60%. Total assets increased by \$548,065 or 17.27%. Total liabilities decreased by \$6,782 or 3.58%.

Total station revenue increased by \$58,006 or 1.27% to \$4,616,983. This was primarily attributed to an increase in underwriting revenue raised through an outsourced firm and an increase in membership contributions. Total expenses decreased by \$252,569 or 5.85% to \$4,062,136. This was primarily attributed to a decrease in indirect administrative support from UW-Milwaukee.

Direct (cash) revenue increased by \$380,425 or 9.54% to \$4,370,001. This was largely attributed to an increase in underwriting revenue raised through an outsourced firm and an increase in membership contributions.

Indirect (noncash) revenue and expenses decreased by \$322,419 or 56.62% to \$246,982. This category consists of the value of indirect administrative support from UW-Milwaukee, underwriting trades and in-kind donations. The decrease was attributed to the station changing the way indirect administrative support from UW-Milwaukee is calculated.

Net property and equipment increased by \$2,233. The increase was the result of a combination of capital acquisitions in the amount of \$21,970 and depreciation in the amount of \$19,737.

▶ 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 3,082,671	\$ 2,743,920
Accounts receivable	237,176	252,668
Prepaid expenses	341,868	119,295
Total current assets	<u>3,661,715</u>	<u>3,115,883</u>
Non-current assets:		
Property and equipment, net	<u>59,373</u>	<u>57,140</u>
Total assets	<u>\$ 3,721,088</u>	<u>\$ 3,173,023</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Wages and other payables	\$ 139,822	\$ 127,848
Unearned underwriting revenue	<u>42,979</u>	<u>61,735</u>
Total current liabilities	182,801	189,583
Net position:		
Net investment in capital assets	59,373	57,140
Restricted for endowment - non-expendable principal	85,448	85,448
Restricted for endowment - expendable earnings	21,396	11,658
Restricted by donor purpose	513,931	242,245
Unrestricted	<u>2,858,139</u>	<u>2,586,949</u>
Total net position	<u>3,538,287</u>	<u>2,983,440</u>
Total liabilities and net position	<u>\$ 3,721,088</u>	<u>\$ 3,173,023</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
CPB Community Service Grant	\$ 276,905	\$ 259,728
Membership contributions	2,022,708	1,735,068
Underwriting	1,732,127	1,665,932
Telecasting, production, and other income	1,675	1,760
Other public broadcasting entities	-	44,909
Total operating revenues	<u>4,033,415</u>	<u>3,707,397</u>
Operating expenses:		
Program services:		
Programming	1,874,407	1,822,151
Broadcasting	185,440	253,252
Program information	133,409	130,601
Total program services expenses	<u>2,193,256</u>	<u>2,206,004</u>
Supporting services:		
Management and general	729,969	1,009,495
Fundraising	354,408	371,840
Underwriting	784,503	727,366
Total supporting services expenses	<u>1,868,880</u>	<u>2,108,701</u>
Total operating expenses	<u>4,062,136</u>	<u>4,314,705</u>
Operating loss	(28,721)	(607,308)
Non-operating revenues:		
UW-Milwaukee appropriations	318,473	247,850
Interest and investment gains	17,613	34,329
Indirect administrative support - UWM	211,020	525,295
Miscellaneous non-cash donations	35,962	44,106
Total non-operating revenues	<u>583,068</u>	<u>851,580</u>
Income before contributions and transfers	554,347	244,272
Contributions and transfers:		
Capital contributions	500	-
Special item - change in accounting estimate	<u>-</u>	<u>116,087</u>
Change in net position	554,847	360,359
Net position, beginning of year	<u>2,983,440</u>	<u>2,623,081</u>
Net position, end of year	<u>\$ 3,538,287</u>	<u>\$ 2,983,440</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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
CPB Community Service Grant received	\$ 276,905	\$ 259,728
Membership contributions received	2,022,708	1,735,068
Underwriting revenues received	1,731,390	1,673,454
Telecasting, production, and other income received	1,675	1,760
Other public broadcasting income received	-	44,909
Payments to vendors	(2,259,263)	(1,942,064)
Payments to and on behalf of employees	(1,749,280)	(1,695,115)
Net cash provided by operating activities	24,135	77,740
Cash flows from non-capital financing activities:		
UW-Milwaukee appropriations	318,473	247,850
Net cash provided by non-capital financing activities	318,473	247,850
Cash flows from capital financing activities:		
Capital contributions	500	-
Purchases of capital assets	(21,970)	(32,840)
Net cash used by capital financing activities	(21,470)	(32,840)
Cash flows from investing activities:		
Interest and investment gains	17,613	34,329
Net cash provided by investing activities	17,613	34,329
Net increase in cash and equivalents	338,751	327,079
Cash and equivalents at beginning of year	2,743,920	2,416,841
Cash and equivalents at end of year	\$ 3,082,671	\$ 2,743,920

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net provided by for operating activities		
Operating loss	\$ (28,721)	\$ (607,308)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	19,737	41,295
Indirect administrative support	211,020	525,295
Miscellaneous non-cash expenses	35,962	44,106
Changes in assets and liabilities:		
Accounts receivable	15,492	50,034
Prepaid expenses	(222,573)	23,275
Accounts payable and accrued expenses	11,974	4,498
Unearned underwriting revenue	(18,756)	(3,455)
Total adjustments	<u>52,856</u>	<u>685,048</u>
Net cash provided by operating activities	\$ <u>24,135</u>	\$ <u>77,740</u>
Non-cash activities:		
Indirect administrative support	\$ 211,020	\$ 525,295
In-kind services, property, and trade contributions	35,962	44,106

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, 2017 and 2016

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, New York Public Radio 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 (U.S. 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.

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, 2017 and 2016
(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, 2017 and 2016.

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, 2017 and 2016 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, 2017 and 2016
(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

WUWM classifies net position in accordance with GASB 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.

Change in Accounting Estimate

Starting in fiscal year 2017, WUWM is no longer liable for any accumulated unused vacation time that would be paid out at an employees' retirement or termination of employment. This is now a liability of the University of Wisconsin System. WUWM is still liable for accumulated vacation time to be used for day to day purposes. See footnotes 11 and 15 for more information.



Notes to the Financial Statements
June 30, 2017 and 2016
(continued)

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated all subsequent events through November 15, 2017 for possible inclusion as a disclosure in the financial statements. There were no subsequent events that required disclosure.

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 \$2,261,617 and \$1,936,192 as of June 30, 2017 and 2016, 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 \$9,827 and \$424 as of June 30, 2017 and 2016, respectively. A separate financial report for SIF is prepared in accordance with GASB and can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>.

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 \$811,227 and \$807,304 as of June 30, 2017 and 2016, respectively. A separate financial report for the UW System is prepared in accordance with GASB and can be obtained from <https://www.wisconsin.edu/financial-administration/forms-and-publications/annual-financial-reports/>

3. Capital Assets

During fiscal 2017, two capital assets were purchased for \$21,970 and none were disposed of. During fiscal 2016, one capital asset was purchased for \$32,840 and none were disposed of.

Capital Assets at June 30	<u>2017</u>	<u>2016</u>
Equipment	\$ 811,697	\$ 789,727
Less Accumulated Depreciation	(752,324)	(732,587)
Book Value	<u>\$ 59,373</u>	<u>\$ 57,140</u>



Notes to the Financial Statements
June 30, 2017 and 2016
(continued)

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, 2017 and 2016, the principal account balance was \$85,448 and \$85,448, respectively. As of June 30, 2017 and 2016, the investment earnings account balance was \$21,396 and \$11,658, 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.

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 \$513,931 and \$242,245 at June 30, 2017 and 2016, 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, 2017 and 2016, no temporarily restricted net position remained.

FY2017: \$276,905 total; \$72,190 restricted portion used to purchase national programming
FY2016: \$259,728 total; \$67,348 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 \$811,227 and \$807,304 at June 30, 2017 and 2016, respectively.



Notes to the Financial Statements
June 30, 2017 and 2016
(continued)

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 \$309,284 and \$306,270 for the years ended June 30, 2017 and 2016, respectively.

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

	<u>Lease Obligation</u>	
2018	\$	312,389
2019		315,587
2020		327,666
2021		343,359
2022		346,853
2023 – 2025		912,489
Total	\$	2,558,343

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 \$2,390 and \$5,323 at June 30, 2017 and 2016, respectively.

<u>Indirect, In-kind, and Trades</u>	<u>2017</u>		<u>2016</u>	
Indirect Administrative Support - UWM	\$	211,020	\$	525,295
In-kind Accounting		-		1,000
In-kind Tower Rental - Fox 6		10,000		10,000
Local Advertising Trades		22,712		20,082
Fundraising Related Trades		---		973
In-kind donations for Fundraising		1,280		2,393
Other Trades		1,970		9,658
Total	\$	246,982	\$	569,401

9. Employee Retirement Plan

The employees of WUWM are employees of the University of Wisconsin System. The employees of WUWM are covered under the University of Wisconsin System's participation in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan. The financial statements of WUWM do not include pension expenses or the related liabilities other than those actually paid to the University of Wisconsin System, which are allocated to various functional expenses on the statement of activities. Any net pension obligation resulting from participation in this plan is included in the State of Wisconsin's financial statements but is not included in WUWM's financial statements.



Notes to the Financial Statements
June 30, 2017 and 2016
(continued)

10. Postemployment Benefits Other than Pensions

In accordance with the provisions established by GASB, state and local government employers are required to display in financial reports other postemployment benefits (OPEB) expenses and related liabilities; note disclosures; and if applicable, required supplementary information. The employees of WUWM are employees of the State of Wisconsin. The financial statements of WUWM do not include OPEB expenses or the related liabilities other than those actually paid, which are allocated to various functional expenses on the statements of activities.

Health Insurance – The State’s Health Insurance Program, a cost-sharing, multiple-employer, defined benefit plan not held in a trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State, created under Chapter 40 of Wisconsin Statutes. The Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under ss. 15.165(2) and 40.03(6) of Wisconsin Statutes. Under this plan, retired employees of the State contribute the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare, when eligible), is treated as an OPEB.

The net OPEB obligation related to this plan is included in the State of Wisconsin’s financial statements but is not included in WUWM’s financial statements.

The State’s financial statements, additional note disclosures, and required supplementary information for this plan are included in the State’s Comprehensive Annual Financial Report. This report is publicly available at www.doa.wi.gov or may be obtained by contacting:

State Controller’s Office
Department of Administration
101 East Wilson Street
Madison, Wisconsin 53703

Life Insurance – The State’s Life Insurance Program, a cost-sharing, multiple-employer, defined benefit plan held in trust, provides post-employment coverage to all eligible employees. The plan is administered under section 40.70 of Wisconsin Statutes. Beginning at age 65, retirees and terminating participants continue to receive, at no cost to themselves, basic life insurance coverage. Retirees and terminating participants under age 65 must continue to pay the employee premium to maintain coverage. The relative portion of the State’s contributions to the Life Insurance OPEB plan attributable to WUWM is not readily available.

The Department of Employee Trust Funds issues a publicly available financial report that includes financial statements, additional note disclosures, and required supplementary information for the Life Insurance OPEB plan. That report is available at www.etf.wi.gov or may be obtained by contacting:

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

The State’s Comprehensive Annual Financial Report also includes additional note disclosures for the plan.



Notes to the Financial Statements
June 30, 2017 and 2016
(continued)

11. 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.

Starting in fiscal year 2017, WUWM is no longer liable for any accumulated unused vacation time that would be paid out at an employees' retirement or termination of employment. This is now a liability of the University of Wisconsin system. WUWM is still liable for accumulated vacation time to be used for day to day purposes.

The total compensated absence liability, shown as part of the wages and other payables liability on the Statements of Net Position, was \$80,118 and \$59,222 as of June 30, 2017 and 2016, respectively.

12. Fundraising Activities

The gross proceeds from special events and ticket sales are reported on the Statements of Activities. Net proceeds after expenses were \$0 and \$44,909 for the years ended June 30, 2017 and 2016, respectively.

Contributions received from vehicle donations programs are reported in Membership contributions on the Statements of Activities. Vehicle donations totaled \$59,296 and \$53,949 for the years ended June 30, 2017 and 2016, respectively

13. 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.

14. 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.

15. Change in Accounting Estimate

Starting in fiscal year 2017, WUWM is no longer liable for any accumulated unused vacation time that would be paid out to an employee at their retirement or termination of employment dates. This is now the liability of the University of Wisconsin System. Therefore, due to this change in accounting estimate, an \$116,087 decrease in the liability flowed through current year activities for the period ending June 30, 2016.