

WEIU - TV
EASTERN ILLINOIS UNIVERSITY
Charleston, Illinois

FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees for
Eastern Illinois University
WEIU-TV, A Public Television Station
Operated by Eastern Illinois University
Charleston, Illinois

We have audited the accompanying financial statements of WEIU-TV, a public television station operated by Eastern Illinois University as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise WEIU-TV'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 WEIU-TV'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 WEIU-TV'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 financial position of WEIU-TV as of June 30, 2013 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2013 WEIU-TV adopted new accounting guidance, Statement of Governmental Accounting Standards (GASB Statement) No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gilbert, Metzger & Madigan, LLP

January 13, 2014

EASTERN ILLINOIS UNIVERSITY

RADIO AND TELEVISION CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Illinois University Radio and Television Center (the Center, which is for television only) annual financial report presents management's discussion and analysis of the financial performance of the Center during fiscal year ended June 30, 2013. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of the Center's management.

Reporting Entity

The Center is considered to be a departmental unit of Eastern Illinois University (University), as defined by Eastern Illinois University. Transactions with the University relate primarily to teaching and educating University students in the Communication Studies and Journalism Departments as well as providing the University with professional quality production services.

WEIU is a PBS Beta Station (or partial, 25 percent, PBS affiliate) licensed to the Board of Trustees of Eastern Illinois University (EIU) with studios on the campus of EIU in Charleston, Illinois. WEIU TV went on the air July 1, 1986. Being a first-class technical television station allows WEIU to train students on the very best state-of-the-art television equipment. WEIU is widely recognized by industry professionals as one of the top broadcast training schools in the country. Student programs include live news broadcasting in a complete Avid Inews environment, live sports production in a state-of-the-art digital remote production truck, and radio training in our up-to-date radio facility with a popular format.

Using the Annual Report

These financial statements are prepared in accordance with the guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements focus on the financial condition of the Center, the results of operations and cash flows of the Center as a whole.

EASTERN ILLINOIS UNIVERSITY RADIO AND TELEVISION CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

As prescribed by GASB Statement No. 35, this annual report includes three financial statements: the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The accompanying notes to the financial statements provide more detailed information regarding the items presented on the face of the financial statements. An explanation of the financial statement presentation follows.

The Statement of Net Position reflects the assets and liabilities of the Center using the accrual basis of accounting and presents the financial position of the Center at a specified point in time. The difference between the total assets and total liabilities, known as net position, is one indicator of the current financial condition of the Center. The increase or decrease in net position that occur over time indicates the improvement or erosion of the Center's financial condition.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. Under the current revenue reporting model, state appropriation revenue is recorded when an expenditure is recorded. Indirect administrative support consists of allocated institutional support and physical plant costs incurred by the University for which WEIU TV receives benefit based on percentage of square footage occupied by WEIU TV and the University as a whole. Contributions, pledges, grants and other support that are unrestricted are recorded as revenue when received.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital and related financing activities. The Fund Financial Statements also reports the Center's operations in more detail than the basic financial statements.

Financial Highlights

During the year ended June 30, 2013, the Center's net position increased \$3,982 from June 30, 2012. The reason for this is attributable to various factors. With equipment aging, there was a decrease in depreciation in fiscal year 2013 as well as there were no capital improvements during the year. With the implementation of four pledge drives during the year, there was an increase in the restricted for friends of WEIU TV asset. This increase was great enough to offset the increase in liability for the accrued compensated absences. Even with an increase in cash and temporary investments, the increase in net position is just a little more than .1% of the total net position. With the current state of the economy, costs saving measures are in place and additional methods of increasing cash flow are being investigated. It is not expected that there will be additional grant monies available for capital improvements in the near future.

EASTERN ILLINOIS UNIVERSITY RADIO AND TELEVISION CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Information

Condensed Statement of Net Position, as of June 30:

	<u>2013</u>	<u>2012</u>
Assets		
Current and Other Assets	\$ 1,672,580	\$ 1,461,616
Capital Assets, Net	<u>1,075,891</u>	<u>1,276,050</u>
Total Assets	<u>\$ 2,748,471</u>	<u>\$ 2,737,666</u>
Liabilities		
Current and Other Liabilities	\$ <u>109,853</u>	\$ <u>103,030</u>
Net Position		
Net investment in capital assets	1,081,757	1,281,916
Restricted for Friends of WEIU TV	731,839	589,906
Unrestricted	<u>825,022</u>	<u>762,814</u>
Total Net Position	<u>2,638,618</u>	<u>2,634,636</u>
Total Liabilities and Net Position	<u>\$ 2,748,471</u>	<u>\$ 2,737,666</u>

The Center's current assets of \$1,651,354, as of June 30, 2013, were sufficient to cover the current liabilities of \$10,580.

EASTERN ILLINOIS UNIVERSITY RADIO AND TELEVISION CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2013</u>	<u>2012</u>
Revenues		
State Support	\$ 1,994,186	\$ 1,815,938
State and Federal Grants and Contracts	90,605	110,276
Private Gifts, Grants and Contracts	1,212,815	1,269,365
Other Revenue	<u>189</u>	<u>415</u>
Total Revenue	3,297,795	3,195,994
Expenses		
Program Services	2,092,685	2,087,369
Support Services	<u>1,201,128</u>	<u>1,088,262</u>
Total Expenses	3,293,813	3,175,631
Change in Net Position	3,982	20,363
Net Position		
Net Position, beginning of year	<u>2,634,636</u>	<u>2,614,273</u>
Net Position, end of year	<u>\$ 2,638,618</u>	<u>\$ 2,634,636</u>

As of June 30, 2013, 97.2% of the Center's revenue comes from state support or private gifts, grants and contracts. A breakdown of expenses follows.

EASTERN ILLINOIS UNIVERSITY RADIO AND TELEVISION CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

Operating expenses for the years ended June 30, 2013 and June 30, 2012 totaled \$3,293,813 and \$3,175,631 respectively. Of the total for 2013, \$1,005,945 or 30% was for programming and production, \$128,801 or 4% was for program information, \$805,134 or 24% was for broadcasting, \$152,805 or 5% was for the operation and maintenance of the plant, \$486,915 or 15% was for management or general, \$592,620 or 18% was for institutional support and \$121,593 or 4% was for underwriting, fundraising and membership expenses. The breakout by expense is highlighted below:

	<u>2013</u>	<u>2012</u>
Programming and Production	\$ 1,005,945	\$ 889,665
Program Information	128,801	161,224
Broadcasting	805,134	882,544
Operation and Maintenance of Plant	152,805	153,936
Management and General	486,915	381,753
Institutional Support	592,620	582,263
Underwriting, Fundraising and Membership	<u>121,593</u>	<u>124,246</u>
Total Expenses	\$3,293,813	\$3,175,631

The increase in operating expenses is due to the increase in WEIU-TV's allocated share of the University's contribution to the State Universities Retirement System from approximately \$120,000 to approximately \$239,000 in 2013. Although some other costs have increased, cost containment measures have been implemented and we have seen costs decrease in several areas, including purchased programming and maintenance.

EASTERN ILLINOIS UNIVERSITY RADIO AND TELEVISION CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Cash Flows

The statement of cash flows provides information about the Center's resources and uses of cash during the fiscal year.

Condensed Statement of Cash Flows for the year ended June 30:

	<u>2013</u>	<u>2012</u>
Cash provided (used) by:		
Operating Activities	\$ 276,106	\$ 333,189
Capital and related financing activities	<u>(6000)</u>	<u>0</u>
Net increase (decrease) in cash	270,106	333,189
Cash and temporary investments, beginning of year	<u>1,341,338</u>	<u>1,008,149</u>
Cash and temporary investments, end of year	<u>\$ 1,611,444</u>	<u>\$ 1,341,338</u>

Underwriting

Underwriting is the name the FCC has given to announcements that recognize contributions to public television from businesses and organizations. During the broadcast day, WEIU TV acknowledges these contributors and provides a brief description of location, services, and contact information such as address, phone number and web site. Underwriting revenue is one of many sources of revenue for WEIU TV. Underwriting revenue for this year was approximately \$48,900. This is a decrease from the previous year as there was not a full-time working underwriting sales person. The following is a WEIU TV rate package:

Underwriting on WEIU TV costs \$150 per month for a 12 month minimum. The underwriting package includes 5 spots during prime time, 5 weekend spots and 10 spots from 12 am to 10 pm. The number of underwriters in fiscal year 2012 was 51 and decreased to 37 in fiscal year 2013. There were 6 new underwriters for fiscal year 2013. The renewal rate for underwriters is 61%.

EASTERN ILLINOIS UNIVERSITY RADIO AND TELEVISION CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

Commercials

WEIU TV is currently selling commercials for insertion into a local cable system. WEIU TV does the production of some of the commercials for broadcast while others are done out of house. WEIU TV uses a program installed by Consolidated Communications to do billing. In fiscal year 2013, there were 54 commercial advertisers with revenue of approximately \$107,700.

Tower Lease

WEIU TV is currently leasing tower space to six cellular phone companies. Each has a lease agreement with various begin dates and lease amounts with yearly increases. Rents received were \$144,581. Due to the structure of the current towers on the EIU campus, there will not be any additional cellular companies leasing tower space in fiscal year 2014. There is the possibility for tower space rental on the Humboldt tower but there are no prospects at this time.

Economic Outlook

The Center's operations are funded primarily through state support, grants and contracts along with private gifts, grants and contracts. The Center continues to look at ways to help reduce operating expenses. For fiscal year 2014, the Center is going to outsource its Master Control facilities to reduce operating costs and save on the future need for capital expenditures.

BASIC FINANCIAL STATEMENTS

WEIU-TV
A PUBLIC TELEVISION STATION OPERATED BY EASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2013

ASSETS

Current Assets:	
Cash and temporary investments	\$ 1,611,444
Accounts receivable	37,456
Grant and other receivables	<u>2,454</u>
Total current assets	<u>1,651,354</u>
Other Assets:	
Program licensing rights	<u>21,226</u>
Property and Equipment:	
Land	44,660
Furniture, equipment and tower	4,441,034
Accumulated depreciation	<u>(3,409,803)</u>
Net property and equipment	<u>1,075,891</u>
Total Assets	<u>\$ 2,748,471</u>

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts payable	\$ 10,580
Other Liabilities:	
Accrued compensated absences	<u>99,273</u>
Total liabilities	<u>109,853</u>
Net Position:	
Net investment in capital assets	1,081,757
Restricted for Friends of WEIU-TV	731,839
Unrestricted	<u>825,022</u>
Total net position	<u>2,638,618</u>
Total Liabilities and Net Position	<u>\$ 2,748,471</u>

The accompanying notes are an integral part of these financial statements.

WEIU-TV
A PUBLIC TELEVISION STATION OPERATED BY EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2013

Support and Revenues:	
State Support:	
Appropriation	\$ 1,248,761
Indirect administrative support	745,425
State grants and contracts	90,605
Private gifts, grants and contracts	1,212,815
Other income	189
Total support and revenues	<u>3,297,795</u>
Expenses:	
Program Services:	
Programming and production	1,005,945
Program information	128,801
Broadcasting	805,134
Operation and maintenance of plant	152,805
Supporting Services:	
Management and general	486,915
Institutional support	592,620
Underwriting, fundraising and membership	121,593
Total expenses	<u>3,293,813</u>
Change in net position	3,982
Net position, beginning of year	<u>2,634,636</u>
Net Position, End of Year	<u>\$ 2,638,618</u>

The accompanying notes are an integral part of these financial statements.

WEIU-TV
A PUBLIC TELEVISION STATION OPERATED BY EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

Cash Flows from Operating Activities:	
State support	\$ 1,781,604
State grants and contracts	146,390
Private gifts, grants and contracts	1,209,459
Other income	189
Payments for program services	(1,717,318)
Payments for support services	<u>(1,144,218)</u>
Net cash provided by operating activities	<u>276,106</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	<u>(6,000)</u>
Net increase in cash and temporary investments	270,106
Cash and temporary investments, beginning of year	<u>1,341,338</u>
Cash and Temporary Investments, End of Year	<u>\$ 1,611,444</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Net income (loss) from operations	\$ 3,982
Adjustment to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	206,159
Net (Increase) Decrease in:	
Receivables	49,830
Program license agreements	9,312
Net Increase (Decrease) in:	
Accounts payable	(4,418)
Compensated absences	<u>11,241</u>
Net Cash Provided by Operating Activities	<u>\$ 276,106</u>
Schedule of Non-Cash Operating Activities:	
On-behalf SURS contributions	\$ 212,582.00
On-behalf SURS expenditures	<u>(212,582.00)</u>
	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

WEIU-TV
A PUBLIC TELEVISION STATION OPERATED BY EASTERN ILLINOIS UNIVERSITY
BALANCE SHEET
June 30, 2013

	Unrestricted Funds	Friends of WEIU-TV	Property Funds	Total
ASSETS				
Current Assets:				
Cash and temporary investments	\$ 880,948	\$ 724,630	\$ 5,866	\$ 1,611,444
Accounts receivable	30,694	6,762	-	37,456
Grant and other receivables	1,996	458	-	2,454
Total current assets	913,638	731,850	5,866	1,651,354
Other Assets:				
Program licensing rights	21,226	-	-	21,226
Property and Equipment:				
Land	-	-	44,660	44,660
Furniture, equipment and tower	-	-	4,441,034	4,441,034
Accumulated depreciation	-	-	(3,409,803)	(3,409,803)
Net property and equipment	-	-	1,075,891	1,075,891
 Total Assets	 \$ 934,864	 \$ 731,850	 \$ 1,081,757	 \$ 2,748,471
LIABILITIES AND FUND BALANCE				
Current Liabilities:				
Accounts payable	\$ 10,569	\$ 11	\$ -	\$ 10,580
Other Liabilities:				
Accrued compensated absences	99,273	-	-	99,273
Total liabilities	109,842	11	-	109,853
Fund Balance:				
Net investment in capital assets	-	-	1,081,757	1,081,757
Restricted for Friends of WEIU-TV	-	731,839	-	731,839
Unassigned	825,022	-	-	825,022
Total fund balance	825,022	731,839	1,081,757	2,638,618
 Total Liabilities and Fund Balance	 \$ 934,864	 \$ 731,850	 \$ 1,081,757	 \$ 2,748,471

The accompanying notes are an integral part of these financial statements.

WEIU-TV
A PUBLIC TELEVISION STATION OPERATED BY EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2013

	<u>Unrestricted Funds</u>	<u>Friends of WEIU-TV</u>	<u>Property Funds</u>	<u>Total</u>
Support and Revenue:				
State Support:				
Appropriation	\$ 1,248,761	\$ -	\$ -	\$ 1,248,761
Indirect administrative support	745,425	-	-	745,425
State grants and contracts	90,605	-	-	90,605
Private gifts, grants and contracts	1,060,122	152,693	-	1,212,815
Other income	189	-	-	189
Total support and revenue	<u>3,145,102</u>	<u>152,693</u>	<u>-</u>	<u>3,297,795</u>
Expenses:				
Program Services:				
Programming and production	942,612	5,709	57,624	1,005,945
Program information	127,108	-	1,693	128,801
Broadcasting	658,292	-	146,842	805,134
Operation and maintenance of plant	152,805	-	-	152,805
Supporting Services:				
Management and general	483,830	3,085	-	486,915
Institutional support	592,620	-	-	592,620
Underwriting, fundraising and membership	119,627	1,966	-	121,593
Total expenses	<u>3,076,894</u>	<u>10,760</u>	<u>206,159</u>	<u>3,293,813</u>
Excess revenues over (under) expenditures	68,208	141,933	(206,159)	3,982
Other Financing Sources (Uses):				
Equipment acquisitions	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Excess revenues and other sources over (under) expenditures and other uses	62,208	141,933	(200,159)	3,982
Fund balance, beginning of year	<u>762,814</u>	<u>589,906</u>	<u>1,281,916</u>	<u>2,634,636</u>
Fund Balance, End of Year	<u>\$ 825,022</u>	<u>\$ 731,839</u>	<u>\$ 1,081,757</u>	<u>\$ 2,638,618</u>

The accompanying notes are an integral part of these financial statements.

WEIU-TV
A PUBLIC TELEVISION STATION OPERATED BY EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present only the financial position, results of operation and cash flows of WEIU-TV, a public television station owned and operated by Eastern Illinois University. They are not intended to present fairly the financial position and results of operation of Eastern Illinois University.

The accounting policies of WEIU-TV conform to U.S. generally accepted accounting principles as applicable to governments.

The significant accounting policies followed are described below:

- a) Reporting Entity - WEIU-TV is a public broadcasting station in east central Illinois, owned and operated by Eastern Illinois University, Charleston, Illinois. WEIU-TV went on the air July 1, 1986. The financial statements include the accounts of the Friends of WEIU-TV. This service organization solicits funds in the name of and with the approval of WEIU-TV. The funds are held in an agency account by Eastern Illinois University for Friends of WEIU-TV to be used for the benefit of WEIU-TV. The fund financial statements of WEIU-TV are included in the primary government fund financial statements of Eastern Illinois University.
- b) Fund Accounting - In order to ensure observance of limitations and restrictions placed on the use of the resources available to WEIU-TV, the accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into the funds that are in accordance with activities or objectives specified.

The assets, liabilities and net position of WEIU-TV are reported in three self-balancing fund groups as follows:

The Unrestricted Funds include resources that are available for support of WEIU-TV's operation.

The Friends of WEIU-TV includes resources restricted for use by the organization for the benefit of the Station.

The Property Fund includes resources invested in property and equipment and also includes the reserve for property replacement.

- c) Measurement Focus and Basis of Accounting – Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus is used to describe which transactions are recorded within the financial statements. WEIU-TV's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Revenue – State appropriations are recorded as revenue in the Statement of Revenues, Expenses and Changes in Net Position when an expenditure is recorded. Indirect administrative support consists of allocated institutional support and physical plant costs incurred by Eastern Illinois University for which WEIU-TV receives benefit. This support is also recorded as supporting service expenses. Contributions, pledges, grants and other support that are unrestricted are recorded as revenue when received.

Expenditures - Expenditures are recorded essentially on the cash basis; however, accounts payable at the end of the fiscal year are recorded and reflected as expenditures in the accompanying financial statements.

WEIU-TV
A PUBLIC TELEVISION STATION OPERATED BY EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

WEIU-TV applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in the accounting and reporting of their operations. It has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. WEIU-TV has elected to not apply FASB pronouncements issued after the applicable date.

- d) Accounts Receivables – Receivables consist of charges to individuals, businesses and industries for services rendered. Also, receivables include amounts due from governmental or private sources, in connection with reimbursement of allowable expenditures made pursuant to WEIU-TV's grants and contracts.
- e) Compensated Absences – Employee compensable leave and sick pay are accrued at year-end for financial statement purposes. The liability is recorded at year-end as accrued payments in the Statement of Net Position and the expense is recognized as functionalized expenses in the Statement of Revenues, Expenses and Changes in Net Position.
- f) Net Position – Net position for the financial statements are divided into three components:
 - 1. Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
 - 2. Restricted – consists of net positions that are restricted by the WEIU-TV's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by both federal and state grantors and by other contributors.
 - 3. Unrestricted – all other net positions are reported in this category.
- g) Fund Balance – The following classifications describe the constraints placed on the purposes for which resources can be used:
 - 1. Nonspendable fund balance – consist of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
 - 2. Restricted fund balance – consist of amounts that are subject to outside restrictions, such as those imposed by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
 - 3. Committed fund balance – consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the University's highest level of decision making authority (Eastern Illinois University's Board of Trustees). Those committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.
 - 4. Assigned fund balance – consist of amounts that are constrained by the University's intent to be used for a specific purpose, but are neither restricted nor committed. The intent can be expressed by the University's Board of Trustees or by an official or body which the Board delegates authority.
 - 5. Unassigned fund balance – consist of amounts available for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the financial manager of the University account uses discretion in deciding which resources to apply.

- h) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WEIU-TV
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- i) The Government Accounting Standards Board (GASB) has issued the following statements, which are effective for periods beginning July 1, 2012, or later, which impacts Eastern Illinois University and WEIU-TV:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement applies to public-private partnerships in which the public institution retains specific control criteria. The standard generally applies to arrangements to provide services through the use of infrastructure or another public asset, such as facilities. This statement is effective for periods beginning after December 15, 2011. WEIU-TV has determined that it does not have any service concession arrangements as defined by the statement.

GASB Statement No. 61, *The Financial Reporting Entity*. This statement amends the requirements of GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*. The statement amends the criteria for including a component unit, as well as the criteria for how to disclose component units' financial information. The statement is effective for periods beginning after June 15, 2012. The statement does not impact WEIU-TV.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates guidance that previously could only be found in certain FASB and AICPA pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB No. 62 does impact WEIU-TV but has not significantly affected the reporting for financial statement purposes.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement is effective for periods beginning after December 15, 2011. The statement is not expected to impact WEIU-TV.

NOTE B - CASH AND INVESTMENTS

WEIU-TV's cash and investments are pooled with accounts maintained by Eastern Illinois University. The University's deposits and investments are in accounts authorized in accordance with Illinois Statutes and the Board of Trustees regulations. The University's Vice-President for Business Affairs (VPBA) has the authority to prescribe guidelines consistent with the Board of Trustees' regulations, the provisions of the Public Fund Investment Act (30 ILCS 235/2.5 et seq.) and the Uniform Management of Institutional Funds Act (760 ILCS 50/1-10).

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University has established a maximum maturity of up to four years for any investment. State statutes limit maturity on commercial paper investments to 180 days.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The University investment policy describes permissible investments. The Illinois Funds are rated AAA.

Custodial Credit Risk – Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. All of the University's investments are held by a custodian in the University's name and are not subject to creditors of the custodial bank.

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The University's investments in the Illinois Funds, is not subject to detailed disclosure because the University owns shares of the investment fund and not the physical securities.

Concentration Risk – The University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. Government, its agencies or sponsored corporations. State statutes limit investment in short term debts of corporations to one-third of the agency's funds, and no more than 10% of any one corporation's outstanding obligations. The University has limited commercial paper investments to two million dollars per issuer.

The University has not held foreign currency positions other than the purchase of foreign payment drafts to vendors, nor has it participated in securities lending.

The Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other state funds in accordance with the Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report.

The Illinois Funds do not have any direct or indirect investments in derivative instruments.

NOTE C – RECEIVABLES

Receivables consisted of the following as of June 30, 2013:

Sales and services	\$ 37,456
Governmental and private grants and contracts	<u>2,454</u>
Total Receivables	<u>\$ 39,910</u>

NOTE D - EMPLOYEE BENEFITS

Retirement Plan - Retirement benefits are provided through Eastern Illinois University to substantially all WEIU-TV staff members and employees under a contributory plan administered by the State Universities Retirement System (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40 of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing its website at www.surs.org or by calling SURS at 1-800-275-7877.

Contributions by Eastern Illinois University on behalf of WEIU-TV employees to the Retirement System are made from the State Appropriated Funds and from other Restricted Funds of \$212,582 and \$26,858, respectively.

The University and WEIU-TV do not own any of the assets of the Retirement System and have no responsibility for the obligations of the System.

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Group Health and Life Insurance - Consistent with prior years, the employer's portion of the group health and life insurance premiums for most covered employees of WEIU-TV were paid for Eastern Illinois University by the Illinois Department of Central Management Services. Premium payments for the year ended June 30, 2013 amounted to \$347,922.

Accumulated unpaid vacation is accrued as a liability to the extent it would normally be liquidated with expendable available financial resources. The following is a summary of the accrued vacation liability at June 30, 2013:

Vacation	<u>\$ 99,273</u>
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NOTE E – POST EMPLOYMENT BENEFITS

The State provides health, dental, vision and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System, do not contribute towards health, dental and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision and life insurance benefits of all members, including post-employment health, dental, vision and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements, including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, Stratton Office Building, 401 South Spring Street, Springfield, Illinois 62706.

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NOTE F – SELF INSURANCE

The University is self insured for general liability through SURMA, the State Universities' Risk Management Association. SURMA is a cooperative agency voluntarily established by contracting Illinois State Universities, as defined by various sections of Chapter 110 of the Illinois Compiled Statutes. Its purpose is to prevent or lessen casualty losses to State University properties and injuries to persons or property which might result in claims being made against the State University and which would not be defended by the Illinois Attorney General and paid for by the State of Illinois and in most cases adjudicated through the Court of Claims. Each participating University's portion of the premium was determined based upon an actuarial evaluation. The University carries commercial excess general liability coverage with coverage up to \$11 million per occurrence with a \$350,000 self-insured retention. Settled claims have not exceeded commercial general liability coverage in any of the three preceding years.

NOTE G - INCOME TAXES

WEIU-TV is owned and operated by Eastern Illinois University, a public supported institution and an integral part of the State of Illinois. As such, the station has no taxable income and, accordingly, no provision for income taxes is included in the financial statements.

NOTE H - COMMITMENTS

Encumbrances which represent goods or services that have been ordered for which delivery has not been made or the services have not been rendered at June 30, 2013 are not recorded in the accompanying financial statements.

NOTE I – RENTAL INCOME FROM LEASES

On August 31, 2004, WEIU-TV entered into a lease agreement with iPCS Wireless, Inc. to lease tower space for a term of ten years. Under this agreement rents will increase 3.5% each year. On December 7, 2009, iPCS Wireless, Inc. merged with a subsidiary of Sprint Nextel Corporation. Currently, the monthly rent is \$2,107.

On May 10, 2005, WEIU-TV entered into a lease agreement with Cellular One to lease tower space for a term of ten years beginning April 15, 2005. Rent shall be \$1,600 per month and it shall increase 3.5% per year on each succeeding year's anniversary date. Currently, the monthly rent is \$2,107.

On October 27, 2005, WEIU-TV entered into a lease agreement with Voice StreamGSM 1 Operating Company, LLC to lease tower space for a term of ten years. Rent shall be \$1,600 per month with an annual increase of 3.5%. This lease was transferred by an internal assignment to another T-Mobile subsidiary, effective January 1, 2006. The name of the new lessee is T-Mobile Central LLC. Currently, the monthly rent is \$2,036.

On April 28, 2006, WEIU-TV entered into a lease agreement with Verizon Wireless to lease tower space for a term of ten years beginning May 1, 2006. Rent shall be \$1,800 per month with an annual increase of 3.5% per year on each succeeding year's anniversary date. Currently, the monthly rent is \$2,290.

In 2010, AT&T constructed a new monopole tower next to the University's existing tower and then transferred ownership of the tower to the University. They are leasing space on this tower for \$1,800 per month.

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On August 16, 2010, WEIU-TV entered into a lease agreement with United States Cellular Operating Company of Chicago, LLC to lease tower space for an initial term of five years, with options to renew. Rents shall be \$1,800 per month with annual increases of 3.5%. Currently, the monthly rent is \$1,928.

Rents received were \$144,581 for 2013.

NOTE J - PROPERTY AND EQUIPMENT

All purchased capital assets are recorded at cost. Donated property and equipment are reported at fair market value as of the date of the gift. Equipment transferred from other departments is carried at its original cost. WEIU-TV's capitalization policy is the same as Eastern Illinois University. The capitalization threshold is as follows: Land or Buildings - \$100,000 or greater; Site or Building improvements - \$25,000 or greater; Equipment - \$5,000 or greater. Expenditures for repairs and maintenance are charged to operating expenses as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements	20 years
Equipment	7 years
Computer hardware	4 years
Vehicles	5 years

Depreciation expense was \$206,159 for 2013.

The following is a summary of changes in capital assets:

	Beginning of Year <u>07/01/12</u>	<u>Additions</u>	<u>Retirements</u>	End of Year <u>6/30/13</u>
Capital assets not being depreciated:				
Land	\$ 44,660	\$ -	\$ -	\$ 44,660
Capital assets being depreciated:				
Property and equipment	4,458,771	6,000	(23,737)	4,441,034
Accumulated depreciation	<u>(3,227,381)</u>	<u>(206,159)</u>	<u>23,737</u>	<u>(3,409,803)</u>
Net Capital Assets	<u>\$ 1,276,050</u>	<u>\$ (200,159)</u>	<u>\$ -</u>	<u>\$ 1,075,891</u>