

Eastern Michigan University WEMU-FM

Financial Report

June 30, 2020

Eastern Michigan University WEMU-FM

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Independent Auditor's Report

To the Board of Regents
Eastern Michigan University WEMU-FM

Report on the Financial Statements

We have audited the accompanying financial statements of the Eastern Michigan University WEMU-FM (the "Station" or WEMU), a department of Eastern Michigan University, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Eastern Michigan University WEMU-FM's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Michigan University WEMU-FM as of June 30, 2020 and 2019 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

We draw attention to Note 1, which explains that these financial statements present only the department of Eastern Michigan University WEMU-FM and do not purport to, and do not, present fairly the financial position of Eastern Michigan University as of June 30, 2020, the changes in its financial position, and the changes in its cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 7 to the basic financial statements, the 2019 basic financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

To the Board of Regents
Eastern Michigan University WEMU-FM

Other Matters

Management has omitted the required supplemental information related to the adoption of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75, which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplemental Information

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

Plante & Moran, PLLC

December 16, 2020

Eastern Michigan University WEMU-FM

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

This section of Eastern Michigan University WEMU-FM's (the "Station" or "WEMU") annual financial report presents management's discussion and analysis of the financial performance of the Station during the fiscal years ended June 30, 2020, 2019, and 2018. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, notes, and this discussion are the responsibility of the Station's management.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the Station's operations were also impacted, including shifting to a remote work environment, and eliminating non-essential travel. The following sections will discuss further the specific impacts related in the financial statements for the year ending June 30, 2020.

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*. In 2015, the Station adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Station reported a liability of \$263,145, \$272,119, and \$263,245 for its allocated share of the University's net pension liability at June 30, 2020, 2019, and 2018, respectively. In 2018, the Station adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The Station reported a liability of \$35,720, \$49,707, and \$64,796 for its allocated share of the University's Other Postemployment Benefits (OPEB) liability at June 30, 2020, 2019 and 2018, respectively. The Station had deferred outflows consisting of \$19,286, \$21,826, and \$24,027 primarily in University pension and OPEB contributions subsequent to the measurement date of the accrued actuarial pension obligation at June 30, 2020, 2019, and 2018, respectively. In addition, at June 30, 2020, 2019, and 2018, the Station had deferred inflows consisting of \$10,047, \$18,502, and \$9,013, respectively, in the net difference between projected and actual earnings on pension and OPEB plan investments in respect to the fair value of pension and OPEB obligations.

The financial statements prescribed by GASB statements (the statement of net position, statement of revenue, expenses, and changes in net position, and 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 revenue 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.

Eastern Michigan University WEMU-FM

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

The statement of net position includes all assets and liabilities. Over time, increases or decreases in net position (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 revenue, expenses, and changes in net position presents the revenue 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 revenue. 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.

Condensed Statement of Net Position (in thousands)

	June 30		
	2020	2019	2018
		(restated)	(restated)
Assets			
Current assets	\$ 79	\$ 105	\$ 161
Noncurrent assets	100	100	100
Total assets	179	205	261
Deferred Outflows of Resources	19	22	24
Liabilities			
Current liabilities	162	-	-
Noncurrent liabilities	554	741	719
Total liabilities	716	741	719
Deferred Inflows of Resources	10	19	9
Net Position			
Net investment in capital assets	100	100	100
Restricted - Expendable	192	204	217
Unrestricted (deficit) - as restated	(820)	(837)	(760)
Total net position	<u>\$ (528)</u>	<u>\$ (533)</u>	<u>\$ (443)</u>

Eastern Michigan University WEMU-FM

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

Condensed Statement of Revenue, Expenses, and Changes in Net Position (in thousands)

	Year Ended June 30		
	2020	2019	2018
		(restated)	(restated)
Operating Revenue			
Grants from Corporation for Public Broadcasting	\$ 137	\$ 145	\$ 140
Rental income	28	25	46
Total operating revenue	165	170	186
Operating Expenses			
Program services:			
Programming and production	1,102	1,213	1,308
Broadcasting	93	102	119
Program information	49	54	108
Support services:			
Fundraising	145	160	175
Management	279	307	332
Total operating expenses	1,668	1,835	2,042
Operating Loss	(1,503)	(1,665)	(1,856)
Nonoperating Revenue			
General appropriations from the University	367	357	371
Administrative support from the University	293	522	533
Contributions	773	697	693
Stabilization funds from Corporation for Public Broadcasting	75	-	-
Total nonoperating revenue	1,508	1,576	1,597
Change in Net Position	5	(90)	(259)
Net Position - Beginning of year	(533)	(443)	145
Prior Period Adjustment	-	-	(263)
Adjustment for Change in Accounting Principle	-	-	(66)
Net Position - Beginning of year - As restated	(533)	(443)	(184)
Net Position - End of year	<u>\$ (528)</u>	<u>\$ (533)</u>	<u>\$ (443)</u>

Eastern Michigan University WEMU-FM

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

Noteworthy Financial Activity

Significant components of the radio station's financial condition include:

- The Station's total assets as of June 30, 2020 decreased versus the prior year by approximately \$37,000, primarily due to Cash (\$24,000) and Accounts Receivable (\$13,000). \$100,000 is invested in capital assets as of June 30, 2020. The Station's total assets as of June 30, 2019 decreased versus the prior year by approximately \$55,000, primarily due to a decrease in Cash (\$84,000) offset by an increase in Accounts Receivable (\$29,000).
- In 2020, liabilities decreased by approximately \$37,000, primarily due to the Station's decrease in Accrued Payroll & Compensated Absences (\$14,000) as well as a decrease in its Pension Obligation (\$9,000) and the Station's OPEB Obligation (\$14,000). In 2019, liabilities increased by approximately \$22,000, primarily due to the Station's increase in Accrued Payroll & Compensated Absences (\$29,000) and an increase in its Pension Obligation (\$9,000) offset by a decrease in the Station's OPEB Obligation (\$15,000). Additionally, the Station recognized a prior period adjustment of \$327,000 which increased accounts payable and decreased net position in 2019.
- In 2020, operating revenue decreased by approximately \$5,000, primarily due to a decrease in Grants from the Corporation of Public Broadcasting (\$7,000) offset by an increase in Rental Revenue (\$2,000). In 2019, operating revenue decreased by approximately \$16,000, primarily due to a decrease in Rental Revenue (\$21,000) offset by an increase in Grants from Corporation of Public Broadcasting (\$5,000).
- In 2020, non-operating revenue decreased by approximately \$142,000, primarily due to a decrease in Administrative Support (\$229,000) as a result of changes in Indirect Administrative Support calculation, offset by an increase in general appropriation support (\$10,000), in contributions (\$77,000) and CARES grant support (\$75,000). In 2019, non-operating revenue decreased by approximately \$21,000, primarily due to decreased general appropriations (\$14,000) and administrative support (\$11,000), and increased contributions (\$4,000).
- In 2020, operating expenses decreased by approximately \$167,000, primarily due to decreases in program services (\$124,000), fundraising (\$15,000) and management support (\$28,000). In 2019, operating expenses decreased by approximately \$143,000, primarily due to decreases in program information (\$54,000), programming and production (\$32,000) and management support (\$25,000).

Eastern Michigan University WEMU-FM

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

Condensed Statement of Cash Flows (in thousands)

	Year Ended June 30		
	2020	2019	2018
Cash (Used in) Provided by			
Operating activities	\$ (1,515)	\$ (1,671)	\$ (1,636)
Noncapital financing activities	1,502	1,587	1,587
Net Decrease in Cash	(13)	(84)	(49)
Cash - Beginning of year	13	97	146
Cash - End of year	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 97</u>

Looking Ahead

In fiscal year 2020, the station continued in its goal to reduce reliance on General Fund support with strong fundraising in the fall of 2019 that included a legacy gift of over \$100,000. A robust outreach and marketing plan was in place for the second six months of the fiscal year, in celebration of WEMU's 55th anniversary that included major fundraising events.

However, like all areas of the University, WEMU had to adjust its plans which included canceling all planned events and revamping its on air fundraising efforts, both to protect the many members of the community who typically assist on site, but also because news events prevented the station from interrupting programming to fundraise.

Thanks to the efforts of staff, "soft" on-air fundraisers, the response of the community of donors, and a CARES grant from CPB, WEMU was able to meet its fundraising goal for the fiscal year. However, uncertainty related to the pandemic continues to affect future planning, especially in terms of in-person community outreach, which has been a mainstay in audience development for many years.

WEMU reduced expenses by canceling all events and eliminating two full time positions.

The stay at home order resulted in increased listening to WEMU, which rose from 12th in the market to 4th, doubled its AQH across all dayparts, and increased time spent listening to over 11 hours per week.

In fiscal year 2021, WEMU will continue its aggressive audience building and fundraising strategies with increased focus on corporate and foundation gifts and a continued heavy emphasis on recruiting and retaining first-time and lapsed donors. While traditional outreach is still suspended, the staff is working on more online and social media options to reach out to prospective listeners and lapsed donors.

Eastern Michigan University WEMU-FM

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

WEMU's technical issues were fewer than in 2019, thanks to regular maintenance and diligence from the part time engineer. Aging equipment and infrastructure continues to be a concern. Washtenaw County Emergency Management renewed their ten year tower rental lease in 2019, and made their second annual payment of \$6,615 in FY20. Equipment purchases will continue to come from the station's designated equipment fund.

WEMU remains committed to serve the University's mission of public service through programming, community support, civic engagement, and free public service announcements to nonprofits and arts organizations. Based on listener feedback, WEMU has played a critical role in supplying the community with critical and relevant information about the pandemic and will continue to do so through FY21.

Eastern Michigan University WEMU-FM

Statement of Net Position

	June 30	
	2020	2019
		(restated)
Assets		
Current assets:		
Cash	\$ -	\$ 12,744
Accounts receivable from the University	78,868	92,747
Total current assets	78,868	105,491
Noncurrent assets - Property and equipment - Net (Note 3)	100,000	100,000
Total assets	178,868	205,491
Deferred Outflows of Resources (Note 5)	19,286	21,826
Liabilities		
Current liabilities:		
Accounts payable (Note 7)	150,481	-
Due to Eastern Michigan University	10,942	-
Total current liabilities	161,423	-
Noncurrent liabilities:		
Compensated absences	78,868	92,747
Accounts payable (Note 7)	176,720	327,201
Pension obligation	263,145	272,119
OPEB obligation	35,720	49,707
Total noncurrent liabilities	554,453	741,774
Total liabilities	715,876	741,774
Deferred Inflows of Resources (Note 5)	10,047	18,502
Net Position		
Net investment in capital assets	100,000	100,000
Restricted - Expendable	192,317	204,087
Unrestricted (as restated - Note 7)	(820,086)	(837,046)
Total net position	<u>\$ (527,769)</u>	<u>\$ (532,959)</u>

Eastern Michigan University WEMU-FM

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2020	2019
Operating Revenue		(restated)
Grants from Corporation for Public Broadcasting	\$ 137,472	\$ 144,958
Rental income	27,603	25,080
Total operating revenue	165,075	170,038
Operating Expenses		
Program services:		
Programming and production	1,102,170	1,212,497
Broadcasting	92,916	102,220
Program information	48,713	53,585
Support services:		
Fundraising	145,466	160,026
Management	278,923	306,841
Total operating expenses	1,668,188	1,835,169
Operating Loss	(1,503,113)	(1,665,131)
Nonoperating Revenue		
General appropriations from the University	366,924	357,023
Administrative support from the University	292,858	521,545
Contributions	773,521	697,191
Stabilization funds from Corporation for Public Broadcasting	75,000	-
Total nonoperating revenue	1,508,303	1,575,759
Change in Net Position	5,190	(89,372)
Net Position - Beginning of year	(532,959)	(116,386)
Prior Period Adjustment (Note 7)	-	(327,201)
Net Position - Beginning of year, as restated	(532,959)	(443,587)
Net Position - End of year	<u>\$ (527,769)</u>	<u>\$ (532,959)</u>

Eastern Michigan University WEMU-FM

Statement of Cash Flows

	Year Ended June 30	
	2020	2019
Cash Flows from Operating Activities		
Cash received from Corporation for Public Broadcasting	\$ 137,472	\$ 144,958
Cash received from tower leases	27,603	25,080
Cash paid for programming services	(1,266,771)	(1,374,517)
Cash paid for management and fundraising	(413,436)	(466,867)
Net cash used in operating activities	(1,515,132)	(1,671,346)
Cash Flows from Noncapital Financing Activities		
Cash received from University appropriations	361,009	368,713
Cash received from administrative support	292,858	521,543
Public Broadcasting stabilization funds	75,000	-
Contributions received	773,521	697,191
Net cash provided by noncapital financing activities	1,502,388	1,587,447
Net Decrease in Cash	(12,744)	(83,899)
Cash - Beginning of year	12,744	96,643
Cash - End of year	<u>\$ -</u>	<u>\$ 12,744</u>
Reconciliation of Operating Loss to Net Cash used in Operating Activities		
Operating loss	\$ (1,503,113)	\$ (1,665,131)
Adjustments to reconcile operating loss to net cash from operating activities:		
Changes in assets and liabilities:		
Accounts receivable - Net	21,261	(28,867)
Accrued compensated absences	(21,261)	28,867
Due to Eastern Michigan University	10,942	-
Net pension obligation and related deferred inflows and outflows	(8,974)	8,874
Net OPEB obligation and related deferred inflows and outflows	(13,987)	(15,089)
Total changes in assets and liabilities	(12,019)	(6,215)
Net cash used in operating activities	<u>\$ (1,515,132)</u>	<u>\$ (1,671,346)</u>

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2020 and 2019

Note 1 - Organization

Eastern Michigan University WEMU-FM (the “Station” or “WEMU”) is a public telecommunications radio station licensed to Eastern Michigan University (the “University”). WEMU 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 is owned and operated by the University and does not have separate legal status or existence. The financial position, support, revenue, and expenditures of WEMU 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). The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and is presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 63. WEMU follows the “business-type” activities requirements of GASB Statement No. 34. This approach requires the following components of WEMU’s financial statements:

- Management’s Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements

The 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 position categories according to externally imposed restrictions.

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

The three net position categories are as follows:

- **Net Investment in Capital Assets** - 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 position 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 position not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

Cash - Cash is held in Eastern Michigan University funds. The amounts reflected in the accompanying statement of net position represent the net amounts due to the Station from the University's pooled cash system.

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.

Compensated Absences - Compensated absences include sick leave, annual leave, and compensatory time accrued by station employees per University policy and paid by the University. It is the University's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for unpaid accumulated sick leave since the University does have a policy to pay half of any amounts accumulated when eligible employees retire from the University. All vacation pay is accrued when incurred. A receivable from the University and a liability is reported for these amounts as of year-end.

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. Because the University pays for WEMU's compensated absences, a receivable from the University has been established in the statement of net position in the amount of accrued compensated absences.

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

Indirect Administrative Support - A portion of the University's general overhead costs relates to and benefits WEMU. 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. The fair value of these services is reported as revenue (administrative support from the University) and expenditures in the accompanying statement of revenue, expenses, and changes in net position.

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

WEMU receives an annual community service grant from the Corporation for Public Broadcasting. These funds may be used at the discretion of WEMU and are reported as restricted 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.

Deferred Outflows - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows are related to pension and OPEB obligations described in Note 5.

Deferred Inflows - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows are related to the pension and OPEB plans described in Note 5.

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

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 fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs - For purposes of measuring the net other employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPERS and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

COVID-19 Impact: On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the Station's operations were also impacted. Due to the "shelter-at-home" guidelines during March 2020, the Station shifted to a remote work environment and cancelled all non-essential travel. To offset the financial impact, the Station received \$75,000 in stabilization funds from the Corporation for Public Broadcasting during the year ended June 30, 2020. The Corporation for Public Broadcasting received the funds through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and there are no purpose or timing restrictions on the funds. WEMU recognized revenue when the funds were received. The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Station's community, all of which are uncertain and cannot be predicted.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2020 and 2019

Note 3 - Property and Equipment

Property and equipment at June 30, 2020 and 2019 consist of the following:

	2019	Additions	Retirement	Reclassification	2020
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Transmitter and tower	288,800	-	-	-	288,800
Studio and technical equipment	140,797	-	-	-	140,797
Furniture, fixture, and equipment	126,813	-	-	-	126,813
Subtotal	656,410	-	-	-	656,410
Less accumulated depreciation	(556,410)	-	-	-	(556,410)
Net property and equipment	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
	2018	Additions	Retirement	Reclassification	2019
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Transmitter and tower	288,800	-	-	-	288,800
Studio and technical equipment	140,797	-	-	-	140,797
Furniture, fixture, and equipment	126,813	-	-	-	126,813
Subtotal	656,410	-	-	-	656,410
Less accumulated depreciation	(556,410)	-	-	-	(556,410)
Net property and equipment	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>

Note 4 - Retirement Benefits and Compensated Absences

Through December 31, 1995, the University offered participation in one of two retirement plans for all qualified employees: The Michigan Public School Employees' Retirement System (MPERS) and the Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). The MPERS plan is further discussed in Note 5.

Defined Contribution Plan

TIAA-CREF is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee benefits generally vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. For the years ended June 30, 2020, 2019, and 2018, WEMU-FM contributed approximately \$36,000, \$40,000, and \$42,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contributions under the TIAA-CREF plan.

Note 4 - Retirement Benefits and Compensated Absences (Continued)

The University provides termination benefits upon retirement resulting from unused sick days. The University calculates its sick pay liability in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The University established a policy to eliminate sick leave accruals and retirement payouts for certain employees. The policy also includes a short-term disability plan to provide income protection for certain employees unable to work for an extended period because of nonwork-related illness or period of incapacity. The Station's portion of this liability is \$78,868 and \$92,747 as of June 30, 2020 and 2019, respectively.

Note 5 - Michigan Public School Employees' Retirement System

Plan Description - The Station, through the University, participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the University hired 1996 or earlier. Certain University employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. The report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at P.O. Box 30171, Lansing, MI 48909-7671. Separate pension information related to the Station's employees included in this plan is not available.

Benefits Provided - Benefit provisions of the defined benefit pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the Defined Contribution plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions - Public Act 300 of 1980, as amended, requires the University to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2020 and 2019

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The University's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2016 - September 30, 2017	18.75% - 23.05%	6.98% - 7.36%
October 1, 2017 - September 30, 2018	19.60% - 24.47%	6.13% - 6.44%
October 1, 2018 - September 30, 2019	19.74% - 25.03%	5.99% - 6.42%
October 1, 2019 - September 30, 2020	19.74% - 26.03%	5.99% - 6.57%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2020 and 2019

Note 5 - Michigan Public School Employees' Retirement System (Continued)

The University's required and actual pension contributions to the plan for the year ended June 30, 2020 and 2019 were \$6,003,732 and \$5,496,721, respectively, which include the University's contributions required for those members with a defined contribution benefit. The University's required and actual pension contributions include an allocation of \$628,466 and \$674,924 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020 and 2019, respectively.

The University's required and actual OPEB contributions to the plan for the years ended June 30, 2020 and 2019 were \$1,553,094 and \$1,383,060, respectively. These amounts include the University's contributions required for those members with a defined contribution benefit.

As a result of the above requirements, WEMU records an allocation of the University's required and actual contributions to the plan for the years ended June 30, 2020 and 2019, which was approximately \$23,000 (\$19,000 for pension and \$4,000 for OPEB) and \$25,000 (\$20,000 for pension and \$5,000 for OPEB), respectively.

Net Pension Liability - At June 30, 2020 and 2019, the Station reported a liability of \$263,145 and \$272,119, respectively, for its allocated share of the University's net pension liability. The net pension liability was measured as of September 30, 2019 and 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 and 2017, which used updated procedures to roll forward the estimated liability to September 30, 2019 and 2018. The University's proportion of the MPSERS net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. The amount the University allocated to the Station is based on the Station's current year contributions to the Plan, as a percentage of the University's total current year contributions to the Plan. At September 30, 2019, 2018, and 2017, the Station's allocation was 0.31, 0.34, and 0.36 percent, respectively, of the University's proportionate share.

Eastern Michigan University WEMU-FM

Notes to Financial Statements June 30, 2020 and 2019

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability - At June 30, 2020 and 2019, the Station reported a liability of \$35,720 and \$49,707, respectively, for its allocated share of the University's OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018 and 2017, which used updated procedures to roll forward the estimated liability to September 30, 2019. The University's proportion of the MPERS net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. The amount the University allocated to the Station is based on the Station's current year contributions to the Plan, as a percentage of the University's total current year contributions to the Plan. At September 30, 2019, 2018, and 2017, the Station's allocation was 0.31, 0.34, 0.36 percent, respectively, of the University's proportionate share.

Pension Expense and Deferrals of Resources Related to Pensions - For the years ended June 30, 2020 and 2019, WEMU recognized a pension expense of \$28,314 and \$50,948, respectively. At June 30, 2020 and 2019, WEMU reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ (211)
Changes in assumptions	-	-	2,183	-
Net difference between projected and actual earnings on pension plan investments	-	(4,762)	-	(9,001)
Changes in proportion and differences between University contributions and proportionate share of contributions	-	-	-	(54)
Total amortized deferrals	-	(4,762)	2,183	(9,266)
University contributions subsequent to the measurement date	14,713	-	14,150	-
Total	\$ 14,713	\$ (4,762)	\$ 16,333	\$ (9,266)

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Notes to Financial Statements June 30, 2020 and 2019

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2021	\$ (2,365)
2022	(2,560)
2023	(636)
2024	799
Total	<u>\$ (4,762)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2021).

OPEB Expense and Deferrals of Resources Related to OPEB - For the years ended June 30, 2020 and 2019, WEMU recognized OPEB recovery/expense of \$7,461 and recovery of \$2,943, respectively. At June 30, 2020 and 2019, WEMU reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Difference between expected and actual experience	\$ -	\$ (2,206)	\$ -	\$ (3,911)
Changes in assumptions	887	-	2,123	-
Net difference between projected and actual earnings on pension plan investments	-	(1,101)	-	(2,832)
Changes in proportion and differences between University contributions and proportionate share of contributions	<u>9</u>	<u>(8)</u>	<u>-</u>	<u>(211)</u>
Total amortized deferrals	896	(3,314)	2,123	(6,954)
University contributions subsequent to the measurement date	<u>3,677</u>	<u>-</u>	<u>3,369</u>	<u>-</u>
Total	<u>\$ 4,573</u>	<u>\$ (3,314)</u>	<u>\$ 5,492</u>	<u>\$ (6,954)</u>

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Notes to Financial Statements June 30, 2020 and 2019

Note 5 - Michigan Public School Employees' Retirement System (Continued)

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

June 30	Amount
2021	\$ (1,898)
2022	(580)
2023	(131)
2024	190
Total	<u>\$ (2,419)</u>

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2020 and 2019 is based on the results of an actuarial valuation as of September 30, 2019 and September 30, 2018, and rolled forward. The following actuarial assumptions applied to all periods included in the measurement:

As of September 30, 2018:

Actuarial cost method		Entry age normal cost actuarial method
Investment rate of return - Pension	6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75 - 11.55%	Including wage inflation of 2.75%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.0% Year 12
Mortality basis	Retirees & Active	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

As of September 30, 2017:

Actuarial cost method		Entry age normal cost actuarial method
Investment rate of return - Pension	7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	2.75 - 11.55%	Including wage inflation of 2.75%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.0% Year 12
Mortality basis	Retirees & Active	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Assumption changes as a result of an experience study for the periods 2012 to 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates, continued impact of the updated experience study which resulted in a lower than projected per person health benefit costs for OPEB, and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability was 6.80 and 7.05 percent as of September 30, 2019 and 2018, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 and 7.15 percent as of September 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

Note 5 - Michigan Public School Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan and OPEB 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Plan Year September 30, 2020		Plan Year September 30, 2019	
	Long-term Expected		Long-term Expected	
	Target	Real Rate of	Target	Real Rate of
	Allocation	Return	Allocation	Return
Domestic equity pools	28.0%	5.5%	28.0%	5.7%
Alternate investment pools	18.0%	8.6%	18.0%	9.2%
International equity pools	16.0%	7.3%	16.0%	7.2%
Fixed-income pools	10.5%	1.2%	10.5%	5.0%
Real estate and infrastructure pools	10.0%	4.2%	10.0%	3.9%
Absolute return pools	15.5%	5.4%	15.5%	5.2%
Short-term investment pools	2.0%	0.8%	2.0%	0.0%
Total	100%		100%	

MPERS approved a decrease in the discount rate for the September 30, 2018 annual actuarial valuation for the pension plan and the OPEB plan to 6.95% and 6.80%, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2019.

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Notes to Financial Statements June 30, 2020 and 2019

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the University, calculated using the discount rate depending on the plan option. The following also reflects what the University's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2020		
	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Station's proportionate share of the net pension liability - June 30, 2020	\$ 309,838	\$ 263,145	\$ 223,366
	2019		
	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Station's proportionate share of the net pension liability - June 30, 2019	\$ 321,693	\$ 272,119	\$ 229,828

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the University, calculated using the current discount rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2020		
	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
Station's proportionate share of the net OPEB liability - June 30, 2020	\$ 44,886	\$ 35,720	\$ 27,916
	2019		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Station's proportionate share of the net OPEB liability - June 30, 2019	\$ 59,798	\$ 49,707	\$ 41,090

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Notes to Financial Statements June 30, 2020 and 2019

Note 5 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB liability of the University, calculated using the current healthcare cost trend rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2020		
	Current Healthcare Cost		
	1% Decrease (6.50%)	Trend Rate (7.50%)	1% Increase (8.50%)
Station's proportionate share of the net OPEB liability - June 30, 2019	\$ 27,390	\$ 35,720	\$ 45,264
	2019		
	Current Healthcare Cost		
	1% Decrease (6.50%)	Trend Rate (7.50%)	1% Increase (8.50%)
Station's proportionate share of the net OPEB liability - June 30, 2018	\$ 39,535	\$ 49,707	\$ 60,289

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Note 6 - Nonfederal Financial Support (NFFS)

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

Calculated in accordance with CPB guidelines, the combined network reported total NFFS of \$1,427,938 and \$1,566,842 for the years ended June 30, 2020 and 2019, respectively.

Note 7 – Prior Period Adjustment

The accompanying financial statements for 2019 have been restated to correct an error related to unrecorded accounts payable invoices from periods before 2019. The effect of the restatement was to increase accounts payable and decrease unrestricted net position by \$327,201. Net position at the beginning of 2019 has been adjusted for the effects of the restatement on prior years. There were no changes to change in net position or cash flows for 2019 as all of the unrecorded accounts payable invoices related to periods prior to 2019.

Related to the unpaid invoices subsequent to year end, WEMU entered into an agreement with the third party vendor to repay approximately \$180,000 of the unpaid invoices over the next two years, with approximately \$147,000 of the unpaid invoices to be forgiven over the next two years as the payments are made.