

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 18

DATE:

February 16, 2010

RECOMMENDATION

WEMU-FM FINANCIAL STATEMENTS AS OF JUNE 30, 2009

ACTION REQUESTED

It is recommended that the Board of Regents receive and place on file the WEMU-FM Financial Report and Statements as of June 30, 2009.

STAFF SUMMARY

WEMU-FM, Eastern Michigan University's public radio station, is required as a condition of participation in the program to file an annual audited statement of financial operations. Plante & Moran, PLLC prepares this audit annually as part of its financial audit contract with the University.

The financial report, statements and opinion are attached. Plante & Moran has indicated that, in their opinion, the financial statements present fairly the financial position of the station as well as the changes in financial position and cash flows for the fiscal years 2008 and 2009.

FISCAL IMPLICATIONS

None.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

**Eastern Michigan University
WEMU-FM**

**Financial Report
with Additional Information
June 30, 2009**

Eastern Michigan University WEMU-FM

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Independent Auditors' Report

To the Board of Regents
Eastern Michigan University
WEMU-FM

We have audited the accompanying basic financial statements of Eastern Michigan University WEMU-FM (the "Station") as of and for the years ended June 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2009 and 2008 and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis presented on pages 2 through 7 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

December 11, 2009

Eastern Michigan University WEMU-FM

Management's Discussion and Analysis (Unaudited)

This section of Eastern Michigan University WEMU-FM's (the "Station") annual financial report presents management's discussion and analysis of the financial performance of the Station during the fiscal years ended June 30, 2009, 2008, and 2007. 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 Station's management.

Using the Annual Financial Report

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

The financial statements prescribed by GASB Statement No. 35 (the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statement of net assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the Station's financial health when considered with nonfinancial facts such as the condition of facilities.

The statement of revenues, expenses, and changes in net assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public radio station's dependency upon gifts could result in operating deficits because the financial reporting model classifies gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature.

Eastern Michigan University WEMU-FM

Management's Discussion and Analysis (Unaudited) (Continued)

Noteworthy Financial Activity

Significant components of the Station's financial condition include the following:

- The Station's total assets as of June 30, 2009 increased versus the prior year by approximately \$182,000 primarily due to increased contributions and rental income. Over \$208,000 is invested in capital assets as of June 30, 2009. As of June 30, 2008, total assets decreased versus the prior year by approximately \$69,000 primarily due to depreciation expense exceeding new capital equipment acquisitions and planned increases in program information expenditures.
- In 2009, operating revenues increased by approximately \$128,000 primarily due to increased support from the Corporation for Public Broadcasting and an increase in rental income. In 2008, operating revenues decreased by approximately \$29,000 primarily due to decreased support from the Corporation for Public Broadcasting.
- In 2009, nonoperating revenues increased by over \$57,000 primarily due to increased contributions (\$12,000) and increased support (\$45,000) from the University. In 2008, nonoperating revenues increased by over \$79,000 primarily due to increased administrative support from the University.
- In 2009, operating expenses decreased by approximately \$43,000 primarily due to planned decreases in support services. In 2008, operating expenses increased by approximately \$88,000 primarily due to planned increases in program information expenses.

Eastern Michigan University WEMU-FM

Management's Discussion and Analysis (Unaudited) (Continued)

Condensed Statement of Net Assets (in thousands)

	June 30		
	2009	2008	2007
Assets			
Current assets	\$ 607	\$ 394	\$ 432
Noncurrent assets	209	240	271
Total assets	<u>\$ 816</u>	<u>\$ 634</u>	<u>\$ 703</u>
Liabilities - Noncurrent liabilities	\$ 211	\$ 178	\$ 168
Net Assets			
Invested in capital assets - Net of related debt	209	240	271
Restricted expendable	46	22	20
Unrestricted	350	194	244
Total net assets	<u>605</u>	<u>456</u>	<u>535</u>
Total liabilities and net assets	<u>\$ 816</u>	<u>\$ 634</u>	<u>\$ 703</u>

Eastern Michigan University WEMU-FM

Management's Discussion and Analysis (Unaudited) (Continued)

Statement of Revenues, Expenses, and Changes in Net Assets (in thousands)

	Year Ended June 30		
	2009	2008	2007
Operating Revenues			
Donated personal services of volunteers	\$ -	\$ -	\$ 4
Grants from Corporation for Public Broadcasting	164	161	176
Rental income	166	41	51
Total operating revenues	330	202	231
Operating Expenses			
Program services:			
Programming and production	1,244	1,210	1,166
Broadcasting	190	200	269
Program information	231	243	165
Support services:			
Fund-raising	151	178	163
Management	278	306	286
Total operating expenses	2,094	2,137	2,049
Operating Loss	(1,764)	(1,935)	(1,818)
Nonoperating Revenues			
General appropriations from the University	713	680	668
Administrative support from the University	631	619	556
Contributions	569	557	553
Net nonoperating revenues	1,913	1,856	1,777
Changes in Net Assets	149	(79)	(41)
Net Assets - Beginning of year	456	535	576
Net Assets - End of year	<u>\$ 605</u>	<u>\$ 456</u>	<u>\$ 535</u>

Eastern Michigan University WEMU-FM

Management's Discussion and Analysis (Unaudited) (Continued)

Condensed Statement of Cash Flows (in thousands)

	Year Ended June 30		
	2009	2008	2007
Cash Provided by (Used in)			
Operating activities	\$ (1,732)	\$ (1,892)	\$ (1,776)
Noncapital financing activities	1,913	1,856	1,777
Capital and related financing activities	<u>-</u>	<u>(13)</u>	<u>(21)</u>
Net Increase (Decrease) in Cash	181	(49)	(20)
Cash - Beginning of year	<u>216</u>	<u>265</u>	<u>285</u>
Cash - End of year	<u><u>\$ 397</u></u>	<u><u>\$ 216</u></u>	<u><u>\$ 265</u></u>

Looking Ahead

WEMU's challenges of FY2010 focus more acutely on audience and donor growth. More competition from surrounding public radio stations, combined with WEMU's limited coverage area, places greater importance on the Station's ability to serve Washtenaw County residents.

Increased Audience - Recent media developments have provided greater opportunity to meet this goal of audience growth. The Detroit newspapers have ceased home delivery in the county. In addition, the Ann Arbor News has greatly reduced its availability. These factors provide WEMU with the opportunity to focus more clearly on local service in both the areas of news and cultural affairs.

The Station is increasing its efforts to form partnerships with area cultural organizations which promote an increased quality of life, a chief point of attraction to those desiring to live and work in Washtenaw County. Further, the news operation of the Station is providing increased coverage of both governmental and school system activity to fill a void of news information availability in the county. These efforts will hopefully result in increased listenership and donors.

The developments in the economy removed several foundations from active participation in providing brick and mortar funding for WEMU and other nonprofit organizations. In the short term, WEMU must work to obtain funding to improve the Station's physical plant, which has become disreputable. The uncertainty of the future of King Hall combined with normal wear and tear of a heavily used facility has created a need to investigate opportunities to improve appearance and performance of the current facility.

Eastern Michigan University WEMU-FM

Management's Discussion and Analysis (Unaudited) (Continued)

In an effort to improve listenership and donor response, the Station will continue to work with its programming to attract a larger and younger audience. The improvement of the Station's website and its involvement in new media are an important part of this development. Further, the utilization of the Station's HD-2 service can provide an outlet for experimentation in attracting a wider audience without discarding the Station's primary service.

Eastern Michigan University WEMU-FM

Statement of Net Assets

	Year Ended June 30	
	2009	2008
Assets		
Current Assets		
Cash	\$ 396,675	\$ 215,879
Accounts receivable from the University	210,360	178,174
Total current assets	607,035	394,053
Noncurrent Assets - Property and equipment (Note 3)	208,725	240,007
Total assets	<u>\$ 815,760</u>	<u>\$ 634,060</u>
Liabilities and Net Assets		
Noncurrent Liabilities - Compensated absences	\$ 210,360	\$ 178,174
Net Assets		
Invested in capital assets - Net of related debt	208,725	240,007
Restricted - Expendable	45,765	21,481
Unrestricted	350,910	194,398
Total net assets	605,400	455,886
Total liabilities and net assets	<u>\$ 815,760</u>	<u>\$ 634,060</u>

Eastern Michigan University WEMU-FM

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2009	2008
Operating Revenues		
Grants from Corporation for Public Broadcasting	\$ 163,959	\$ 161,617
Rental income	<u>166,340</u>	<u>40,595</u>
Total operating revenues	330,299	202,212
Operating Expenses		
Program services:		
Programming and production	1,244,224	1,209,950
Broadcasting	190,017	200,648
Program information	230,791	242,828
Support services:		
Fund-raising	150,626	178,387
Management	<u>278,026</u>	<u>305,606</u>
Total operating expenses	<u>2,093,684</u>	<u>2,137,419</u>
Operating Loss	(1,763,385)	(1,935,207)
Nonoperating Revenues		
General appropriations from the University	712,960	679,955
Administrative support from the University	630,440	618,826
Contributions	<u>569,499</u>	<u>557,083</u>
Total nonoperating revenues	<u>1,912,899</u>	<u>1,855,864</u>
Excess (Deficit) of Support and Expenses Over Revenue	149,514	(79,343)
Net Assets - Beginning of year	<u>455,886</u>	<u>535,229</u>
Net Assets - End of year	<u><u>\$ 605,400</u></u>	<u><u>\$ 455,886</u></u>

Eastern Michigan University WEMU-FM

Statement of Cash Flows

	Year Ended June 30	
	2009	2008
Cash Flows from Operating Activities		
Cash received from Corporation for Public Broadcasting	\$ 163,959	\$ 161,617
Cash received from tower leases	166,340	40,595
Cash paid for programming services	(1,640,155)	(1,619,840)
Cash paid for management and fund-raising	(422,247)	(474,162)
Net cash used in operating activities	(1,732,103)	(1,891,790)
Cash Flows from Noncapital Financing Activities		
Cash received from University appropriations	712,960	679,955
Cash received from administrative support	630,440	618,826
Contributions received	569,499	557,083
Net cash provided by noncapital financing activities	1,912,899	1,855,864
Cash Flows from Capital and Related Financing Activities - Purchases of capital assets	-	(12,243)
Net Increase (Decrease) in Cash	180,796	(48,169)
Cash - Beginning of year	215,879	264,048
Cash - End of year	<u>\$ 396,675</u>	<u>\$ 215,879</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,763,385)	\$ (1,935,207)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	31,282	43,417
Changes in assets and liabilities:		
Accounts receivable - Net	32,186	9,984
Accrued compensated absences	(32,186)	(9,984)
Total changes in assets and liabilities	-	-
Net cash used in operating activities	<u>\$ (1,732,103)</u>	<u>\$ (1,891,790)</u>

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2009 and 2007

Note 1 - Organization

Eastern Michigan University WEMU-FM (the "Station" or WEMU-FM) is a public telecommunications radio station licensed to Eastern Michigan University (the "University"). WEMU-FM serves the Washtenaw County radio market, with a mission to participate in the educational and public service purposes of the University by providing programming which addresses the needs and the interests of the Station's coverage area.

WEMU-FM is owned and operated by the University and does not have separate legal status or existence. The financial position, support, revenues, and expenditures of WEMU-FM are included in the University's financial statements.

Note 2 - Basis of Presentation and Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB established standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions.

The three net asset categories are as follows:

- **Invested in Capital Assets - Net of Related Debt** - Includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- **Restricted - Expendable** - Includes net assets whose whole use is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time
- **Unrestricted** - Includes net assets not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for capital projects and other initiatives.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2009 and 2007

Note 2 - Basis of Presentation and Significant Accounting Policies (Continued)

Property and Equipment - Property and equipment are recorded at cost, or if acquired by gift, at the fair value as of the date of donation. Depreciation is computed on the straight-line method over the estimated service lives (5 to 15 years) of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

General Appropriations from the University - General appropriations from the University consist of certain payroll and other direct expenses paid by the University on behalf of WEMU-FM. Because the University pays for WEMU-FM's compensated absences, a receivable from the University has been established in the statement of net assets in the amount of accrued compensated absences.

Indirect Administrative Support - A portion of the University's general overhead costs relates to and benefits WEMU-FM. Such items include administration, utilities, maintenance, repairs, and other institutional support expenditures of the University. These services were provided without cost and have been allocated to WEMU-FM. The fair value of these services is reported as revenue (administrative support from the University) and expenditures in the accompanying statement of revenues, expenses, and changes in net assets.

Contributions and Grants - Unrestricted gifts and grants are recognized as revenue when received.

WEMU-FM receives an annual community service grant from the Corporation for Public Broadcasting. These funds may be used at the discretion of WEMU-FM and are reported as unrestricted grant revenue in the accompanying financial statements.

Allocation of Expenditures - Expenditures are reported by their functional classification. Accordingly, certain expenditures for facility operations, institutional support, interest, and depreciation have been allocated to functional classifications based on the time devoted to these activities.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sources and application of net assets during the reporting period. Actual results could differ from those estimates.

Reclassification - Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2009 and 2007

Note 3 - Property and Equipment

Property and equipment at June 30, 2009 and 2008 consist of the following:

	2008	Additions	Retirement	2009
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Transmitter and tower	306,121	-	-	306,121
Studio and technical equipment	101,407			101,407
Furniture, fixture, and equipment	<u>270,953</u>	<u>-</u>	<u>-</u>	<u>270,953</u>
Subtotal	778,481	-	-	778,481
Less accumulated depreciation	<u>(538,474)</u>	<u>(31,282)</u>	<u>-</u>	<u>(569,756)</u>
Total property and equipment	<u>\$ 240,007</u>	<u>\$ (31,282)</u>	<u>\$ -</u>	<u>\$ 208,725</u>

	2007	Additions	Retirement	2008
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Transmitter and tower	306,121	-	-	306,121
Studio and technical equipment	101,407	-	-	101,407
Furniture, fixture, and equipment	<u>258,710</u>	<u>12,243</u>	<u>-</u>	<u>270,953</u>
Subtotal	766,238	12,243	-	778,481
Less accumulated depreciation	<u>(495,057)</u>	<u>(43,417)</u>	<u>-</u>	<u>(538,474)</u>
Total property and equipment	<u>\$ 271,181</u>	<u>\$ (31,174)</u>	<u>\$ -</u>	<u>\$ 240,007</u>

Note 4 - Retirement Benefits

The University has a Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF) defined contribution retirement plan, which covers certain employees of WEMU-FM. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. For the years ended June 30, 2009, 2008, and 2007, WEMU-FM contributed approximately \$51,000, \$46,000, and \$42,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contributions under the TIAA-CREF plan.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2009 and 2007

Note 4 - Retirement Benefits (Continued)

The University also participates in the Michigan Public School Employees' Retirement System (MPSERS), a cost-sharing multiemployer noncontributory defined benefit retirement plan, which covers certain employees of WEMU-FM. The cost of the MPSERS plan allocated to WEMU-FM, all of which was contributed, totaled approximately \$31,000, \$45,000, and \$59,000 for the years ended June 30, 2009, 2008, and 2007, respectively. The costs of the MPSERS plan include contributions based on member payroll to fund normal pension costs, contributions to fund a portion of the plan's unfunded actuarial accrued liability, and contributions for retiree health insurance, at a fixed dollar amount determined annually by MPSERS.

Additional Information



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To the Board of Regents
Eastern Michigan University
WEMU-FM

Our report on the financial statements of Eastern Michigan University WEMU-FM as of June 30, 2009 and 2008 and for the years then ended appears on page I of this document. These audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules accompanying the financial statements are not necessary for a fair presentation of the statement of net assets and the related statements of revenues, expenses, and changes in net assets and cash flows, in conformity with accounting principles generally accepted in the United States of America. The supplemental schedules are presented only for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

December 11, 2009

Eastern Michigan University WEMU-FM

Schedule of Net Assets by Fund

	June 30, 2009			June 30, 2008		
	Operating Funds		Total	Operating Funds		Total
	Unrestricted	Property Fund		Unrestricted	Property Fund	
Assets						
Current Assets						
Cash	\$ 396,675	\$ -	\$ 396,675	\$ 215,879	\$ -	\$ 215,879
Accounts receivable from the University	210,360	-	210,360	178,174	-	178,174
Total current assets	607,035	-	607,035	394,053	-	394,053
Noncurrent Assets - Property and equipment						
Total assets	-	208,725	208,725	-	240,007	240,007
	<u>\$ 607,035</u>	<u>\$ 208,725</u>	<u>\$ 815,760</u>	<u>\$ 394,053</u>	<u>\$ 240,007</u>	<u>\$ 634,060</u>
Liabilities and Net Assets						
Liabilities - Compensated absences						
	\$ 210,360	\$ -	\$ 210,360	\$ 178,174	\$ -	\$ 178,174
Net Assets						
Invested in capital assets - Net of related debt		208,725	208,725	-	240,007	240,007
Restricted - Expendable	45,765	-	45,765	21,481	-	21,481
Unrestricted	350,910	-	350,910	194,398	-	194,398
Total net assets	396,675	208,725	605,400	215,879	240,007	455,886
Total liabilities and net assets	<u>\$ 607,035</u>	<u>\$ 208,725</u>	<u>\$ 815,760</u>	<u>\$ 394,053</u>	<u>\$ 240,007</u>	<u>\$ 634,060</u>

Eastern Michigan University WEMU-FM

Schedule of Revenues, Expenses, and Changes in Net Assets by Fund

	Year Ended June 30, 2009			Year Ended June 30, 2008		
	Operating Funds		Total	Operating Funds		Total
	Unrestricted	Property Fund		Unrestricted	Property Fund	
Operating Revenues						
Grants from Corporation for Public Broadcasting	\$ 163,959	\$ -	\$ 163,959	\$ 161,617	\$ -	\$ 161,617
Rental income	166,340	-	166,340	40,595	-	40,595
Total operating revenues	330,299	-	330,299	202,212	-	202,212
Operating Expenses						
Program services:						
Programming and production	1,225,634	18,590	1,244,224	1,192,303	17,647	1,209,950
Broadcasting	187,767	2,250	190,017	198,046	2,602	200,648
Program information	226,754	4,037	230,791	238,962	3,866	242,828
Support services:						
Fund-raising	148,375	2,251	150,626	175,785	2,602	178,387
Management	273,872	4,154	278,026	301,149	4,457	305,606
Total operating expenses	2,062,402	31,282	2,093,684	2,106,245	31,174	2,137,419
Operating Loss	(1,732,103)	(31,282)	(1,763,385)	(1,904,033)	(31,174)	(1,935,207)
Nonoperating Revenues						
General appropriations from the University	712,960	-	712,960	679,955	-	679,955
Administrative support from the University	630,440	-	630,440	618,826	-	618,826
Contributions	569,499	-	569,499	557,083	-	557,083
Net nonoperating revenues	1,912,899	-	1,912,899	1,855,864	-	1,855,864
Changes in Net Assets						
	180,796	(31,282)	149,514	(48,169)	(31,174)	(79,343)
Net Assets - Beginning of year	215,879	240,007	455,886	264,048	271,181	535,229
Net Assets - End of year	\$ 396,675	\$ 208,725	\$ 605,400	\$ 215,879	\$ 240,007	\$ 455,886