

**WBHM RADIO**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**WBHM RADIO  
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SEPTEMBER 30, 2014 AND 2013**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors of the University of Alabama  
Birmingham, Alabama

We have audited the accompanying financial statements of WBHM Radio (WBHM), a department of the University of Alabama at Birmingham (UAB), a campus of the University of Alabama System, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements.

### **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. 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 financial position of WBHM Radio as of September 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of WBHM are intended to present the financial position, the changes in financial position, and cash flows of only that portion of UAB, a campus of the University of Alabama System, that is attributable to the transactions of WBHM. They do not purport to, and do not, present fairly the financial position of UAB, a campus of the University of Alabama System, as of September 30, 2014 and 2013, 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 this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited) on pages 3 through 6 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 audits 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.

*Warren Averett, LLC*

Birmingham, Alabama  
March 13, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**WBHM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2014 AND 2013**

WBHM Radio (WBHM) is a not-for-profit radio station licensed to the Board of Trustees of the University of Alabama for the University of Alabama at Birmingham (UAB). WBHM is accounted for as a department of UAB, which is a campus of the University of Alabama System (the System). UAB is one of three campuses of the System, which is a discretely-presented component unit of the State of Alabama. The financial statements of WBHM are intended to present the financial position, the changes in net position, and cash flows of only that portion of UAB that is attributable to the transactions of WBHM. As a department of UAB, a public institution, the financial statements of WBHM 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).

WBHM operates from a building on campus at UAB, and its main purpose is to provide noncommercial public broadcasting and educational telecommunications services throughout Alabama. WBHM began broadcasting in December 1976 and was the first full-service public radio station in north central Alabama. It operates at 90.3 FM with an effective radiated power of 32,000 watts. The transmitter is co-located with WBRC-TV on Red Mountain in Birmingham. The broadcast service area covers a radius of almost 70 miles from Birmingham and serves a population of approximately 1,250,000. WBHM broadcasts seven days a week, 24 hours a day.

In 1993, through an agreement with Gadsden State Community College, WSGN, at 91.5 FM in Gadsden, Alabama, began rebroadcasting WBHM programming. This was the first time that the Gadsden area was able to receive full-service public radio programming, and this continuing arrangement allows WBHM to reach a broader service area.

WBHM, through the Alabama Radio Reading Service Network for the Print Impaired (ARRS), is able to provide local and national programming to blind and print impaired Alabamians throughout the state. ARRS operates on a subcarrier of WBHM.

The following discussion and analysis of WBHM's financial performance presents an overview of WBHM's financial activities for the fiscal years ended September 30, 2014 and 2013. This discussion and analysis has been prepared by management and should be read in conjunction with the accompanying audited financial statements and notes to the financial statements.

**Financial Highlights**

WBHM has total assets of \$712,842 and \$663,065 as of September 30, 2014 and 2013, respectively, and total liabilities of \$125,235 and \$73,782, respectively. Net position, which represents the excess of total assets over total liabilities, decreased by \$1,676 in fiscal year 2014 as compared to a fiscal year 2013 increase of \$129,464. This change is summarized below:

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 1,561,402	\$ 1,533,175
Operating expenses	<u>1,984,406</u>	<u>1,932,769</u>
Operating loss	(423,004)	(399,594)
Nonoperating items and other changes	<u>421,328</u>	<u>529,058</u>
Change in net position	<u>\$ (1,676)</u>	<u>\$ 129,464</u>

**WBHM RADIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**SEPTEMBER 30, 2014 AND 2013**

WBHM reports as a business-type activity as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as an amendment to GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the financial statements of WBHM have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has occurred (see Note 2 of the financial statements).

**Condensed Statements of Net Position**

	<u>2014</u>	<u>2013</u>
Assets:		
Capital assets	\$ 101,113	\$ 84,330
Other assets	<u>611,729</u>	<u>578,735</u>
Total assets	<u>\$ 712,842</u>	<u>\$ 663,065</u>
Liabilities:		
Current liabilities	<u>\$ 125,235</u>	<u>\$ 73,782</u>
Total liabilities	<u>\$ 125,235</u>	<u>\$ 73,782</u>
Net position:		
Restricted – expendable	\$ 10,000	\$ 10,000
Unrestricted	476,494	494,953
Net investment in capital assets	<u>101,113</u>	<u>84,330</u>
Total net position	<u>\$ 587,607</u>	<u>\$ 589,283</u>

Total assets increased 7.5% in 2014 from 2013. This is due primarily to increases in cash and cash equivalents, accounts receivable for pledges, prepaid expenses, and capital assets. Total assets increased 23.4% in 2013 from 2012. This is due primarily to increases in cash and cash equivalents, accounts receivable for underwriting and pledges, and capital assets.

Total liabilities increased by 69.7% in 2014 from 2013. This is due primarily to increases in accrued vacation liability, accounts payable for capital equipment, and unearned revenue from underwriting. Total liabilities decreased by 4.7% in 2013 from 2012. This is due primarily to increases in accounts payable for programming and underwriting offset by a decrease in unearned revenue from underwriting.

WBHM has no deferred outflow or deferred inflow of resources.

**WBHM RADIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**SEPTEMBER 30, 2014 AND 2013**

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2014</u>	<u>2013</u>
Operating revenues and expenses:		
Revenues	\$ 1,561,402	\$ 1,533,175
Expenses	<u>1,984,406</u>	<u>1,932,769</u>
Operating loss	(423,004)	(399,594)
Nonoperating revenues:		
State appropriations	17,605	6,201
University support	<u>271,111</u>	<u>345,906</u>
Total nonoperating revenues	<u>288,716</u>	<u>352,107</u>
Loss before other changes	(134,288)	(47,487)
Other changes in net position:		
Capital grant	-	20,000
Transfers from UAB	<u>132,612</u>	<u>156,951</u>
Total other changes in net position	<u>132,612</u>	<u>176,951</u>
Change in net position	(1,676)	129,464
Net position:		
Net position at beginning of year	<u>589,283</u>	<u>459,819</u>
Net position at end of year	<u>\$ 587,607</u>	<u>\$ 589,283</u>

The statements of revenues, expenses, and changes in net position show operating and nonoperating revenues and expenses. A summarized comparison of WBHM's revenues, expenses, and changes in net position for the years ended September 30, 2014 and 2013, is presented above. WBHM's net position decreased by \$1,676 in fiscal year 2014 as compared to a fiscal year 2013 increase of \$129,464. During fiscal year 2014, the overall increase in operating loss is primarily attributable to an increase in overall revenues of 1.8% offset by a 2.67% increase in operating expenses. The fiscal year 2013 increase in operating loss was primarily attributable to an increase in overall revenues of .35% offset by a 12.1% increase in operating expenses. Also during 2014, WBHM's nonoperating revenues and expenses decreased 18% due to decreases in University support from UAB for operating expenses and UAB personnel support for management and operations, as compared to a 29.4% decrease in fiscal year 2013.

**WBHM RADIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**SEPTEMBER 30, 2014 AND 2013**

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**Factors Impacting Future Periods**

Significant factors expected to impact WBHM's financial performance in future periods include, but are not limited to, the changing nature of media use and advertising; the reputational value of WBHM as a trusted local media brand and National Public Radio (NPR) as a trusted national media brand and the impact of those brand values on contributions; the continued investment in new technology and personnel to best address community needs; and the close integration with UAB's available technical, budgetary, and marketing systems to support the station.

Effective in 2015, WBHM will cease to receive \$250,000 in supplemental funding from UAB. In preparation for this, WBHM has been making substantial investments in capital equipment and long-term technology initiatives which will enhance efficiency and effectiveness in the near-term future, as well as better prepare WBHM for emergency operations as a primary media service. Some of those additions are reflected in the growth of WBHM's physical plant valuation. Concurrent with these investments, WBHM cash reserves have continued to increase.

A restructuring and enhancement of the WBHM business office and fund-raising operations in 2013 brought cost savings and efficiency to those areas of the station. Cost savings and operational improvements from this restructuring were realized in 2014 and will lead to even greater net positive results in 2015. Business support for programming saw continued robust returns in this fiscal year after a restructuring of that area instituted in 2012.

WBHM is also aggressively seeking additional outside funding. In 2015, the Corporation for Public Broadcasting issued a new grant of \$246,000 to WBHM to serve as the fiduciary and editorial home to the Southern Education Desk (SED) Local Journalism Center (LJC). A portion of that new funding will be used to offset WBHM expenses which have been paid from existing WBHM accounts, so the offset from the SED grant will have an additional, positive impact on WBHM's cash position.

WBHM has been successful in expanding the station's public service to new audiences and technology platforms. Partnerships with other commercial and noncommercial media entities have been developed for mutual benefit. The traditional radio audience has been sustained at historically high levels while Internet and mobile use of WBHM content continues to grow. As WBHM is able to carefully manage opportunity costs and net revenue, the potential for sustaining and expanding successful public service seems positive for the near and midterm future.

## **FINANCIAL STATEMENTS**

**WBHM RADIO**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2014 AND 2013**

<b>ASSETS</b>		
	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 442,874	\$ 431,167
Accounts receivable, net	54,485	93,949
Pledges receivable, net	77,002	47,873
Prepaid expenses	37,368	5,746
Total current assets	611,729	578,735
<b>NONCURRENT ASSETS</b>		
Capital assets, net	101,113	84,330
Total noncurrent assets	101,113	84,330
<b>TOTAL ASSETS</b>	<b>\$ 712,842</b>	<b>\$ 663,065</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 106,132	\$ 66,025
Unearned revenue	19,103	7,757
Total current liabilities	125,235	73,782
<b>TOTAL LIABILITIES</b>	125,235	73,782
<b>NET POSITION</b>		
Restricted – expendable	10,000	10,000
Unrestricted	476,494	494,953
Net investment in capital assets	101,113	84,330
Total net position	587,607	589,283
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 712,842</b>	<b>\$ 663,065</b>

See notes to the financial statements.

**WBHM RADIO**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Membership contributions	\$ 830,145	\$ 775,838
Community service grants	178,039	163,712
Program underwriting	552,413	592,966
Other	805	659
	<u>1,561,402</u>	<u>1,533,175</u>
<b>OPERATING EXPENSES</b>		
Programming and production	796,989	812,362
Broadcasting	216,543	167,861
Fund-raising and membership development	183,142	169,211
Underwriting	197,298	200,418
Management and general	573,696	561,974
Depreciation	16,738	20,943
	<u>1,984,406</u>	<u>1,932,769</u>
	(423,004)	(399,594)
<b>OPERATING LOSS</b>		
<b>NONOPERATING REVENUES</b>		
State appropriations	17,605	6,201
University support	271,111	345,906
	<u>288,716</u>	<u>352,107</u>
Total nonoperating revenues	<u>288,716</u>	<u>352,107</u>
	(134,288)	(47,487)
<b>LOSS BEFORE OTHER CHANGES</b>		
<b>OTHER CHANGES IN NET POSITION</b>		
Capital grant	-	20,000
Transfers from UAB	132,612	156,951
	<u>132,612</u>	<u>176,951</u>
Total other changes in net position	<u>132,612</u>	<u>176,951</u>
	(1,676)	129,464
<b>CHANGE IN NET POSITION</b>		
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>589,283</u>	<u>459,819</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 587,607</u>	<u>\$ 589,283</u>

See notes to the financial statements.

**WBHM RADIO**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Membership contributions	\$ 801,016	\$ 764,849
Community service grants	178,039	190,746
Program underwriting	603,223	574,710
Other	805	659
Payments to employees	(972,819)	(965,335)
Payments to vendors	(881,168)	(787,080)
Net cash used in operating activities	(270,904)	(221,451)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	17,605	6,201
University support	265,006	345,906
Net cash provided by noncapital financing activities	282,611	352,107
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital grant	-	20,000
Purchases of capital assets	-	(70,889)
Net cash used in capital financing activities	-	(50,889)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	11,707	79,767
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	431,167	351,400
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 442,874</u>	<u>\$ 431,167</u>

See notes to the financial statements.

**WBHM RADIO**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (423,004)	\$ (399,594)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	16,738	20,943
Operating expenses provided by UAB	132,612	156,951
Change in accounts and pledges receivable	10,335	4,192
Change in prepaid expenses	(31,622)	(329)
Change in accounts payable and accrued liabilities	12,691	2,789
Change in unearned revenue	11,346	(6,403)
Net cash used in operating activities	<u>\$ (270,904)</u>	<u>\$ (221,451)</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of capital assets through accounts payable	<u>\$ 27,416</u>	<u>\$ -</u>
University support through purchase of capital assets	<u>\$ 6,105</u>	<u>\$ -</u>

See notes to the financial statements.

**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

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**1. ORGANIZATION AND RELATIONSHIP TO THE UNIVERSITY OF ALABAMA AT BIRMINGHAM**

WBHM Radio (WBHM) is a not-for-profit radio station licensed to the Board of Trustees of the University of Alabama for the University of Alabama at Birmingham (UAB). WBHM is accounted for as a department of UAB, which is a campus of the University of Alabama System (the System). UAB is one of three campuses of the System, which is a discretely-presented component unit of the State of Alabama. The financial statements of WBHM are intended to present the financial position, the changes in net position, and cash flows of only that portion of UAB that is attributable to the transactions of WBHM.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of WBHM 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).

WBHM reports as a business-type activity as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the financial statements of WBHM have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has occurred. Refer also to the revenue recognition section of this note.

**Net Position**

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into three net position categories.

- Unrestricted: Net position, including membership contributions, underwriting revenues, state appropriations, and certain grant proceeds that are neither subject to externally imposed stipulations nor invested in capital assets, net of related debt, are classified as unrestricted net position. Unrestricted net position may be designated for specific purposes by management.
- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. WBHM did not have capital related debt as of September 30, 2014 and 2013.

**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

- Restricted: WBHM classifies net position resulting from transactions with purpose or time restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact. Restricted net position is further classified as follows:
  - (1) Nonexpendable – Net position subject to externally-imposed stipulations that amounts be maintained permanently by WBHM. WBHM did not have restricted nonexpendable net position as of September 30, 2014 and 2013.
  - (2) Expendable – Net position whose use by WBHM is subject to externally-imposed stipulations that can be fulfilled by actions of WBHM pursuant to those stipulations or that expire by the passage of time.

**Cash and Cash Equivalents**

WBHM considers cash on hand and in banks and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable consist primarily of amounts due for underwriting services. All balances are expected to be received within one year. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Accounts receivable are recorded net of an allowance for uncollectible receivables of \$2,162 and \$5,117 as of September 30, 2014 and 2013, respectively. This amount is based on past experience and an analysis of current accounts receivable collectability.

**Pledges Receivable**

WBHM receives pledges and bequests of financial support. Revenue is recognized when a pledge representing an unconditional promise to give is received, and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. All balances are expected to be received within one year and are written off 12 months after the pledge date. Pledges receivable are shown net of an allowance for uncollectible pledges of \$46,759 and \$33,620 as of September 30, 2014 and 2013, respectively. This amount is based on historical collection experience.

**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Capital Assets**

Capital assets consist of land, buildings and improvements, broadcast equipment, and satellite equipment. Equipment is recorded at cost at the date of acquisition, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which is 12-40 years for building and building improvements and 5-10 years for equipment. Gain or loss on the disposition of capital assets is reflected in the statements of revenues, expenses, and changes in net position, and the related asset cost and accumulated depreciation are removed from the respective accounts. Depreciation expense for the years ended September 30, 2014 and 2013, was \$16,738 and \$20,943, respectively.

**Revenue Recognition**

Membership contributions and other donations are nonexchange transactions, which are recognized as operating revenues in the period they are received. Community service and program production grants represent nonexchange transactions and are recognized in accordance with GASB Statement No. 33, based on the terms of the individual grant agreement.

Program underwriting revenue is reported as unearned revenue in the statements of net position for programs not yet broadcast. Revenue is recognized when the related program is aired.

During both 2014 and 2103, WBHM recognized other revenue primarily from studio time payments where other radio stations booked WBHM's studio to conduct an interview between stations.

State appropriations are recorded when all eligibility requirements have been met as nonoperating revenue in the statements of revenue, expenses, and changes in net position.

During 2014, WBHM received \$250,000 of University support from UAB for WBHM's general operating expenses and designated technology purchases. Also in 2014, WBHM received \$15,006, or 25%, of information technology (IT) support for a portion of the year from UAB's Office of Public Relations & Marketing (OPRM). During 2014, the OPRM also purchased \$6,105 of equipment for WBHM's use. In 2013, WBHM received \$250,000 of University support from UAB for WBHM's general operating expenses and designated technology purchases and \$95,906, or 50%, of interim management and IT support from UAB's OPRM.

In 2013, WBHM received revenue from a Community Foundation of Greater Birmingham grant to help with the upgrade/replacement of WBHM's existing automation system. This capital grant is recognized as other changes in net position.

**Operating Revenues and Expenses**

WBHM's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from exchange and nonexchange transactions associated with WBHM's principal activities. Nonexchange revenues and expenses that result from financing and investing activities are recorded as nonoperating.

**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**New Accounting Pronouncements**

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, was issued in June 2012. The objective of this statement is to improve financial reporting by state and local governmental pension plans. The statement is effective for financial statements for fiscal years beginning after June 15, 2013. The adoption of this statement had no material impact on WBHM's financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was issued in June 2012. The objective of this statement is to improve financial reporting by state and local governmental pension plans. The statement is effective for financial statements for fiscal years beginning after June 15, 2014. As such, WBHM has not implemented the provisions in the 2014 financial statements. Management is determining the impact on WBHM's financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, was issued November 2013. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68. The provisions of this statement should be applied simultaneously with the provisions of Statement No. 68. As such, WBHM has not implemented the provisions in the 2014 financial statements. Management is determining the impact on WBHM's financial statements.

**Subsequent Events**

Management has evaluated subsequent events and their potential effects on these financial statements through March 13, 2015, the date the financial statements were available to be issued.

**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**3. CAPITAL ASSETS**

WBHM's capital asset activity for the years ended September 30, 2014 and 2013, is summarized as follows:

**September 30, 2014**

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Land	\$ 25,669	\$ -	\$ -	\$ 25,669
Building and building improvements	155,290	-	-	155,290
Equipment	470,933	33,521	(93,996)	410,458
	651,892	33,521	(93,996)	591,417
Less accumulated depreciation	<u>(567,562)</u>	<u>(16,738)</u>	<u>93,996</u>	<u>(490,304)</u>
Capital assets, net	<u>\$ 84,330</u>	<u>\$ 16,783</u>	<u>\$ -</u>	<u>\$ 101,113</u>

**September 30, 2013**

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Land	\$ 25,669	\$ -	\$ -	\$ 25,669
Building and building improvements	155,290	-	-	155,290
Equipment	445,539	70,889	(45,495)	470,933
	626,498	70,889	(45,495)	651,892
Less accumulated depreciation	<u>(592,114)</u>	<u>(20,943)</u>	<u>45,495</u>	<u>(567,562)</u>
Capital assets, net	<u>\$ 34,384</u>	<u>\$ 49,946</u>	<u>\$ -</u>	<u>\$ 84,330</u>

**4. COMPENSATED ABSENCES**

Certain WBHM employees accumulate vacation and sick leave at varying rates, depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the accounts payable and accrued liabilities balance on the statements of net position includes an accrual of \$58,559 and \$45,076 as of September 30, 2014 and 2013, respectively, for accrued vacation pay and salary-related payments associated with vacation pay. There is no such accrual recognized for sick leave benefits because there is no terminal cash benefit available to employees for accumulated sick leave.

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**5. EMPLOYEE RETIREMENT BENEFITS**

**Retirement and Pension Plans**

Most employees of WBHM participate in the Teachers' Retirement System of Alabama (TRS), a cost-sharing, multiple-employer public retirement system. Certain employees also participate in an optional 403(b) plan (the 403(b) Plan). TRS is a defined benefit plan, and the 403(b) Plan programs are defined contribution plans.

Participants in TRS hired before January 1, 2013, are designated as Tier 1 participants. Tier 1 participants who retire at age 60 with 10 years of credited service, or after completing 25 years of credited service, regardless of age, are entitled to an annual benefit, payable monthly for life. Service retirement benefits are calculated by three methods, with the participants receiving payments under the method which yields the highest monthly benefit. These methods include (1) minimum guaranteed, (2) money purchase, or (3) formula. Under the formula method, participants are allowed 2.0125% of their final average salary (average of three highest years of annual compensation during the last 10 years of service) for each year of service. A participant terminating before reaching retirement age, but after completing 10 years of credited service, is eligible for a vested allowance at age 60 provided accumulated employee contributions are not withdrawn. TRS also provides death and disability benefits.

Participants in TRS hired on or after January 1, 2013, are designated as Tier 2 participants. Tier 2 participants pay lower contribution rates but will not be able to draw a retirement benefit until they reach age 62.

Covered employees are required by law to contribute to TRS. WBHM, as the employer, contributes to TRS through UAB. The Tier 1 contribution requirements for fiscal years 2014 and 2013, respectively, were \$105,327 and \$103,903, which consisted of \$64,725 and \$59,970 from WBHM and \$40,602 and \$43,933 from employees. The Tier 2 contribution requirements for fiscal years 2014 and 2013, respectively, were approximately \$22,489 and \$4,024, which consisted of \$14,589 and \$2,460 from WBHM and \$7,900 and \$1,564 from employees. WBHM's contribution rate for the years ended September 30, 2014 and 2013, was 11.96% and 9.68% for Tier 1 covered employees, respectively, and 11.08% and 9.49% for Tier 2 employees, respectively. Tier 1 covered employees were required by statute to contribute 7.5% in both 2014 and 2013 of earned compensation to TRS. Tier 2 covered employees were required by statute to contribute 6.0% of earned compensation to TRS in 2014 and 2013. All regular employees of WBHM are members of TRS, with the exception of temporary employees who, by definition, are those employees hired for a predetermined period of employment of less than one year and employees working less than one-half of a regular schedule.

The significant actuarial assumptions used to compute the pension benefit obligation, including the discount rate, projected salary increases, and postretirement benefit increases are presented in the September 30, 2014, annual financial report of TRS. That report is publicly available and may be obtained by contacting TRS.

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**5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED**

As previously noted, some employees participate in the optional 403(b) Plan, which is a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All full-time regular monthly employees are eligible to participate from the date of employment. WBHM contributes a matching amount of up to 5% of total salaries for participating employees. WBHM's contribution is funded as it accrues and, along with that of the employee, is immediately and fully vested. The contributions for 2014 and 2013, excluding employee amounts not eligible for matching, were \$33,172 (\$16,586 from both WBHM and its employees) and \$28,228 (\$14,114 from both WBHM and its employees), respectively.

WBHM's total salaries and wages for fiscal years 2014 and 2013 were \$719,187 and \$662,815, respectively. Total salaries and wages during fiscal years 2014 and 2013 for covered employees participating in Tier 1 of TRS were \$541,357 and \$619,233, respectively. Total salaries and wages during fiscal year 2014 and 2013 for covered employees participating in Tier 2 of TRS were \$131,667 and \$25,917, respectively. Total salaries and wages during fiscal years 2014 and 2013 for covered employees participating in the 403(b) Plan program were \$331,721 and \$282,276, respectively.

**Postretirement Benefits**

Certain retired employees may elect to continue to participate in UAB's group health plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age 65 or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer, and UAB's health care plan becomes the secondary insurer. Despite the availability of the UAB plan, most retirees elect to participate in the Public Education Employees Health Insurance Plan (PEEHIP) with TRS, in which case the retirees pay a portion of the PEEHIP premium, with UAB paying an allocation towards the cost of retiree coverage.

Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum amounts. The retirees pay the full amount of the premiums in such cases. Retirees are not eligible for tuition assistance benefits themselves. However, their unmarried dependent children may qualify in some cases. The liability associated with this is not material to WBHM's financial statements.

**6. RELATED PARTY TRANSACTIONS**

WBHM receives indirect support from UAB, which consists of allocated institutional administrative and physical plant costs incurred by UAB for which WBHM receives benefits. The cost of this support was \$132,612 and \$156,951 for the years ended September 30, 2014 and 2013, respectively. This cost is recognized in the statements of revenues, expenses, and changes in net position as an expense in the management and general expense category and as transfers from UAB.