

**WMUK 102.1 FM**

**A Public Telecommunications Entity Operated by  
Western Michigan University**

**Financial Report**

**June 30, 2019**

# WMUK 102.1 FM

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## Independent Auditor's Report

To the Board of Trustees  
Western Michigan University  
WMUK 102.1 FM

### Report on the Financial Statements

We have audited the accompanying financial statements of WMUK 102.1 FM (the "Station"), a department of Western Michigan University, as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise WMUK 102.1 FM'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.

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WMUK 102.1 FM as of June 30, 2019 and 2018 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Emphasis of Matter*

We draw attention to Note 1, which explains that these financial statements present only WMUK 102.1 FM, a department of Western Michigan University, and do not purport to, and do not, present fairly the financial position of Western Michigan University as of June 30, 2019 and 2018, the changes in its financial position, and the changes in its cash flows thereof 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.

To the Board of Trustees  
Western Michigan University  
WMUK 102.1 FM

**Other Matter**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in the total OPEB liability and related ratios 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, which 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 supplemental 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.

*Plante & Moran, PLLC*

February 11, 2020

**WMUK 102.1 FM**  
**Management's Discussion and Analysis – Unaudited**

The following discussion and analysis of WMUK 102.1 FM's (WMUK or the "Station") financial statements provides an overview of the Station's activities for the year ended June 30, 2019. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the Station's management.

This annual financial report includes the report of independent auditors, this management's discussion and analysis (MD&A), the basic financial statements in the above-referred format, notes to financial statements, and required supplemental information.

**Financial Highlights**

In the fiscal year ended June 30, 2019, the Station's expenses exceeded revenues, creating a decrease in net position of \$23,592. In the fiscal year ended June 30, 2018, revenues exceeded expenses, creating an increase in net position of \$309,888. In the fiscal year ended June 30, 2017, expenses exceeded revenues, creating an increase in net position of \$73,175.

**The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position**

Following is a summary of the major components of the net position and operating results of the Station for the year ended June 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Current assets	\$ 431,787	\$ 548,752	\$ 598,545
Capital assets	974,683	1,015,460	1,056,237
Total assets	<u>1,406,470</u>	<u>1,564,212</u>	<u>1,654,782</u>
Deferred Outflows	<u>12,428</u>	<u>13,032</u>	<u>29,528</u>
Liabilities			
Current liabilities	87,958	93,137	95,665
Noncurrent liabilities	423,617	491,533	833,868
Total liabilities	<u>511,575</u>	<u>584,670</u>	<u>929,533</u>
Deferred Inflows	237,774	299,433	2,612
Net position:			
Net investment in capital assets	974,683	1,015,460	1,056,237
Restricted - Expendable	84,186	94,800	95,042
Unrestricted	<u>(389,320)</u>	<u>(417,119)</u>	<u>(399,114)</u>
Total net position	<u>\$ 669,549</u>	<u>\$ 693,141</u>	<u>\$ 752,165</u>

**WMUK 102.1 FM**  
**Management's Discussion and Analysis – Unaudited (Continued)**

**Operating Results for the Year Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues			
Grants and contracts	\$ 142,650	\$ 138,319	\$ 165,565
Contributions through fund-raising projects	344,159	430,644	451,959
Other operating revenues	<u>232,827</u>	<u>209,582</u>	<u>266,206</u>
Total operating revenues	719,636	778,545	883,730
Operating expenses	<u>1,670,289</u>	<u>1,403,080</u>	<u>1,722,491</u>
Net operating loss	(950,653)	(624,535)	(838,761)
Nonoperating revenues			
Appropriations and support from WMU	<u>927,061</u>	<u>934,423</u>	<u>911,936</u>
Total nonoperating revenues	927,061	934,423	911,936
(Decrease) increase in net position	(23,592)	309,888	73,175
Net Position - Beginning of year	693,141	752,165	678,990
Adjustment for change in accounting principle	<u>-</u>	<u>(368,912)</u>	<u>-</u>
Net position - End of year	<u><u>\$ 669,549</u></u>	<u><u>\$ 693,141</u></u>	<u><u>\$ 752,165</u></u>

**Assets**

An asset is a resource with economic value that the Station owns and controls with the expectation that it will provide a future benefit. Current assets decreased \$116,965 and \$49,793 in fiscal years 2019 and 2018, respectively. The decrease in fiscal year 2019 and 2018 was due to a decrease in cash and pledges receivable offset by an increase in accounts receivable.

**Liabilities**

A liability is the Station's financial debt that arises during the course of its business operations. Total liabilities decreased \$73,095 and \$344,863 in fiscal years 2019 and 2018, respectively. The decrease in fiscal year 2019 was mainly attributed to the change in other postemployment (OPEB) liabilities and the decrease in fiscal year 2018 was mainly attributed to the change in net pension liability. The Station's Michigan Public Schools Employees' Retirement System (MPERS) employee resigned as of September 2017, resulting in no net pension liability for the Station in fiscal years 2018 and 2019.

In fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The University participates in two OPEB plans: a single-employer defined benefit plan and the Michigan Public Schools Employees' Retirement System (MPERS). After September 2017, the Station had no employees in the MPERS. The Station recognized a decrease in the total OPEB liability of \$63,199 for the single-employer defined benefit plan in fiscal year 2019 and an increase in the total OPEB liability of \$41,139 in fiscal year 2018.

**WMUK 102.1 FM**  
**Management's Discussion and Analysis – Unaudited (Continued)**

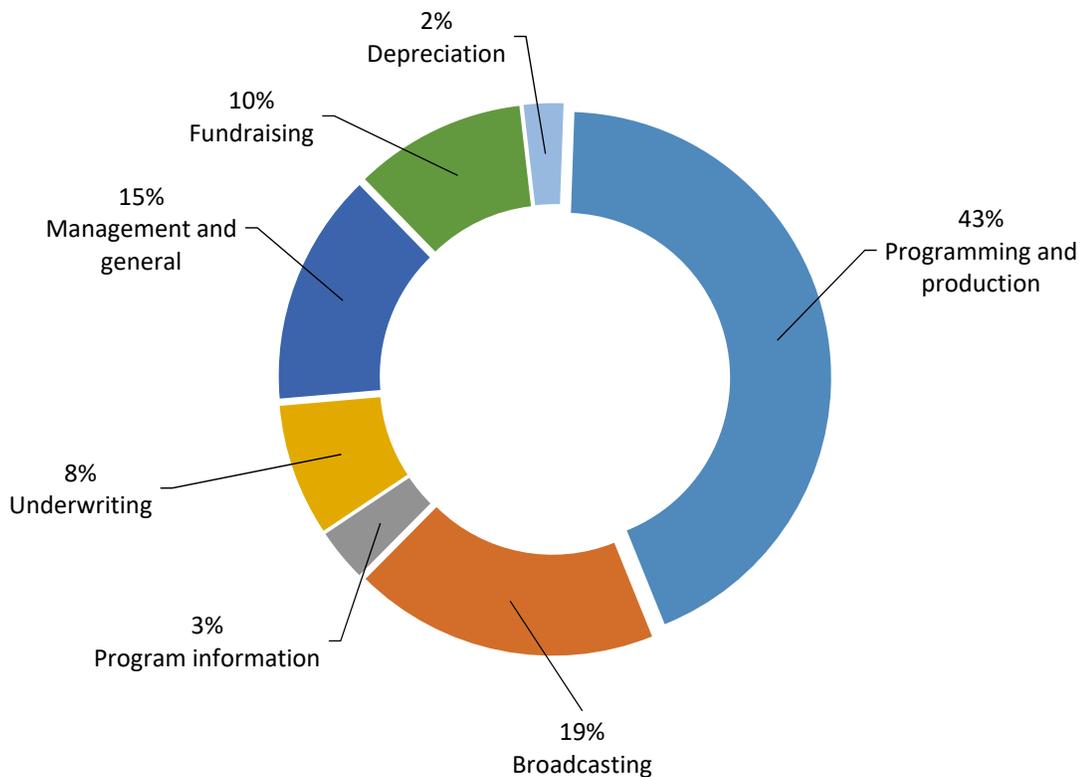
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**Operating Revenues**

Operating revenues include all transactions that result in the sales and/or receipts from services, such as underwriting. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services. A significant source of operating revenue is \$344,159 in contributions through fund-raising projects for the year ended June 30, 2019. This is compared to contributions of \$430,644 and \$451,959 for the years ended June 30, 2018 and 2017, respectively. Revenue for underwriting services totaled \$229,027 in 2019, \$208,095 in 2018, and \$265,014 in 2017. Grant revenue totaled \$142,650 for the year ended June 30, 2019. This is compared to grant revenue of \$138,319 and \$165,565 for the years ended June 30, 2018 and 2017, respectively. A majority of this amount is from the Corporation for Public Broadcasting.

**Operating Expenses**

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the Station. Operating expenses totaled \$1,670,289 for the year ended June 30, 2019. Operating expenses totaled \$1,403,080 and \$1,722,491 for the years ended June 30, 2018 and 2017, respectively. Salaries, wages, and benefits were \$995,236 for the year ended June 30, 2019. Salaries, wages, and benefits were \$991,572 and \$1,036,999 for the years ended June 30, 2018 and 2017, respectively. The increase in operating expenses in fiscal year 2019 is primarily due to an increase in expenses related to programming and production.



**WMUK 102.1 FM**  
**Management's Discussion and Analysis – Unaudited (Continued)**

**Nonoperating Revenues**

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist of direct and indirect support from Western Michigan University. Nonoperating revenues during fiscal year 2019 decreased approximately \$7,000 from fiscal year 2018. The decrease is primarily due to a decrease in University supported payroll. Nonoperating revenues during fiscal year 2018 increased approximately \$22,000 from fiscal year 2017, which is primarily due to an increase in University supported payroll and institutional support.

**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 an entity during a period. The Statement of Cash Flows helps users assess an entity's ability to generate future net cash flows and its ability to meet obligations as they come due.

**Cash Flows for the Year Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash (used in) provided by:			
Operating activities	\$ (750,341)	\$ (747,761)	\$ (642,753)
Noncapital financing activities	<u>648,480</u>	<u>647,411</u>	<u>646,265</u>
Net (decrease) increase in cash	(101,861)	(100,350)	3,512
Cash - beginning of year	<u>185,959</u>	<u>286,309</u>	<u>282,797</u>
Cash - end of year	<u>\$ 84,098</u>	<u>\$ 185,959</u>	<u>\$ 286,309</u>

The most significant components of cash flows used in operating activities are payments to suppliers and payments to employees. Net cash used in operating activities was \$750,341 for the year ended June 30, 2019. This is compared to \$747,761 and \$642,753 for the years ended June 30, 2018 and 2017, respectively. The net cash provided by noncapital financing was \$648,480 in 2019. The net cash provided by noncapital financing was \$647,411 in 2018 and \$646,265 in 2017. This includes appropriations and support received from Western Michigan University.

**Capital Assets**

At June 30, 2019, the Station had \$974,683 invested in capital assets, net of accumulated depreciation of \$827,807. Depreciation charges totaled \$40,777 for both the current fiscal year and for the years ended June 30, 2018 and 2017. Details of capital asset amounts are shown below.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 20,000	\$ 20,000	\$ 20,000
Transmitter, antenna, and tower	851,060	851,060	851,060
Equipment	<u>931,430</u>	<u>931,430</u>	<u>931,430</u>
Total	<u>\$ 1,802,490</u>	<u>\$ 1,802,490</u>	<u>\$ 1,802,490</u>

**WMUK 102.1 FM**  
**Management's Discussion and Analysis – Unaudited (Continued)**

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**Economic Factors and Next Year's Outlook**

The Station's management considered the following factors and indicators when planning next year's operations:

1. Consistent with previous year's financial report, WMUK continued to experience an overall decline in the organization's net position, largely attributable to declines in membership revenues ("contributions through fund-raising") and concurrent increases in non-discretionary expenses (e.g. salary and programming costs). This was somewhat offset by stronger than expected underwriting revenue performance in the past year, and roughly stable direct and indirect support from WMUK's parent institution, Western Michigan University (WMU). However, WMUK's operating budget in the past two years has experienced strain, as management has sought to meet all operating obligations as expenses have begun to match or exceed revenues.
2. As noted in the FY2018 economic factors and outlook by management, WMUK has been engaged in a major strategic analysis and assessment, with assistance from several key public radio consulting firms. The goal of this analysis was primarily to research, analyze and address declines in total audience, membership, and revenues. We concluded this work in Fall 2019, and our findings confirmed significant problems with consistency in the station's format, which has resulted in declines in time spent listening by our audience, and troubling market audience attrition largely attributed to competition in our home market.
3. Based on the above findings and business model projections, WMUK has undertaken an ambitious project to revitalize and reformat its primary FM signal, in order to attract a wider audience and regain audience share from our primary market competitor (Michigan Radio, WVGR 104.1 FM). Business modeling from an independent consulting firm (Public Media Company) projects that this will result in long-term revenue growth. To this end, WMUK has committed to the following steps for FY2020:
  - a. Overhaul programming on our primary 102.1 FM signal to focus primarily on news and information during weekdays and Saturdays; dramatically shifting away from our current news-classical music hybrid format. Our projections show that this will result in the most likely outcome for reversing declining trends in audience and member support.
  - b. Acquire a secondary FM signal to broadcast classical music in our primary listening corridors of Kalamazoo and Portage. This measure is designed to ensure that we retain classical audiences, and their membership support, when that format migrates from 102.1 FM to 89.9 FM.
  - c. To the above end, WMUK has entered into a Time Brokerage Agreement (TBA) with Kalamazoo Public Schools to lease WKDS 89.9 FM for classical programming, and is planning to exercise the TBA option to purchase the assets, tangible properties, and licenses of WKDS 89.9 FM, as well as lease the current studio and transmitter facilities under an Asset Purchase Agreement.

**WMUK 102.1 FM**  
**A Public Telecommunication Entity Operated by**  
**Western Michigan University**  
**Statement of Net Position**

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash	\$ 84,098	\$ 185,959
Accounts receivable	22,054	11,580
Accounts receivable from WMUF	163,560	166,741
Grants receivable	142,650	138,319
Pledges receivable, Net	2,198	46,153
Prepaid expenses	17,227	-
Total current assets	431,787	548,752
<b>Noncurrent Assets</b>		
Capital assets, Net	974,683	1,015,460
Total assets	1,406,470	1,564,212
<b>Deferred Outflows of Resources</b>		
OPEB related outflows	12,428	13,032
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	6,163	7,072
Accrued wages	40,921	40,751
Current portion of total OPEB liability	12,428	13,052
Unearned revenue		
Underwriting	28,446	32,262
Total current liabilities	87,958	93,137
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	29,477	34,194
Total OPEB liability - Net of current portion	394,140	457,339
Total noncurrent liabilities	423,617	491,533
Total liabilities	511,575	584,670
<b>Deferred Inflows of Resources</b>		
OPEB related inflows	237,774	299,433
<b>Net Position</b>		
Net investment in capital assets	974,683	1,015,460
Restricted - Expendable	84,186	94,800
Unrestricted	(389,320)	(417,119)
Total net position	\$ 669,549	\$ 693,141

See accompanying notes to the financial statements.

**WMUK 102.1 FM**  
**A Public Telecommunication Entity Operated by**  
**Western Michigan University**  
**Statement of Revenues, Expenses, and Changes in Net Position**

	<b>Year ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>		
Corporation for Public Broadcasting support		
Community Service Grant	\$ 142,650	\$ 138,319
Underwriting	229,027	208,095
Contributions through fund-raising projects	344,159	430,644
Other	3,800	1,487
Total operating revenues	719,636	778,545
<b>Operating Expenses</b>		
Program Services		
Programming and production	723,400	583,373
Broadcasting	309,251	281,665
Program information	52,669	45,250
Underwriting	134,282	88,058
Support Services		
Management and general	235,898	219,654
Fundraising	174,012	144,303
Depreciation	40,777	40,777
Total operating expenses	1,670,289	1,403,080
Operating loss	(950,653)	(624,535)
<b>Nonoperating Revenues</b>		
Western Michigan University		
General appropriation	85,325	78,314
Direct general fund staff support	563,155	569,097
Broadcast tower electricity and ground maintenance	49,541	51,848
Institutional support	147,886	152,454
Operations and maintenance of plant	58,068	59,624
Annual value of building facilities	23,086	23,086
Net nonoperating revenues	927,061	934,423
(Decrease) increase in net position	(23,592)	309,888
<b>Net Position</b>		
Beginning of year	693,141	752,165
Adjustment for change in accounting principle	-	(368,912)
Beginning of year (as restated)	693,141	383,253
End of year	\$ 669,549	\$ 693,141

See accompanying notes to the financial statements.

**WMUK 102.1 FM**  
**A Public Telecommunication Entity Operated by**  
**Western Michigan University**  
**Statement of Cash Flows**

	<b>Year ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Grants and contracts	\$ 134,503	\$ (1,575)
Payments to suppliers	(498,709)	(480,473)
Payments to employees	(999,783)	(993,701)
Contributions	391,295	502,989
Other	222,353	224,999
Net cash used in operating activities	(750,341)	(747,761)
<b>Cash Flows from Noncapital Financing Activities</b>		
General appropriations from WMU	648,480	647,411
Net cash provided by noncapital financing activities	648,480	647,411
<b>Net Decrease in Cash</b>	(101,861)	(100,350)
<b>Cash - Beginning of Year</b>	185,959	286,309
<b>Cash - End of Year</b>	\$ 84,098	\$ 185,959
<b>Reconciliation of Operating Loss to</b>		
<b>Net Cash Used in Operating Activities:</b>		
Operating loss	\$ (950,653)	\$ (624,535)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	40,777	40,777
Expense allocations to WMU	278,581	287,012
(Increase) decrease in assets:		
Accounts receivable	(10,474)	15,417
Accounts receivable from WMUF	3,181	74,651
Pledges receivable, Net	43,955	(2,306)
Grants receivable	(4,331)	(138,319)
Prepaid expenses	(17,227)	-
(Decrease) increase in liabilities:		
Accounts payable	(909)	(1,325)
Compensated absences	(4,717)	(190)
Accrued wages	170	(1,939)
Unearned underwriting	(3,816)	(1,461)
Unexpended grants	-	(114)
Net pension liability and deferrals	-	(354,057)
Total OPEB liability and deferrals	(124,878)	(41,372)
Net cash used in operating activities	\$ (750,341)	\$ (747,761)

See accompanying notes to the financial statements.

**WMUK 102.1 FM**  
**Notes to the Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies**

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

**Organization**

WMUK 102.1 FM (“Station”) is a department of Western Michigan University (“University”) primarily devoted to providing public radio programming to listeners in Southwest Michigan and Northern Indiana. The Station also provides students with opportunities for hands-on training in radio broadcasting and digital media.

**Basis of Presentation**

The financial statements have been prepared in accordance with guidelines set forth by the Corporation for Public Broadcasting and with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Station, as part of the University, follows the “business-type” activities reporting requirements of GASB No. 34.

**Basis of Accounting**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

**Accounts Receivable**

Based on the Station’s collection history and management’s estimate, there was no allowance for doubtful accounts recorded for the years ended June 30, 2019 and 2018. Accounts receivable from WMUF reflect contributions received by Western Michigan University Foundation (“WMUF”) for the benefit of the WMUK 102.1 FM that had yet to be transferred to the Station as of the fiscal year end.

**In-Kind Contributions**

Facilities are donated by Western Michigan University. Office and studio space, including related occupancy costs, are recorded as revenue and expense at estimated fair rental value. Support and revenues from Western Michigan University consist of certain direct and allocated expenses incurred by the University on behalf of the Station.

**Use of Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**WMUK 102.1 FM**  
**Notes to the Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital Assets acquired for the exclusive or predominant use by the Station have been capitalized at cost. Physical assets, with the exception of land, are depreciated on the straight-line method over the estimated useful lives of the respective assets. Estimated service lives are as follows:

Land	20 years
Transmitter, antenna and tower	50 years
Equipment	3-15 years

**Net Position**

Station resources are classified for accounting and financial reporting purposes into the following net asset categories:

- Net Investment in Capital Assets – Resources resulting from capital acquisition or construction, net of accumulated depreciation.
- Restricted Expendable – Net position subject to externally imposed stipulations as to use. This net position is restricted to use for the benefit of the Station according to grant and donor restrictions.
- Unrestricted – Net position which is available for use of the Station and not subject to externally imposed stipulations as to use.

**Revenue Recognition**

Revenue is recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended. Operating revenue of the Station consists of contributions, community service grants from the CPB, underwriting, and auxiliary enterprise revenue. Nonoperating revenue of the Station consists of general appropriations from the University, investing activities and capital contributions. Restricted and unrestricted resources are spent and tracked at the station level within the guidelines of donor restrictions.

**Operating and Nonoperating Revenue**

Revenues are classified as either operating or nonoperating according to standards issued by GASB. Operating revenues include grants, underwriting and other exchange transactions. Gifts and contributions are also included in this category.

Nonoperating revenues include certain significant revenue streams that may be relied upon for operations, including University allocations.

**WMUK 102.1 FM**  
**Notes to the Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Unearned Revenue**

Unearned revenue represents underwriting revenue and grant revenue that will be recognized by the Station during the year in which it is earned.

**Contributions and Pledges**

Contributions are recorded when received. Voluntary nonexchange transactions (pledges) are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded net of allowance for uncollectible pledges.

**Pension and Other Post-Employment Benefit (OPEB) Expenses**

As a department of Western Michigan University, the Station participates in a postemployment benefit plan described in Note 7. The non-cash change in OPEB liabilities for this plan are reported with the salaries, wages, and benefits and allocated functionally for presentation within the statement of revenues, expenses, and changes in net position. This expense is not included in the calculation of indirect support from the University and therefore is not included in the Station's calculation of nonfederal financial support (see Note 6) as per the Corporation for Public Broadcasting's (CPB) financial reporting guidelines.

**Deferred Outflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Station reports deferred outflows of resources related to the total OPEB liability. More detailed information can be found in Note 7.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Station reports deferred inflows of resources related to the total OPEB liability. More detailed information can be found in Note 7.

**Adoption of a New Standard**

The GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires governments providing other postemployment benefit (OPEB) plans to recognize their unfunded OPEB obligation as a liability

**WMUK 102.1 FM**  
**Notes to the Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statements, the Station has reported a change in accounting principle adjustment to unrestricted net position of \$368,912, which is the net of the total OPEB liability and related deferred outflows as of July 1, 2017.

**Reclassifications**

In order to facilitate the comparison of financial data, unearned contributions of \$74,651 at June 30, 2018 was renamed Accounts Receivable from WMUF and moved from change in liabilities to change in assets on the Statement of Cash Flows to conform to the current year reporting format.

**Note 2 – Cash**

The Station's cash is accounted for in the same method the University accounts for cash and investments. The University uses the "pooled cash" method of accounting for substantially all of its cash and investments. External investment managers are provided with an investment policy statement, as set forth by the Board of Trustees. A complete classification of the University's cash and investments is contained in the University's annual financial report.

**Note 3 – Pledges Receivable**

Pledges receivable represent amounts promised by donors for the benefit of the Station. A portion of these donations are solicited and collected by WMUF. The balance is presented net of a discount to present value and an allowance for uncollectible contributions. Those pledges that are expected to be collected over a period greater than one year are discounted to present value using the yield on a comparable Treasury bill at the time the commitment is made. As of June 30, 2019 and 2018, there were no pledges expected to be collected over a period greater than one year. The balance of pledges receivable has a general valuation allowance of \$100 and \$1,900 at June 30, 2019 and June 30, 2018, respectively, or approximately 4% based on historical collection history. Pledges deemed uncollectible are charged against the allowance for uncollectible contributions in the period in which the determination is made. Beginning in fiscal year 2019, it was determined that sustaining and installment pledges are no longer able to be measured by the WMU Foundation as pledge receivables, and therefore the Station has opted to not record these recurring contributions until money is actually collected. As a result, sustaining and installment pledges are no longer included within pledges receivable, with the exception of recurring payroll deductions from WMU employees.

	<u>2019</u>	<u>2018</u>
Pledges expected to be collected within 1 year	\$ 2,298	\$ 48,053
Less allowance for uncollectible contributions	<u>(100)</u>	<u>(1,900)</u>
Pledges receivable, Net	<u>\$ 2,198</u>	<u>\$ 46,153</u>

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**Notes to the Financial Statements**

**Note 4 – Capital Assets**

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital Assets:</b>				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Transmitter, antenna, and tower	851,060	-	-	851,060
Equipment	931,430	-	-	931,430
Total capital assets	<u>1,802,490</u>	<u>-</u>	<u>-</u>	<u>1,802,490</u>
<b>Less Accumulated Depreciation:</b>				
Transmitter, antenna, and tower	412,463	25,439	-	437,902
Equipment	374,567	15,338	-	389,905
Total accumulated depreciation	<u>787,030</u>	<u>\$ 40,777</u>	<u>\$ -</u>	<u>827,807</u>
Capital assets, net	<u>\$ 1,015,460</u>			<u>\$ 974,683</u>

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital Assets:</b>				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Transmitter, antenna, and tower	851,060	-	-	851,060
Equipment	931,430	-	-	931,430
Total capital assets	<u>1,802,490</u>	<u>-</u>	<u>-</u>	<u>1,802,490</u>
<b>Less Accumulated Depreciation:</b>				
Transmitter, antenna, and tower	387,024	25,439	-	412,463
Equipment	359,229	15,338	-	374,567
Total accumulated depreciation	<u>746,253</u>	<u>\$ 40,777</u>	<u>\$ -</u>	<u>787,030</u>
Capital assets, net	<u>\$ 1,056,237</u>			<u>\$ 1,015,460</u>

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**Notes to the Financial Statements**

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**Note 5 – Donated and In-kind Expenses by Function**

The value of indirect expenses provided by the University broken down by function for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Broadcasting	\$ 111,614	\$ 138,362
Programming and production	105,162	48,008
Management and general	55,416	73,155
Fundraising	6,389	12,989
Program information	-	14,498
	<u>\$ 278,581</u>	<u>\$ 287,012</u>

**Note 6 – Nonfederal Financial Support (NFFS)**

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all the respective criteria for each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be any entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station.

A “payment” is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state or local government or agency thereof, or an educational institution; (2) the form of the payment must be an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the purpose must be for services or materials with respect to the provision of educational or institutional television or radio programs; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station.

Calculated in accordance with CPB guidelines, the Station reported total NFFS of \$1,487,005 and \$1,555,345 for the year ended June 30, 2019 and June 30, 2018, respectively.

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**Notes to the Financial Statements**

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**Note 7 - Retirement Plans**

**Defined Contribution Plan**

The Station offers all employees eligible for benefits the opportunity to participate in the TIAA-CREF plan through Western Michigan University. Funding for the plan consists of an employer contribution of 11 percent of covered compensation for employees hired before January 1, 2013. For participating employees hired on or after January 1, 2013, the Station contributes 9 percent of covered compensation. The Station contribution increases to 10 percent if the employee tax-defers at least 1 percent but less than 2 percent, and to 11 percent if the employee tax-defers 2 percent or more. The Station has no liability beyond its contribution. Benefits vest immediately for eligible salaried employees and vest after a five-year period for eligible hourly nonexempt participants. The Station's contributions for the years ended June 30, 2019 and 2018 were approximately \$69,000 and \$70,000, respectively.

**Other Postemployment Benefits (OPEB)**

**Plan Description** – The Station, through Western Michigan University, provides other postemployment benefits (OPEB) to retired employees, their spouses, and dependent children. Benefits are provided to all retired faculty, academic, and support staff that retired at the age of 55 or older and had provided 10 years or more of service to the Station for employees hired on or before September 1, 2010. Employees who are professional and support staff hired after September 1, 2010 pay 100 percent of the premium upon retirement and must be at the age of 60 or older and have provided 15 or more years of service to the Station.

This is a single-employer defined benefit plan administered by the University. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions (or by the employer if not funded through the plan).

**Benefits Provided** – The Station OPEB plan provides retiree life insurance, health, and dental care benefits, including prescription drug coverage to retired employees, their spouses, and dependent children. Benefits are provided through the University's self-insurance program and the full cost of benefits is covered by the plan.

**Contributions** – Retiree healthcare costs are paid by the Station on a "pay-as-you-go" basis. The Station has no obligation to make contributions in advance of when the insurance premiums are due for payment. For fiscal years ended June 30, 2019 and 2018, the Station made payments for postemployment health benefit premiums of \$11,390 and \$12,796, respectively. Retirees or their surviving spouses are required to make annual contributions of between \$1,584 to \$19,444, depending on their age and if their spouses or dependents are covered.

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**Notes to the Financial Statements**

**Note 7 - Retirement Plans (Continued)**

**Total OPEB Liability** – The June 30, 2019 total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation performed as of January 1, 2017, which used update procedures to roll forward the estimated liability to June 30, 2018, the measurement date. The July 1, 2018 beginning total OPEB liability has a measurement date of June 30, 2017, based on an actuarial valuation performed as of January 1, 2017, which used update procedures to roll forward the liability to June 30, 2017.

Changes in the total OPEB liability during the measurement year were as follows:

	<b>Increase (Decrease)</b>	
	<b>Total OPEB Liability</b>	
	<u>2019</u>	<u>2018</u>
Balance as of July 1	\$ 470,391	\$ 777,334
Changes for the fiscal year:		
Service cost	10,411	28,227
Interest on the total OPEB liability	14,889	22,776
Differences between expected and actual experience	-	(90,437)
Changes of assumptions	(77,733)	(254,713)
Benefit payments	<u>(11,390)</u>	<u>(12,796)</u>
Net changes	<u>(63,823)</u>	<u>(306,943)</u>
Balance as of June 30	<u>\$ 406,568</u>	<u>\$ 470,391</u>

The Station was assigned approximately .22 percent and .25 percent of the University's total OPEB Liability of \$186.4 million and \$188.5 million at June 30, 2019 and 2018, respectively.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent to 3.87 percent as of June 30, 2018 and a change in the discount rate from 2.85 percent to 3.58 percent as of June 30, 2017.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – For the years ended June 30, 2019 and 2018, the Station recognized OPEB income of \$124,878 and expense of \$7,744, respectively.

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**Notes to the Financial Statements**

**Note 7 - Retirement Plans (Continued)**

At June 30, 2019 and 2018, the Station reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>June 30, 2019</b>		<b>June 30, 2018</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (58,104)	\$ -	\$ (78,458)
Changes of assumptions	-	(179,670)	-	(220,975)
Station contributions subsequent to the measurement date	12,428	-	13,032	-
Total	<u>\$ 12,428</u>	<u>\$ (237,774)</u>	<u>\$ 13,032</u>	<u>\$ (299,433)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the total OPEB liability and therefore will not be included in future OPEB expense):

<b>Year Ending June 30</b>	<b>Amount</b>
2020	\$ (42,401)
2021	(42,401)
2022	(42,401)
2023	(42,401)
2024	(42,401)
Thereafter	(25,769)
Total	<u>\$ (237,774)</u>

**Actuarial Assumptions** – The total OPEB liability as of June 30, 2018 is based on the results of an actuarial valuation as of January 1, 2017 and rolled forward. The total OPEB liability as of June 30, 2017 is based on the results of an actuarial valuation as of January 1, 2017 and rolled forward.

The total OPEB liability was determined using the following actuarial assumptions as of June 30, 2018:

Actuarial cost method	Entry age normal cost actuarial cost method
Discount rate	3.87%
20-year municipal bond rate	3.87% S&P Municipal Bond 20 Year High Grade Index
Salary increases	3.00%
General inflation	2.50%
Healthcare participation rate	60.00%
Healthcare Cost Trend Rate	4.50% - 9.77%
Mortality basis	RP-2014 Aggregate Mortality Table projected using Scale MP-2016

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**Notes to the Financial Statements**

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**Note 7 - Retirement Plans (Continued)**

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2016 for medical and January 1, 2015 through December 31, 2016 for dental and vision.

**Discount Rate** – The discount rate used to measure the total OPEB liability was 3.87 percent and 3.58 percent as of June 30, 2018 and 2017, respectively. The discount rate is based on the S&P Municipal Bond 20-Year High Grade Index.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** – The following presents the total OPEB liability of the Station, calculated using the discount rate, as well as what the Station’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b>2019</b>		
<b>1.00 percent decrease (2.87 percent)</b>	<b>Current Discount Rate (3.87 percent)</b>	<b>1.00 percent increase (4.87 percent)</b>
\$ 472,826	\$ 406,568	\$ 353,075
<b>2018</b>		
<b>1.00 percent decrease (2.58 percent)</b>	<b>Current Discount Rate (3.58 percent)</b>	<b>1.00 percent increase (4.58 percent)</b>
\$ 551,687	\$ 470,391	\$ 404,999

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate** – The following presents the total OPEB liability of the Station, calculated using the healthcare cost trend rate, as well as what the Station’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b>2019</b>		
<b>1.00 percent decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1.00 percent increase</b>
\$ 342,981	\$ 406,568	\$ 487,983
<b>2018</b>		
<b>1.00 percent decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1.00 percent increase</b>
\$ 397,916	\$ 470,391	\$ 563,422

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**Notes to the Financial Statements**

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**Note 8 – Subsequent Events**

Subsequent to year end, the Station has signed a letter of intent to purchase the assets, tangible properties and license of a local public radio station.

## **Required Supplemental Information**

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**WMUK 102.1 FM  
Required Supplemental Information**

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

WMUK 102.1 FM OPEB Plan through Western Michigan University

(amounts were determined as of June 30 of each fiscal year):

	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>		
Service cost	\$ 10,411	\$ 28,227
Interest cost	14,889	22,776
Changes of benefit terms	-	-
Differences between expected and actual experiences	-	(90,437)
Changes of assumptions	(77,733)	(254,713)
Benefit payments	(11,390)	(12,796)
Net change in total OPEB liability	(63,823)	(306,943)
Total OPEB liability (beginning)	470,391	777,334
Total OPEB liability (ending)	\$ 406,568	\$ 470,391
Covered payroll	\$ 343,657	\$ 393,196
Total OPEB liability as a percentage of payroll	118.31%	119.63%
Proportionate share of the University's OPEB liability	.22%	.25%

**Notes to Required Supplemental Information:**

**Benefits Changes** – There were no changes of benefit terms in 2018.

**Changes in Assumptions** – The single-employer plan discount rate increased from 3.58 percent to 3.87 percent as of June 30, 2018 due to the change in the yield of the S&P Municipal Bond 20 Year High Grade Index.