

**WVAS-FM RADIO STATION
ALABAMA STATE UNIVERSITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**

**WVAS-FM RADIO STATION
ALABAMA STATE UNIVERSITY
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SEPTEMBER 30, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Alabama State University

We have audited the accompanying basic financial statements of the WVAS-FM Radio Station of Alabama State University (the Station), as of and for the years ended September 30, 2015 and 2014, 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 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Station as of September 30, 2015 and 2014, and the respective changes in financial position and 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 the Station are intended to present the financial position, the changes in financial position, and cash flows of only that portion of Alabama State University (the University), that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the University, as of September 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 this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited) on pages 3 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by accounting principles generally accepted in the United States of America 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 audits 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.

Warren Averett, LLC

Montgomery, Alabama
February 25, 2016

**WVAS-FM RADIO STATION
ALABAMA STATE UNIVERSITY
Management's Discussion and Analysis
Fiscal Years Ended September 30, 2015 and 2014
Unaudited**

Management's Discussion and Analysis

This section of the WVAS-FM Radio Station's (the Station) annual financial report presents a discussion and analysis of the financial performance of the Station during the fiscal years ended September 30, 2015 and 2014. This discussion has been prepared by management along with the financial statements and related footnote disclosures. This report should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change, and current known facts. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

One of the most important questions asked about the Station's finances is whether the Station is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The Station's net position is one indicator of the Station's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the Station's financial health.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating viability is the Station's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital, and noncapital financing and investing activities.

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The Station has a basic financial structure that is summarized as follows:

Condensed Financial Information

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets	\$ 147,684	\$ 129,863
Capital assets, net	<u>55,544</u>	<u>67,565</u>
Total assets	<u>\$ 203,228</u>	<u>\$ 197,428</u>
LIABILITIES		
Current liabilities	<u>\$ 9,491</u>	<u>\$ 6,029</u>
Total liabilities	<u>9,491</u>	<u>6,029</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	<u>65,640</u>	<u>98,030</u>
NET POSITION		
Invested in capital assets	55,544	67,565
Restricted:		
Corporation for Public Broadcasting grant activity	<u>72,553</u>	<u>25,804</u>
TOTAL NET POSITION	<u>\$ 128,097</u>	<u>\$ 93,369</u>

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the Station's bank accounts.

Capital Assets

Capital assets consist of Kilby Hall building space occupied by the Station, the radio tower and equipment used by the Station.

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LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities

Accounts payable represents amounts due at September 30, 2015 and 2014, for goods and services received prior to the end of the fiscal year.

DEFERRED INFLOWS OF RESOURCES

Deferred revenue includes amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement. The amounts, which are deferred, are recognized as revenue in the following fiscal year.

NET POSITION

Net position represents the Station's assets plus deferred outflows of resources, less deferred inflows of resources and liabilities. Total net position at September 30, 2015, is \$128,097.

Analysis of Net Position

Restricted expendable net position consists of income from grants from the Corporation for Public Broadcasting (the CPB) with expenditure restrictions.

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Corporation for Public Broadcasting Grants	\$ 200,521	\$ 154,044
Veterans Coming Home Grant	7,684	11,250
Contributions	39,309	46,988
Contributed support – Alabama State University	<u>673,111</u>	<u>755,280</u>
Total operating revenues	920,625	967,562
Total operating expenses	<u>885,897</u>	<u>990,906</u>
Total operating income (loss)	<u>34,728</u>	<u>(23,344)</u>
Increase (decrease) in net position	34,728	(23,344)
Net Position		
Net position, beginning of year	<u>93,369</u>	<u>116,713</u>
Net position, end of year	<u><u>\$ 128,097</u></u>	<u><u>\$ 93,369</u></u>

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Total operating revenues for fiscal year 2015 were \$920,625. Grants from the CPB were \$208,205. Private contributions were \$39,309 and contributed support from Alabama State University was \$673,111. Operating expenses, including depreciation of \$12,020 totaled \$885,897. Of this total, \$742,398 or 83.8% was for management and general expenses.

OPERATING REVENUES

Corporation for Public Broadcasting Grants

This includes all restricted revenues made available by the CPB. Grant revenues are recorded when awarded and received. Unexpended grant funds that are returned to the CPB are expenses.

Contributed Support – Alabama State University

Contributed support includes donated facilities from Alabama State University, such as office and studio space on the University's main campus. Administrative support from the University is also included and consists of allocated institutional support and operation and maintenance of plant costs, estimated as incurred, by the University on behalf of the Station. This support is shown as operating revenue and operating expense on the Statement of Revenues, Expenses, and Changes in Net Position. The expense is allocated to the management and general functional category.

OPERATING EXPENSES

Operating expenses totaling \$885,897 include salaries and benefits of \$420,468, materials and services of \$453,409, and depreciation of \$12,020 (depreciation was charged to management and general expenses).

NONOPERATING REVENUES (EXPENSES)

Contributed support – Alabama State University

This amount consists of capital asset purchased by Alabama State University.

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Expenses by Function

	<u>2015</u>	<u>2014</u>
Program Services:		
Programming and production	\$ 60,454	\$ 32,442
Broadcasting, transmission, and distribution	25,281	65,414
Program information and promotion	47,229	39,099
Supporting Services:		
Underwriting and grant solicitation	-	5,400
Fundraising and membership development	10,535	9,527
Management and general	742,398	839,024
Total operating expenses	<u>\$ 885,897</u>	<u>\$ 990,906</u>

STATEMENT OF CASH FLOWS

Another way to assess the financial health of the Station is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the Station during a period. The Statement of Cash Flows also helps users assess:

- The ability to generate future net cash flows
- The ability to meet obligations as they come due, and
- A need for external financing

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents provided by (used in):		
Operating activities	<u>\$ 17,821</u>	<u>\$ 13,458</u>
Net increase in cash and cash equivalents	\$ 17,821	\$ 13,458
Cash and cash equivalents – beginning of year	<u>129,863</u>	<u>116,405</u>
Cash and cash equivalents – end of year	<u>\$ 147,684</u>	<u>\$ 129,863</u>

Direct sources of cash to the Station include grants from the CPB, as well as cash received from private gifts. The Station does not receive cash directly from the University thus the donated facilities and administration support from the University is reported as a noncash transaction on the Statement of Cash Flows.

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Factors Impacting Future Periods

The CPB contributes approximately 23.5% of general operations. This level of support is one of the key factors influencing the Station's financial condition. The Station does not expect this level of support to change significantly in future years.

CONTACTING THE STATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board of Trustees, the CPB, and management of the Station with a general overview of the Station's finances and to show the Station's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Alondrea Pritchett, Assistant Vice President for Business and Finance/Comptroller, 915 South Jackson, Montgomery, Alabama 36104, or call 334-229-4737 during regular office hours, Monday through Friday, from 8:00 a.m. to 5:00 p.m., Central Standard Time.

**WVAS-FM RADIO STATION
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STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 147,684	\$ 129,863
NONCURRENT ASSETS		
Capital assets, net	55,544	67,565
TOTAL ASSETS	\$ 203,228	\$ 197,428
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 9,491	\$ 6,029
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	65,640	98,030
NET POSITION		
Invested in capital assets	55,544	67,565
Restricted for:		
Corporation for Public Broadcasting grant activity	72,553	25,804
TOTAL NET POSITION	\$ 128,097	\$ 93,369

See notes to the financial statements.

**WVAS-FM RADIO STATION
ALABAMA STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
OPERATING REVENUES		
Community Service Grant from the Corporation for Public Broadcasting	\$ 200,521	\$ 154,044
Veterans Coming Home Grant from the Corporation for Public Broadcasting	7,684	11,250
Contributions	39,309	46,988
Contributed support – Alabama State University	673,111	755,280
Total operating revenues	920,625	967,562
OPERATING EXPENSES		
Program Services:		
Programming and production	60,454	32,442
Broadcasting, transmission, and distribution	25,281	65,414
Program information and promotion	47,229	39,099
Supporting Services:		
Underwriting and grant solicitation	-	5,400
Fundraising and membership development	10,535	9,527
Management and general	742,398	839,024
Total operating expenses	885,897	990,906
Total operating income (loss) before other changes in net position	34,728	(23,344)
CHANGE IN NET POSITION		
Increase (decrease) in net position	34,728	(23,344)
Net position, beginning of year	93,369	116,713
Net position, end of year	\$ 128,097	\$ 93,369

See notes to the financial statements.

**WVAS-FM RADIO STATION
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from Corporation for Public Broadcasting Grants	\$ 168,132	\$ 174,086
Cash received from contributions	39,309	46,988
CPB – Veterans Coming Home	7,684	11,250
Cash paid to suppliers and employees	(197,304)	(218,866)
Net cash provided by operating activities	17,821	13,458
INCREASE IN CASH AND CASH EQUIVALENTS	17,821	13,458
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	129,863	116,405
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 147,684	\$ 129,863
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 34,728	\$ (23,344)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	12,021	12,020
Change in accounts payable	3,461	4,740
Change in unearned revenue	(32,389)	20,042
Net cash provided by operating activities	\$ 17,821	\$ 13,458
NONCASH TRANSACTIONS		
Contributed support – Alabama State University – donated materials, facilities, and administrative support	\$ 673,111	\$ 755,280
Operating expenses	(673,111)	(755,280)

See notes to the financial statements.

**WVAS-FM RADIO STATION
ALABAMA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by WVAS-FM Radio Station of Alabama State University (the Station) are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

The Station is a Public Telecommunications Entity operated by Alabama State University (the University) and is licensed under the provisions of the Communications Act of 1934. The accompanying financial statements were prepared based on the combination of various accounts associated with the Station and its related operations and do not present the financial position or changes in financial position of Alabama State University. The Station is dependent upon support from the Corporation for Public Broadcasting, Alabama State University, and the public.

Basis of Accounting

The financial statements of the Station are presented using the economic resources measurement focus and the accrual basis of accounting.

The Station has adopted GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This statement establishes standards for external financial reporting for public colleges and universities. The financial statement presentation provides a comprehensive entity-wide perspective of the Station's net position, revenues, expenses, and changes in net position and cash flows.

Revenue Recognition

Operating revenues include grants received from the Corporation for Public Broadcasting. Corporation for Public Broadcasting grants are recognized when awarded and received and 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. Grant funds that are not used during the stated award period are returned to the Corporation for Public Broadcasting and expensed.

Operating revenues from other grants and contracts that do not have eligibility requirements are recognized when the Station is entitled to the funds.

Operating revenues also include contributed support from the University. This amount represents the value of donated services, facilities, and the administrative support provided by the University. Contributions in the form of private gifts from individuals are also included in operating revenues.

Nonoperating revenues represent contributed support from the University in the form of capital assets purchased for the Station and is recognized upon purchase of the assets.

**WVAS-FM RADIO STATION
ALABAMA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Station considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand and demand deposits.

Unearned Revenue

Unearned revenue includes amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement. The amounts, which are deferred, are recognized as revenue in the following fiscal year.

Accounts Receivable

Accounts receivable are presented at their net amounts.

Capital Assets

Property, plant, and equipment are valued at cost. Donated fixed assets are valued at their estimated value on the date donated. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives by asset category are as follows:

Building	35 years
Tower facility	20 years
Equipment	5–15 years

When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in current operations. The Station capitalizes all property and equipment in excess of \$5,000. Maintenance and repairs are expended as incurred.

Net Position

The Station's net position is classified for financial reporting in the following net position categories:

- Invested in Capital Assets: Capital assets, net of accumulated depreciation.
- Restricted: Net positions that are subject to externally imposed stipulations.

Donated Facilities and Administrative Support

Donated facilities from the University consist of office and studio space on the University's main campus. Administrative support from the University consists of allocated institutional support and operation and maintenance of plant costs estimated as incurred by the University on behalf of the Station. This support is shown as revenue and expense on the statements of revenues, expenses, and changes in net position.

**WVAS-FM RADIO STATION
ALABAMA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates in the Preparation of Financial Statements

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 reported amounts of assets and liabilities at the date of the financial statements. They also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through February 25, 2016, the date which the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

The Station's cash and cash equivalents are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Station's deposits (in excess of FDIC insurance) may not be returned to it. At September 30, 2015, the Station's depositories had a carrying balance and a bank deposit balance of \$147,684.

The Station maintains cash deposits in an Alabama State University bank account. The University's deposit policy for custodial credit risk limits deposits to financial institutions that are members of the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the University's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance.

**WVAS-FM RADIO STATION
ALABAMA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
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3. CHANGE IN CAPITAL ASSETS

Capital assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. A summary of the changes in capital assets for the years ended September 30, 2015 and 2014 is as follows:

	<u>Balance 10/1/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/15</u>
Building	\$ 285,764	\$ -	\$ -	\$ 285,764
Tower facility	139,610	-	-	139,610
Equipment	<u>508,035</u>	<u>-</u>	<u>-</u>	<u>508,035</u>
Total	<u>933,409</u>	<u>-</u>	<u>-</u>	<u>933,409</u>
Less accumulated depreciation:				
Building	(244,941)	(8,165)	-	(253,106)
Tower facility	(139,610)	-	-	(139,610)
Equipment	<u>(481,293)</u>	<u>(3,856)</u>	<u>-</u>	<u>(485,149)</u>
Total	<u>(865,844)</u>	<u>(12,021)</u>	<u>-</u>	<u>(877,865)</u>
Capital assets, net	<u>\$ 67,565</u>	<u>\$ (12,021)</u>	<u>\$ -</u>	<u>\$ 55,544</u>
	<u>Balance 10/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/14</u>
Building	\$ 285,764	\$ -	\$ -	\$ 285,764
Tower facility	139,610	-	-	139,610
Equipment	<u>508,035</u>	<u>-</u>	<u>-</u>	<u>508,035</u>
Total	<u>933,409</u>	<u>-</u>	<u>-</u>	<u>933,409</u>
Less accumulated depreciation:				
Building	(236,776)	(8,165)	-	(244,941)
Tower facility	(139,610)	-	-	(139,610)
Equipment	<u>(477,438)</u>	<u>(3,855)</u>	<u>-</u>	<u>(481,293)</u>
Total	<u>(853,824)</u>	<u>(12,020)</u>	<u>-</u>	<u>(865,844)</u>
Capital assets, net	<u>\$ 79,585</u>	<u>\$ (12,020)</u>	<u>\$ -</u>	<u>\$ 67,565</u>

**WVAS-FM RADIO STATION
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3. CHANGE IN CAPITAL ASSETS – CONTINUED

Total depreciation expense amounted to \$12,021 and \$12,020 for 2015 and 2014, respectively.

The U.S. Department of Commerce has a reversionary interest in equipment with an original cost of \$34,582 that was purchased in part with a Public Telecommunications Facilities Program (PTFP) grant received from the National Telecommunications and Information Administration. The reversionary interest in the equipment is pursuant to the terms of federal priority liens which extend for a period of ten years after equipment is placed in service. Current liens on equipment extend through fiscal year 2019.

4. COMMUNITY SERVICE GRANTS

The Station receives a Community Service Grant from the Corporation for Public Broadcasting annually. The Community Service Grants received and expended during the most recent fiscal years were as follows:

<u>Year of Grant</u>	<u>Grants Received</u>	<u>Expended</u>			<u>Uncommitted</u>
		<u>2013</u>	<u>2014</u>	<u>2015</u>	
2013	\$ 166,353	\$ 89,091	\$ 69,211	\$ 7,290	\$ 761
2014	174,951	-	85,699	83,696	5,556
2015	168,132	-	-	108,809	59,323

5. INCOME TAX STATUS

The Station is part of the University which is considered a political subdivision of the State of Alabama. Accordingly, the Station is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

6. DEFINED BENEFIT COST SHARING PLAN

The Station participates in the University's retirement plan, the Teachers' Retirement System of Alabama (TRS), a cost sharing, multiple-employer defined benefit pension plan administered by the TRS. In addition, certain Station employees meeting eligibility requirements participate in the University's optional programs with the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). TRS is a defined benefit plan while the TIAA-CREF programs are defined contribution plans.

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6. DEFINED BENEFIT COST SHARING PLAN – CONTINUED

Plan Description

The TRS was established in September 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after ten years of creditable service. Tier 1 TRS members who retire after age sixty with ten years or more of creditable service or with twenty-five years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the higher monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest three of the last ten years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age sixty-two with ten years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

**WVAS-FM RADIO STATION
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6. DEFINED BENEFIT COST SHARING PLAN – CONTINUED

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered Tier 1 members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability.

This information is presented in the University's financial statements which can be obtained from Alabama State University, 915 South Jackson, Montgomery, Alabama 36104.

7. OTHER POST-EMPLOYMENT BENEFITS

The University and WVAS-FM Radio Station offer post-employment health care benefits to all employees who officially retire from the University. Health care benefits are offered through the State of Alabama Public Education Employees Health Insurance Plan (PEEHIP) with TRS or the University's self-insured Retiree Medical Plan (the Plan), which is available for select employees who are not eligible for PEEHIP or those who were grandfathered in as Civil Service employees. Eligibility for benefits for either option begins at age 60 with at least 10 years of service or at any age with 25 years of service. Retirees must have been enrolled in the active employees' health care plan for the last six of those years in order to be eligible for coverage under the Plan.

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7. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

The University applies GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-retirement Benefits Other than Pensions*. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. Alabama Retired Education Employees' Health Care Trust is a cost sharing multiple-employer defined benefit health care plan administered by PEEHIP. PEEHIP offers a basic hospital/medical plan that provides basic medical coverage for up to 365 days of care during each hospital confinement. The basic hospital/medical plan also provides for physicians' benefits, outpatient care, prescription drugs, and mental health benefits. Major medical benefits under the basic hospital/medical plan were subject to a lifetime contract maximum of \$1,000,000 for each covered individual. The *Code of Alabama 1975*, Section 16-25A-8 provides the authority to set the contribution requirements for retirees and employers.

This information is presented in the University's financial statements which can be obtained from Alabama State University, 915 South Jackson, Montgomery, Alabama 36104.

8. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although WVAS-FM Radio Station expects such amounts, if any, to be immaterial.

9. RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Station is currently evaluating the impact, if any, that this Statement will have on its financial statements.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Station is currently evaluating the impact, if any, that this Statement will have on its financial statements.

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9. RECENTLY ISSUED ACCOUNTING STANDARDS – CONTINUED

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Station is currently evaluating the impact, if any, that this Statement will have on its financial statements.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Station is currently evaluating the impact, if any, that this Statement will have on its financial statements.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in June 2015. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Station is currently evaluating the impact, if any, that this Statement will have on its financial statements.