

UNIVERSITY OF ILLINOIS
ILLINOIS PUBLIC MEDIA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2018 and 2017

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Independent Auditors' Report

Board of Trustees of University of Illinois
Illinois Public Media
Urbana, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Illinois Public Media (IPM), a public telecommunications entity operated by the University of Illinois (the University), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise IPM'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of IPM, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also reviewed the adjustment described in Note J that was applied to restate the financial statements for the year ended June 30, 2017. In our opinion, the adjustment is appropriate and has been properly applied.

Emphasis of Matter

As discussed in Note 1, the financial statements of IPM are intended to present the financial position, the changes in financial position, and cash flows of only IPM's portion of the University's financial position, the changes in financial position, and cash flows attributable to the transactions of IPM. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2018 and 2017, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6-11 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information on pages 34-35 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, on our consideration of IPM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IPM's internal control over financial reporting and compliance.

Eck, Schafer, + Punke, LLP

Springfield, Illinois
February 13, 2019

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of Illinois Public Media for the year ended June 30, 2018. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

Management's Discussion and Analysis

INTRODUCTION

Illinois Public Media (WILL AM-FM-TV-Online) is a unit of the College of Media at the University of Illinois at Urbana-Champaign, a land grant, public state institution of higher education. The stations are licensed to the Board of Trustees of the University of Illinois, and are full-service PBS and NPR member stations serving viewers, listeners and web content users across a wide area of central and east central Illinois. WILL-AM began broadcasting in 1922; WILL-FM signed on the air in 1941 with the first FM license issued to a university; WILL-TV first went on the air in 1955. WILL-TV has a long history of serving central Illinois with local programs that tell the story of our regions' people, places and history. The IPM stations employ 35 full-time equivalent employees. The IPM budget contains four major sources of revenue: the Corporation for Public Broadcasting, the Illinois Arts Council, the University of Illinois, and Contributions/Private Gifts and Grants.

IPM continues to attract new audiences, especially those using multiple platforms to access content. While it's clear listeners and viewers are using IPM's streaming services in higher numbers, there is also continued emphasis placed on reaching audiences using social media platforms, showcasing primarily video content and some short pieces of audio content. The organization continues to honor and build on the foundation provided by legacy broadcast platforms and strong national content by producing multiplatform local content, collaborating with community organizations, and working with teachers and students to have an impact.

IPM also continues to emphasize its institutional value via better promotion of programming across all audience platforms, engaging audiences on social media and in person at events, symposia, and listening sessions, and developing successful ongoing partnerships with our College, the University of Illinois, and other stations. This is best illustrated by our continuing collaboration with Peoria's WTVP, and the new relationships we've cultivated with other newsrooms throughout Illinois, including WUIS (Springfield), WIUM (Macomb), WVIK (Quad Cities), and WSIU (Carbondale) via the Illinois Newsroom statewide journalism collaborative. We've also further developed relationships with WUIS, WGLT (Bloomington-Normal), WNIJ (DeKalb/northern Illinois), and WCBU (Peoria) to mutually share locally created content, including IPM's flagship talk program, *The 21st*.

In 2019, we are premiering on WILL-TV, *Illinois Country*, which will trace country music's roots in Illinois from the early part of the 20th century to the present, featuring old-time hoedowns, The National Barn Dance, Farm Aid, Illinois-bred Grammy winners, and much more. The documentary will follow the story of Illinois' singular role in the history of country music in the United States during this new one-hour documentary.

The process to upgrade Illinois Public Media's television studio began and will be complete in FY19. This upgrade will greatly enhance our ability to produce quality television and digital content, as well as better serve departments across the University of Illinois campus, as their video production needs are increasing, and most departments do not have robust video production infrastructure. This upgrade will also enhance our ability to collaborate on productions with other departments.

A challenge grant encouraged gifts from Friends of WILL during the second annual April MARATHON 26.2 hour fund drive. A group of large annual donors matched the grant up to \$35,000 to make our shortened on-air fund drive a success. Additionally, PNC Bank made it 16 years in a row, providing another \$30,000 grant to support WILL Education's Book Mentor Project.

USING THE FINANCIAL STATEMENTS

Illinois Public Media's financial report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented to focus on IPM as a whole.

STATEMENTS OF NET POSITION

The Statements of Net Position present the financial position of Illinois Public Media at the end of the fiscal year and includes all assets and liabilities of Illinois Public Media using the accrual basis of accounting. A summarized comparison of the Illinois Public Media's assets, liabilities and net position at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Current Assets:		
Interest in pooled cash	\$ 7,739,008	\$ 7,274,148
Interest in pooled investments	3,057,609	2,639,605
Accounts receivable	40,092	10,912
Prepaid expenses	69,327	69,782
Noncurrent Assets:		
Interest in pooled investments	6,057,782	5,206,552
Contributions receivable and beneficial interest in charitable remainder trust	2,963,857	2,963,857
Capital assets, net	4,771,420	4,908,812
Deferred outflows of resources	<u>93,662</u>	<u>60,113</u>
Total assets and deferred outflows	<u>\$ 24,792,757</u>	<u>\$ 23,133,781</u>
Current Liabilities:		
Accounts payable	\$ 38,857	\$ 49,174
Accrued salaries	49,375	47,922
Deferred revenue	889,493	863,864
Noncurrent Liabilities:		
Accrued compensated absences	226,764	242,173
Loan payable	<u>2,963,857</u>	<u>2,963,857</u>
Total liabilities	4,168,346	4,166,990
Total net position	<u>20,624,411</u>	<u>18,966,791</u>
Total liabilities and net position	<u>\$ 24,792,757</u>	<u>\$ 23,133,781</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position present the results of Illinois Public Media's revenue and expense activity as operating or non-operating. The following schedule summarizes Illinois Public Media's fiscal year 2018 and 2017 activity:

	<u>2018</u>	<u>2017</u>
Total operating revenues	\$ 1,782,830	\$ 1,844,270
Total operating expenses	<u>6,992,333</u>	<u>7,402,357</u>
Operating loss	(5,209,503)	(5,558,087)
Non-operating revenues (expenses):		
State appropriations	1,313,594	1,433,472
Contributions	2,971,798	3,192,397
Donated facilities and administrative support	639,627	651,842
On behalf payments for fringe benefits	378,888	526,685
Net investment income	235,495	249,891
Net increase in fair value of investments	259,059	402,989
Interest expense	<u>(148,193)</u>	<u>(148,193)</u>
Net non-operating revenues	<u>5,650,268</u>	<u>6,309,083</u>
Income (loss) before other revenues	440,765	750,996
Capital gifts	<u>1,216,855</u>	<u>818,403</u>
Increase in net position	1,657,620	1,569,399
Net position, beginning of year	<u>18,966,791</u>	<u>17,397,392</u>
Net position, end of year	<u>\$ 20,624,411</u>	<u>\$ 18,966,791</u>

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows provide information about Illinois Public Media's financial results, by reporting the major sources and uses of cash. A summary of the statement of cash flows for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Total operating sources	\$ 1,779,279	\$ 1,869,953
Total operating uses	<u>(5,351,418)</u>	<u>(5,458,965)</u>
Net cash flows from operating activities	(3,572,139)	(3,589,012)
Cash flows from noncapital financing activities:		
State appropriations	1,313,594	1,433,472
Cash received from contributors	<u>2,485,798</u>	<u>2,648,397</u>
Net cash flows from noncapital financing activities	3,799,392	4,081,869
Cash flows from capital and related financing activities:		
Capital gifts	1,216,855	818,403
Purchase of capital assets	(56,375)	(56,046)
Interest payments on loan payable	<u>(148,193)</u>	<u>(148,193)</u>
Net cash flows from capital and related financing activities	1,012,287	614,164
Cash flows from investing activities:		
Earnings on cash and investments, net	235,495	249,891
Sales (purchases) of investments, net	<u>(1,010,175)</u>	<u>114,157</u>
Net cash flows from investing activities	<u>(774,680)</u>	<u>364,048</u>
Change in cash and cash equivalents	464,860	1,471,069
Cash and cash equivalents, beginning of year	<u>7,274,148</u>	<u>5,803,079</u>
Cash and cash equivalents, end of year	<u>\$ 7,739,008</u>	<u>\$ 7,274,148</u>

CAPITAL ASSETS AND RELATED FINANCING ACTIVITIES

Illinois Public Media depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from five to fifty years.

	<u>2018</u>	<u>2017</u>
Equipment, net	\$ 199,071	\$ 184,174
Building, net	<u>4,572,349</u>	<u>4,724,638</u>
Total capital assets, net	<u>\$ 4,771,420</u>	<u>\$ 4,908,812</u>

The University of Illinois Foundation (the Foundation) loaned Illinois Public Media \$4 million as an advance on a charitable remainder trust. Illinois Public Media constructed Campbell Hall with the proceeds of the loan. Illinois Public Media pays only interest on the loan and the loan balance varies based upon the value of the charitable remainder trust.

	<u>2018</u>	<u>2017</u>
Foundation building loan	<u>\$ 2,963,857</u>	<u>\$ 2,963,857</u>

ECONOMIC OUTLOOK

In 2019, Illinois Public Media will continue to focus on and complete several infrastructure projects that will prepare the organization to be compatible with the upcoming change to the new broadcast standard, ATSC 3.0. IPM has also continued to work on the redesign and reconstruction of the newsroom and local content production areas. As of this writing, IPM has a delivery date for an updated TV and video production studio. Furthermore, IPM will be hiring several new staff in the engineering and the content creation departments, increasing capacity for local content, technology support, and operational capacity. Finally, significant capital has been spent to upgrade outdated and obsolete technology and we are looking to extend our technological capacity. These continued upgrades will allow Illinois Public Media to offer a more reliable transmission of our signals to our viewers and listeners, and allow us easier troubleshooting and resolution of signal issues.

CONTACTING IPM'S OFFICES OF FINANCIAL MANAGEMENT

This financial report was designed to provide our donors, listeners and viewers with a general overview of IPM's finances and to demonstrate IPM's accountability for the money it receives. If you have any questions about this report, please contact the IPM Business Office at 300 N. Goodwin Avenue, Urbana, IL 61801, or via telephone at 217-333-7300.

University of Illinois
Illinois Public Media

STATEMENTS OF NET POSITION

June 30

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Interest in pooled cash	\$ 7,739,008	\$ 7,274,148
Interest in pooled investments	3,057,609	2,639,605
Accounts receivable	40,092	10,912
Prepaid expenses	<u>69,327</u>	<u>69,782</u>
Total current assets	10,906,036	9,994,447
NONCURRENT ASSETS		
Interest in pooled investments	6,057,782	5,206,552
Contributions receivable and beneficial interest in charitable remainder trust	2,963,857	2,963,857
Capital assets, net	<u>4,771,420</u>	<u>4,908,812</u>
Total noncurrent assets	13,793,059	13,079,221
DEFERRED OUTFLOWS OF RESOURCES	<u>93,662</u>	<u>60,113</u>
Total assets and deferred outflows of resources	<u>\$ 24,792,757</u>	<u>\$ 23,133,781</u>
CURRENT LIABILITIES		
Accounts payable	\$ 38,857	\$ 49,174
Accrued salaries	49,375	47,922
Deferred revenue	<u>889,493</u>	<u>863,864</u>
Total current liabilities	977,725	960,960
NONCURRENT LIABILITIES		
Accrued compensated absences	226,764	242,173
Loan payable	<u>2,963,857</u>	<u>2,963,857</u>
Total noncurrent liabilities	<u>3,190,621</u>	<u>3,206,030</u>
Total liabilities	4,168,346	4,166,990
NET POSITION		
Net investment in capital assets	1,807,563	1,944,955
Restricted		
Non-expendable	6,057,782	5,206,552
Expendable	9,746,850	8,927,274
Unrestricted	<u>3,012,216</u>	<u>2,888,010</u>
Total net position	<u>20,624,411</u>	<u>18,966,791</u>
Total liabilities and net position	<u>\$ 24,792,757</u>	<u>\$ 23,133,781</u>

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

University of Illinois
Illinois Public Media

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Community service grants	\$ 1,523,318	\$ 1,575,092
State and other government grants	55,188	34,880
Other grants	71,744	37,676
University support	14,600	13,886
Other income	<u>117,980</u>	<u>182,736</u>
Total operating revenues	1,782,830	1,844,270
OPERATING EXPENSES		
Local programming and production	3,169,433	3,473,064
Broadcasting	929,297	892,052
Program information	309,046	506,595
Fundraising and membership development	1,045,118	1,111,771
Grant and underwriting solicitation	365,508	313,726
Management and general	980,164	908,444
Unallocated depreciation	<u>193,767</u>	<u>196,705</u>
Total operating expenses	<u>6,992,333</u>	<u>7,402,357</u>
NET OPERATING LOSS	(5,209,503)	(5,558,087)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	1,313,594	1,433,472
Contributions	2,971,798	3,192,397
Donated facilities and administrative support	639,627	651,842
On behalf payments for fringe benefits	378,888	526,685
Net investment income	235,495	249,891
Net increase in fair value of investments	259,059	402,989
Interest expense	<u>(148,193)</u>	<u>(148,193)</u>
Net non-operating revenues	<u>5,650,268</u>	<u>6,309,083</u>
Income (loss) before other revenues	440,765	750,996
Capital gifts	<u>1,216,855</u>	<u>818,403</u>
INCREASE IN NET POSITION	1,657,620	1,569,399
NET POSITION AT BEGINNING OF YEAR	<u>18,966,791</u>	<u>17,397,392</u>
NET POSITION AT END OF YEAR	<u>\$ 20,624,411</u>	<u>\$ 18,966,791</u>

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

University of Illinois
Illinois Public Media

STATEMENTS OF CASH FLOWS

For the Years Ended June 30

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Community service grants receipts	\$ 1,492,034	\$ 1,523,745
State and other government grants receipts	23,149	23,953
Other grants receipts	131,516	132,633
Other operating receipts	117,980	175,736
University support	14,600	13,886
Payments to employees and related benefits	(2,204,828)	(1,807,694)
Payments to suppliers	<u>(3,146,590)</u>	<u>(3,651,271)</u>
Net cash flows from operating activities	(3,572,139)	(3,589,012)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	1,313,594	1,433,472
Cash received from contributors	<u>2,485,798</u>	<u>2,648,397</u>
Net cash flows from noncapital financing activities	3,799,392	4,081,869
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital gifts	1,216,855	818,403
Purchase of capital assets	(56,375)	(56,046)
Interest payments on loan payable	<u>(148,193)</u>	<u>(148,193)</u>
Net cash flows from capital and related financing activities	1,012,287	614,164
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on cash and investments, net	235,495	249,891
Sales (purchases) of investments, net	<u>(1,010,175)</u>	<u>114,157</u>
Net cash flows from investing activities	<u>(774,680)</u>	<u>364,048</u>
CHANGE IN CASH AND CASH EQUIVALENTS	464,860	1,471,069
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,274,148</u>	<u>5,803,079</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,739,008</u>	<u>\$ 7,274,148</u>

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

University of Illinois
Illinois Public Media

STATEMENTS OF CASH FLOWS - CONTINUED

For the Years Ended June 30

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$ (5,209,503)	\$ (5,558,087)
Adjustments to reconcile the net operating loss to net cash flows from operating activities:		
Operating expenses arising from on behalf payments and support from the University	639,627	651,842
Operating expenses arising from on behalf payments from the State of Illinois	378,888	526,685
Operating expenses arising from in-kind contributions	486,000	544,000
Depreciation expense	193,767	196,705
Changes in assets, deferred outflows and liabilities		
Accounts receivable	(29,180)	10,415
Prepaid expenses	455	2,077
Deferred outflow of resources	(33,549)	5,584
Accounts payable	(10,317)	(8,371)
Accrued salaries	1,453	6,495
Deferred revenue	25,629	15,268
Accrued compensated absences	<u>(15,409)</u>	<u>18,375</u>
Net cash flows from operating activities	<u>\$ (3,572,139)</u>	<u>\$ (3,589,012)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
On behalf contributions from the University for administrative support and occupancy	\$ 639,627	\$ 651,842
On behalf contributions from the State of Illinois for the payment of employee fringe benefits	378,888	526,685
In-kind contributions of goods and services	486,000	544,000
Net increase in fair value of investments	259,059	402,989

University of Illinois
Illinois Public Media

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - NATURE OF OPERATIONS

Illinois Public Media (IPM) is a public telecommunications service owned and operated by the University of Illinois at Urbana-Champaign (University). IPM is part of the University as a whole, and thus, for financial reporting purposes the financial balances and activities included in these financial statements are also included in the University's financial statements. These financial statements present only IPM, and do not purport to, and do not, present fairly the financial position of the University as of June 30, 2018 and 2017, and changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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), including Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. IPM follows the business-type activity reporting requirements of GASB Statement No. 35 that provides a comprehensive, entity-wide perspective of IPM's financial activities.

For financial reporting purposes, IPM is considered part of the University, and thus, like the University is a special-purpose government engaged only in business-type activities. Accordingly, IPM's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to public colleges and universities. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred.

The accounts of IPM are maintained internally in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to specified activities or objectives.

University of Illinois
Illinois Public Media

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Pooled Cash and Investments

To provide for efficiencies and economies in their management, the University has pooled its cash and investments, except for certain funds that are required by bond resolution to be in separate accounts. Interest in pooled cash and investments at June 30, 2018 and 2017 represents IPM's share of these pooled accounts.

Cash deposits and cash equivalents of the University include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury Bills.

The University's investments are reported at fair value. The fair value is determined to be the amount at which financial instruments could be exchanged in current transactions between willing partners, usually quoted at market prices. It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and confirming to all statutes governing the investment of funds.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Additional information regarding the University's deposits and investments may be obtained from the financial statements of the University.

University of Illinois
Illinois Public Media

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Capital Assets

Capital assets are recorded at cost at the date of acquisition or at the fair market value at the date of donation. In accordance with accounting principles generally accepted in the United States of America, depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets valued at \$ 5,000 or more are capitalized. The range of estimated useful lives is as follows:

Buildings and improvements	50 years
Machinery, furniture, and equipment	5-20 years

4. Net Position

IPM's net position is classified as follows:

- a. Net investment in capital assets: This represents the total investment in capital assets, net of accumulated depreciation and related debt.
- b. Restricted net position, non-expendable: Restricted non-expendable net position consist of endowments with specific restrictions requiring that the principal be invested and only the earnings be used.
- c. Restricted net position, expendable: Restricted expendable net position include resources in which IPM is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- d. Unrestricted net position: Unrestricted net position represents resources that have not been restricted by external parties and are available for use by IPM.

It is IPM's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

University of Illinois
Illinois Public Media

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Donor-Restricted Endowments

Donor-restricted endowments are held and administered by the University of Illinois Foundation. The University of Illinois Foundation holds the funds as agency funds based upon and consistent with the desire of the donor.

The State of Illinois adopted the Uniform Prudent Managements of Institutional Funds Act (UPMIFA), effective June 30, 2009. UPMIFA added certain prudent spending measures to the Uniform Management of Institutional Funds Act. In accordance with UPMIFA, the Board of Directors of the University of Illinois Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds; general economic conditions; the possibility of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the institution; and the investment policies of the University of Illinois Foundation.

6. Revenue Recognition

IPM has classified its revenues as either operating or non-operating revenues as follows:

Operating revenues include activities that have the characteristics of exchange transactions, such as providing educational programs, goods and production services to the public and private sector, and include most grants and contracts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*, such as state appropriations, investment income, and capital gains. Appropriations made to the University from the State of Illinois General Revenue Fund are recognized as non-operating revenues in the year appropriated to the extent expended. Other non-operating revenues include transactions relating to capital and financial activities, non-capital financing activities, and investing activities.

Grants are recorded as revenue when all applicable eligibility requirements have been met.

University of Illinois
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Donated Facilities and Administrative Support

Facilities allocated from the University consist of office and studio space together with related occupancy costs and are recorded in revenue and expenses on a prorated basis. Administrative support from the University consists of adjusted allocated financial and physical plant charges incurred by the University on behalf of IPM.

8. Pledges and Contributions

IPM engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to IPM for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers and listeners. However, uncollected pledges are not enforceable against contributors. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received. Contributions and collected pledges from these fundraising campaigns are components of the unrestricted operating fund since their usage is not limited to specific activities of IPM.

9. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Revenues, Expenses, and Changes in Net Position. Accordingly, certain costs have been allocated among the programs and supporting services benefited, using estimates if necessary.

10. Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act 47, United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Corporation for Public Broadcasting Community Service Grants - Continued

According to the Communication Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the period. Actual results could differ from those estimates.

13. Subsequent Events

IPM assessed events that have occurred subsequent to June 30, 2018 through February 13, 2019, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

NOTE C - INTEREST IN POOLED INVESTMENTS

Investments consist of shares of an investment pool which are held and administered by the University of Illinois Foundation. IPM's share of the investment pool is stated at fair value. Fair value is generally determined by either quoted market prices or net asset values for the University of Illinois Foundation's investments.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Investment income includes interest, dividends, and realized gains and losses.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE C - INTEREST IN POOLED INVESTMENTS - Continued

At June 30, 2018 and 2017 the fair value of IPM's share of the University of Illinois Foundation investment pool was \$ 9,115,391 and \$ 7,846,157, respectively. The investments carry donor restrictions and therefore are included in restricted, expendable net position or restricted, non-expendable net position.

Further information regarding the investments held by the University of Illinois Foundation and their fair value measurements may be obtained from the financial statements of the University.

NOTE D - CAPITAL ASSETS

Capital assets activity for IPM is summarized below:

	Balances July 1, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balances June 30, <u>2018</u>
Capital assets				
Buildings	\$ 7,299,797	\$ -	\$ -	\$ 7,299,797
Equipment	<u>3,583,354</u>	<u>56,375</u>	<u>129,128</u>	<u>3,510,601</u>
Total capital assets	10,883,151	56,375	129,128	10,810,398
Less accumulated depreciation				
Buildings	2,575,159	152,289	-	2,727,448
Equipment	<u>3,399,180</u>	<u>41,478</u>	<u>129,128</u>	<u>3,311,530</u>
Total accumulated depreciation	<u>5,974,339</u>	<u>193,767</u>	<u>129,128</u>	<u>6,038,978</u>
Capital assets, net	<u>\$ 4,908,812</u>	<u>\$ (137,392)</u>	<u>\$ -</u>	<u>\$ 4,771,420</u>

University of Illinois
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE E - STATE UNIVERSITIES RETIREMENT SYSTEM

1. General Information about the Pension Plan

Plan Description: The University contributes to the State University Retirement System of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State 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 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's 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 the website at www.surs.org.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2017 can be found in the SURS' comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time; or (c) employed less than full time and attending classes with an employer. Of those employees ineligible to participate, the majority are students at the University.

University of Illinois
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE E - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

1. General Information about the Pension Plan - Continued

Contributions: The State is primarily responsible for funding the SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2018 and 2017 respectively, was 12.46% and 12.53% of employees’ payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of “affected annuitants” or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

2. Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability: At June 30, 2017, SURS reported a net pension liability (NPL) of \$ 25,481,105,995. The net pension liability was measured as of June 30, 2017.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the University is \$ -0-. The proportionate share of the State’s net pension liability associated with the University is \$ 4,673,693,499. This amount should not be recognized in the financial statement. The net pension liability and the total pension liability as of June 30, 2017 was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2017.

University of Illinois
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE E - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

2. Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Pension Expense: At June 30, 2017 SURS reported a collective net pension expense of \$ 2,412,918,129.

Employer Proportionate Share of Pension Expense: The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2017. As a result, the University recognized on-behalf revenue and pension expense of \$ 442,572,617 for fiscal year ended June 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Deferred outflows of resources are the consumption of net position by the System that is applicable to future reporting periods.

SURS collective deferred outflows and deferred inflows of resources by sources (nearest thousand) is as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 139,193	\$ 1,171
Changes in assumptions	205,004	259,657
Net difference between projected and actual earnings on pension plan investments	<u>94,621</u>	<u>-</u>
Total	<u>\$ 438,818</u>	<u>\$ 260,828</u>

3. Deferral of Fiscal Year 2018 Pension Expense

IPM paid \$ 93,662 in federal, trust or grant contributions for fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability measurement date of June 30, 2017 and are recognized as Deferred Outflows of Resources as of June 30, 2018.

University of Illinois
Illinois Public Media

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE E - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

4. Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2010 - 2014. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2014 Combined Mortality Table, with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	23.00%	6.08%
Private equity	6.00	8.73
Non-U.S. equity	19.00	7.34
Global equity	8.00	6.85
Fixed income	19.00	1.38
Treasury-inflation protected securities	4.00	1.17
Emerging market debt	3.00	4.14
Real estate REITS	4.00	5.75
Direct real estate	6.00	4.62

University of Illinois
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE E - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

4. Assumptions and Other Inputs - Continued

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Commodities	2.00%	4.23%
Hedge strategies	5.00	3.95
Opportunity fund	<u>1.00</u>	<u>6.71</u>
Total	<u>100.00%</u>	5.20%
Inflation		<u>2.75</u>
Expected Arithmetic Return		<u>7.95%</u>

Discount Rate: A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the SURS' funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS' Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

<u>1% Decrease - 6.09%</u>	<u>Current Single Discount Rate Assumption - 7.09%</u>	<u>1% Increase - 8.09%</u>
<u>\$ 30,885,146,279</u>	<u>\$ 25,481,105,995</u>	<u>\$ 20,997,457,586</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE E - STATE UNIVERSITIES RETIREMENT SYSTEM - Continued

4. Assumptions and Other Inputs - Continued

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

NOTE F - POSTEMPLOYMENT BENEFITS

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially, all State and University employees become eligible for these other postemployment benefits (OPEB) if they eventually become annuitants of one of the State sponsored pension plans. The Department of Central Management Services administer these benefits for annuitants with the assistance of the State's sponsored pension plans. The portions of the Act related to OPEB establish a cost-sharing multiple-employer defined-benefit OPEB plan with a special funding situation in which the State funds substantially all nonparticipant contributions. The plan does not issue a stand-alone financial report but is included as a part of the State's financial statements. A copy of the financial statements of the State can be obtained at www.ioc.state.il.us.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and the University's employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act also requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes \$ 5,000.

The State makes substantially all of the contributions for OPEB on behalf of the State universities. Since the State contributes substantially all of the employer contributions, the single-employer provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, have been followed for reporting the plan. The State is not required to and does not fund the plan other than the pay-as-you-go amount necessary to provide the current benefits.

University of Illinois
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE G - NOTE PAYABLE, CONTRIBUTIONS RECEIVABLE, AND BENEFICIAL
INTEREST IN CHARITABLE REMAINDER TRUST

In 1999, the University of Illinois administration provided an internal loan to the College of Media/IPM for the construction of Campbell Hall. Under the terms of the related financing agreement, the note bears interest at an annual rate of 5%. The majority of the principal is to be paid upon the receipt of deferred gifts which have been designated for IPM through contributions receivable and a charitable remainder trust, all of which are held by the University of Illinois Foundation.

The principal balance of the loan was \$ 2,963,857 as of June 30, 2018 and 2017. The University allocates the principal balance of the loan to IPM's balance sheet and IPM recognizes a corresponding non-current asset which it classifies as contributions receivable and beneficial interest in charitable remainder trust. Management believes the principal balance of the loan approximates the net present value of IPM's share of contributions receivable combined with the fair value of IPM's beneficial interest in the charitable remainder trust.

The annual interest payment and the principal balance is adjusted accordingly on an annual basis as deferred gifts are received and until the loan is paid in full. The University of Illinois Foundation pays the interest annually on the outstanding balance of the loan from endowment funds, and the interest expense is allocated to IPM. The University of Illinois Foundation also allocates revenue to IPM annually for the amount of the interest expense. The allocation of revenue and interest expense to IPM for the years ended June 30, 2018 and 2017 was \$ 148,193. The revenue is included in capital gifts on the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2018 and 2017.

Under the terms of the financing agreement, if any sources of interest or principal payments change or do not materialize, the College of Media/IPM is responsible for any shortfalls.

University of Illinois
Illinois Public Media

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE H - INDIRECT ADMINISTRATIVE SUPPORT

Indirect administrative support from the University consists of allocated institutional support and physical plant costs incurred by the University for which IPM receives benefits. The fair value of this support is recognized in the Statement of Revenues, Expenses and Changes in Net Position. The value of this support for the years ended June 30, 2018 and 2017 was \$ 639,627 and \$ 651,842, respectively.

NOTE I - CONTRIBUTED IN-KIND SUPPORT

Contributed materials, supplies, and facilities are recorded at their estimated fair value at the date of donation. IPM reports gifts of professional services, materials, and other nonmonetary contributions as revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. As expenses of an equivalent amount are also recognized, there is no impact on net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers are not recorded as revenue and expenses as there is no objective basis available to measure the value of such services.

A summary of the contributed support received in the years ended June 30, 2018 and 2017 was as follows:

The amount of donated materials and services recognized in the years ended June 30, 2018 and 2017 was \$ -0- and \$ 5,000, respectively.

The University of Illinois Foundation contributed professional services consisting of processing donations, records maintenance, fund-raising expertise, and administrative services. The value of these professional services recognized in the years ended June 30, 2018 and 2017 was \$ 486,000 and \$ 539,000, respectively.

Contributed support from the State of Illinois consists of benefit contributions on behalf of IPM. The value of the on-behalf contributions recognized in the years ended June 30, 2018 and 2017 was \$ 378,888 and \$ 526,685, respectively.

University of Illinois
Illinois Public Media

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE J - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2018, a matter was identified which required a prior period adjustment. Upon reassessment of the relevant University cost pools benefitting IPM, management determined that the indirect administrative support provided by the University had previously been overstated. While this prior period adjustment had no effect on the change in net position for the year ended June 30, 2017, it did result in the following restatements:

	<u>Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>Restated</u>
OPERATING EXPENSES			
Local programming and production	\$ 3,962,756	\$ (489,692)	\$ 3,473,064
Broadcasting	1,019,933	(127,881)	892,052
Program information	578,107	(71,512)	506,595
Fundraising and membership development	1,213,324	(101,553)	1,111,771
Grant and underwriting solicitation	342,454	(28,728)	313,726
Management and general	<u>1,036,539</u>	<u>(128,095)</u>	<u>908,444</u>
	<u>\$ 8,153,113</u>	<u>\$ (947,461)</u>	<u>\$ 7,205,652</u>
NON-OPERATING REVENUES			
Donated facilities and administrative support	<u>\$ 1,599,303</u>	<u>\$ (947,461)</u>	<u>\$ 651,842</u>

SUPPLEMENTARY INFORMATION

University of Illinois
Illinois Public Media

COMBINING SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended June 30, 2018

	<u>AM/FM</u>	<u>TV</u>	<u>Total</u>
Operating revenues			
Community service grants	\$ 518,167	\$ 1,005,151	\$ 1,523,318
State and other government grants	55,188	-	55,188
Other grants	54,630	17,114	71,744
University support	6,278	8,322	14,600
Other income	<u>72,966</u>	<u>45,014</u>	<u>117,980</u>
Total operating revenues	707,229	1,075,601	1,782,830
Operating expenses			
Local programming and production	1,624,533	1,544,900	3,169,433
Broadcasting	296,780	632,517	929,297
Program information	132,452	176,594	309,046
Fundraising and membership development	449,075	596,043	1,045,118
Grant and underwriting solicitation	189,078	176,430	365,508
Management and general	422,700	557,464	980,164
Unallocated depreciation	<u>83,320</u>	<u>110,447</u>	<u>193,767</u>
Total operating expenses	<u>3,197,938</u>	<u>3,794,395</u>	<u>6,992,333</u>
Net operating loss	(2,490,709)	(2,718,794)	(5,209,503)
Non-operating revenues (expenses)			
State appropriations	643,043	670,551	1,313,594
Contributions	1,354,820	1,616,978	2,971,798
Donated facilities and administrative support	290,475	349,152	639,627
On behalf payments for fringe benefits	181,333	197,555	378,888
Net investment income	14,715	220,780	235,495
Net increase in fair value of investments	77,652	181,407	259,059
Interest expense	<u>(63,723)</u>	<u>(84,470)</u>	<u>(148,193)</u>
Net non-operating revenues	<u>2,498,315</u>	<u>3,151,953</u>	<u>5,650,268</u>
Income before other revenues	7,606	433,159	440,765
Capital gifts	<u>540,348</u>	<u>676,507</u>	<u>1,216,855</u>
Increase in net position	<u>\$ 547,954</u>	<u>\$ 1,109,666</u>	<u>\$ 1,657,620</u>

University of Illinois
Illinois Public Media

COMBINING SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended June 30, 2017

	<u>AM/FM</u>	<u>TV</u>	<u>Total</u>
Operating revenues			
Community service grants	\$ 515,870	\$ 1,059,222	\$ 1,575,092
State and other government grants	21,691	13,189	34,880
Other grants	16,867	20,809	37,676
University support	6,249	7,637	13,886
Other income	<u>56,575</u>	<u>126,161</u>	<u>182,736</u>
Total operating revenues	617,252	1,227,018	1,844,270
Operating expenses			
Local programming and production	1,519,301	1,953,763	3,473,064
Broadcasting	409,393	482,659	892,052
Program information	228,813	277,782	506,595
Fundraising and membership development	506,564	605,207	1,111,771
Grant and underwriting solicitation	170,599	143,127	313,726
Management and general	397,275	511,169	908,444
Unallocated depreciation	<u>88,517</u>	<u>108,188</u>	<u>196,705</u>
Total operating expenses	<u>3,320,462</u>	<u>4,081,895</u>	<u>7,402,357</u>
Net operating loss	(2,703,210)	(2,854,877)	(5,558,087)
Non-operating revenues (expenses)			
State appropriations	703,752	729,720	1,433,472
Contributions	1,542,613	1,649,784	3,192,397
Donated facilities and administrative support	294,034	357,808	651,842
On behalf payments for fringe benefits	245,178	281,507	526,685
Net investment income	63,040	186,851	249,891
Net increase in fair value of investments	163,994	238,995	402,989
Interest expense	<u>(66,687)</u>	<u>(81,506)</u>	<u>(148,193)</u>
Net non-operating revenues	<u>2,945,924</u>	<u>3,363,159</u>	<u>6,309,083</u>
Income before other revenues	242,714	508,282	750,996
Capital gifts	<u>368,281</u>	<u>450,122</u>	<u>818,403</u>
Increase in net position	<u>\$ 610,995</u>	<u>\$ 958,404</u>	<u>\$ 1,569,399</u>

OTHER REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Board of Trustees of University of Illinois
Illinois Public Media
Urbana, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Illinois Public Media (IPM) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise IPM's basic financial statements, and have issued our report thereon dated February 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IPM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IPM's internal control. Accordingly, we do not express an opinion on the effectiveness of IPM's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IPM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eck, Schaefer + Punke, LLP

Springfield, Illinois
February 13, 2019