

WBHM RADIO
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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INDEPENDENT AUDITORS' REPORT

March 1, 2013

Board of Directors of the University of Alabama
Birmingham, Alabama

We have audited the accompanying statements of net assets of WBHM Radio (WBHM), a department of the University of Alabama at Birmingham (UAB), a campus of the University of Alabama System, as of September 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WBHM's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note A, the financial statements of WBHM are intended to present the financial position, the changes in its 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, 2012 and 2011, the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors of the University of Alabama
March 1, 2013

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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited) on pages 6 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Warren Averett, LLC

Birmingham, Alabama

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2012**

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 assets 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, 2012 and 2011. This discussion and analysis has been prepared by management and should be read in conjunction with the accompanying audited financial statements and notes to financial statements.

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2012**

Financial Highlights

WBHM has assets of \$537,215 and \$233,484 as of September 30, 2012 and 2011, respectively, and total liabilities of \$77,396 and \$202,049, respectively. Net assets, which represent the excess of total assets over total liabilities, increased by \$428,384 in fiscal year 2012 as compared to a fiscal year 2011 decrease of \$22,080. This change is summarized below:

	2012	2011
Operating revenues	\$ 1,527,773	\$ 1,419,515
Operating expenses	<u>1,724,840</u>	<u>1,549,149</u>
Operating loss	(197,067)	(129,634)
Nonoperating items and transfers	<u>625,451</u>	<u>107,554</u>
Change in net assets	<u>\$ 428,384</u>	<u>\$ (22,080)</u>

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 B of the financial statements).

WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2012

Condensed Statements of Net Assets

	2012	2011
Assets:		
Capital assets	\$ 34,384	\$ 41,149
Other assets	<u>502,831</u>	<u>192,335</u>
Total assets	<u>\$ 537,215</u>	<u>\$ 233,484</u>
Liabilities:		
Current liabilities	<u>\$ 77,396</u>	<u>\$ 202,049</u>
Total liabilities	<u>\$ 77,396</u>	<u>\$ 202,049</u>
Net assets:		
Restricted - expendable	\$ 10,000	\$ 10,000
Unrestricted	415,435	(19,714)
Invested in capital assets	<u>34,384</u>	<u>41,149</u>
Total net assets	<u>\$ 459,819</u>	<u>\$ 31,435</u>

Total assets increased 130.1 percent in 2012 from 2011. This is due primarily to increases in cash and cash equivalents, accounts receivable for underwriting and pledges during the year and decreases in accounts receivable for grants, prepaid expenses and capital assets. Total assets increased by 12.3 percent in 2011 from 2010. This was due primarily to increases in cash and cash equivalents, accounts receivable for underwriting, pledges and grants during the year and a decrease in prepaid expenses and in capital assets.

Total liabilities decreased by 61.7 percent in 2012 from 2011. This is due primarily to decreases in accounts payable for programming and deferred revenue from underwriting. Total liabilities increased by 30.8 percent in 2011 from 2010. This was due to an increase in accounts payable for programming and an increase in deferred revenue from underwriting.

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2012**

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2012	2011
Operating revenues and expenses:		
Revenues	\$ 1,527,773	\$ 1,419,515
Expenses	<u>1,724,840</u>	<u>1,549,149</u>
Operating loss	(197,067)	(129,634)
Nonoperating revenues and expenses:		
State appropriations	23,485	13,031
University support	475,299	-
Capital gifts	-	10,000
Investment income	<u>-</u>	<u>3,258</u>
Total nonoperating revenues and expenses	<u>498,784</u>	<u>26,289</u>
Income (loss) before transfers	301,717	(103,345)
Transfers from UAB	<u>126,667</u>	<u>81,265</u>
Change in net assets	428,384	(22,080)
Net assets:		
Net assets - beginning of year	<u>31,435</u>	<u>53,515</u>
Net assets - end of year	<u>\$ 459,819</u>	<u>\$ 31,435</u>

The statements of revenues, expenses and changes in net assets show operating and nonoperating revenues and expenses. A summarized comparison of WBHM's revenues, expenses and changes in net assets for the years ended September 30, 2012 and 2011, is presented above. WBHM's net assets increased by \$428,384 in fiscal year 2012 as compared to a fiscal year 2011 decrease of \$22,080. During fiscal year 2012, the overall increase in operating loss is primarily attributable to an increase in overall revenues of 7.6 percent offset by an 11.3 percent increase in operating expenses. The fiscal year 2011 decrease was primarily attributable to an increase in overall revenues of 13.7 percent offset by a 3.5 percent decrease in operating expenses. Also during 2012, WBHM's nonoperating revenues and expenses increased significantly due to University support from UAB for operating expenses and UAB personnel support for management and operations.

WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2012

Factors Impacting Future Periods

Significant factors expected to impact WBHM's financial performance in future periods include, but are not limited to: the hiring of a new, experienced general manager and key personnel in marketing and technology; the investment in new technology; a new focus on community and listener service and support; the degree of success WBHM achieves in sustaining audience interest and community support in an increasingly fragmented media environment; and a closer integration with UAB's available technical, budgetary and marketing systems to support the station.

A restructuring and enhancement of the Friends of WBHM community advisory board and the creation of a new Youth Advisors group, begun immediately prior to the 2011-2012 fiscal year, should have dramatic, positive impact on previously identified growth opportunities in outreach, listener engagement, listener based contributions and business support. Business support for programming saw increases in fiscal year 2011-2012 and efforts will be focused on further increases in future periods through more active management of underwriting rates. After a nationwide search, a new general manager for WBHM was hired in August 2012. This manager has demonstrated success in programming, journalism, fundraising, technology, community outreach, non-profit management and leadership, including service as a two-term member of the board of directors of National Public Radio (NPR).

In addition, having the experienced general manager in place, along with key new hires in marketing and technology, should enable WBHM to be successful in expanding the station's public service to new audiences and technology platforms, and to develop partnerships with other businesses and media entities in the region. Future periods point to great opportunities for WBHM to sustain its traditional radio audience in the near term as the dominant public radio service in the region. New, cost-effective opportunities to provide uniquely local service for - and news and feature reporting on - Birmingham and north central Alabama are being developed and are showing encouraging growth potential for the long term.

AUDITED FINANCIAL STATEMENTS

WBHM RADIO
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2012 AND 2011

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 351,400	\$ 55,825
Accounts receivable, net	82,096	62,416
Pledges receivable, net	36,884	36,040
Grants receivable	27,034	29,923
Prepaid expenses	5,417	8,131
Total Current Assets	502,831	192,335
Noncurrent Assets		
Capital assets, net	34,384	41,149
Total Noncurrent Assets	34,384	41,149
Total Assets	\$ 537,215	\$ 233,484
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 63,236	\$ 182,829
Deferred revenue	14,160	19,220
Total Current Liabilities	77,396	202,049
Net Assets		
Restricted - expendable	10,000	10,000
Unrestricted net assets	415,435	(19,714)
Invested in capital assets	34,384	41,149
Total Net Assets	459,819	31,435
Total Liabilities and Net Assets	\$ 537,215	\$ 233,484

See notes to financial statements.

WBHM RADIO
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Operating Revenues		
Membership contributions	\$ 760,265	\$ 736,337
Community service grants	187,606	225,920
Program underwriting	560,096	450,286
Other	19,806	6,972
	1,527,773	1,419,515
Operating Expenses		
Programming and production	613,443	682,723
Broadcasting	170,198	78,773
Fund-raising and membership development	153,507	150,537
Underwriting	148,634	159,155
Management and general	632,293	459,932
Depreciation	6,765	18,029
	1,724,840	1,549,149
Operating Loss	(197,067)	(129,634)
Nonoperating Revenues		
State appropriations	23,485	13,031
University support	475,299	-
Capital gifts	-	10,000
Investment income	-	3,258
	498,784	26,289
Income (Loss) before Transfers	301,717	(103,345)
Transfers from UAB	126,667	81,265
Change in Net Assets	428,384	(22,080)
Net Assets - beginning of year	31,435	53,515
Net Assets - end of year	\$ 459,819	\$ 31,435

See notes to financial statements.

WBHM RADIO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Membership contributions	\$ 759,421	\$ 725,391
Community service grants	190,495	195,997
Program underwriting	535,356	443,965
Other	19,806	6,972
Payments to employees	(688,854)	(777,014)
Payments to vendors	(834,134)	(630,230)
	<u>(17,910)</u>	<u>(34,919)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	23,485	13,031
University support	290,000	-
	<u>313,485</u>	<u>13,031</u>
Net Cash Provided by Noncapital Financing Activities	<u>313,485</u>	<u>13,031</u>
Cash Flows from Capital Financing Activities		
Capital gifts	-	10,000
	<u>-</u>	<u>10,000</u>
Net Cash Provided by Capital Financing Activities	<u>-</u>	<u>10,000</u>
Cash Flows from Investing Activities		
Withdrawal from System pooled investments	-	50,000
Investment income	-	3,258
	<u>-</u>	<u>53,258</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>53,258</u>
Net Change in Cash and Cash Equivalents	<u>295,575</u>	<u>41,370</u>
Cash and Cash Equivalents - beginning of year	<u>55,825</u>	<u>14,455</u>
Cash and Cash Equivalents - end of year	<u><u>\$ 351,400</u></u>	<u><u>\$ 55,825</u></u>

WBHM RADIO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(Continued)

	2012	2011
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Operating loss	\$ (197,067)	\$ (129,634)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	6,765	18,029
Operating expenses provided by UAB	126,667	81,265
Change in accounts receivable, pledges receivable and grants receivable	(17,635)	(60,842)
Change in prepaid expenses	2,714	8,642
Change in accounts payable and accrued liabilities	(119,593)	33,969
Change in deferred revenue	(5,060)	13,652
	(203,209)	(34,919)
Net Cash Used by Operating Activities	\$ (203,209)	\$ (34,919)

See notes to financial statements.

**WBHM RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE A - 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 assets and cash flows of only that portion of UAB that is attributable to the transactions of WBHM.

NOTE B - 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), including all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989. WBHM has elected not to apply FASB pronouncements issued after November 30, 1989.

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. Refer also to the revenue recognition section of this note.

WBHM RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

Net Assets

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 the following three net asset categories:

- **Unrestricted:** Net assets, 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 assets. Unrestricted net assets may be designated for specific purposes by management.
- **Invested in capital assets, net of related debt:** 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, 2012 and 2011.
- **Restricted:** WBHM classifies net assets resulting from transactions with purpose or time restrictions as restricted net assets 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 assets are further classified as follows:
 - (1) **Nonexpendable** - Net assets subject to externally-imposed stipulations that they be maintained permanently by WBHM. WBHM did not have restricted nonexpendable net assets as of September 30, 2012 and 2011.
 - (2) **Expendable** - Net assets 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.

WBHM RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

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 \$4,520 and \$3,955 as of September 30, 2012 and 2011, 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 \$19,272 and \$13,698 as of September 30, 2012 and 2011, respectively. This amount is based on historical collection experience.

Grants Receivable

Grants receivable consist of amounts due from federal, state and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to WBHM's grants and contracts. All balances are expected to be received within one year.

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 assets, and the related asset cost and accumulated depreciation are removed from the respective accounts. Depreciation expense for the years ended September 30, 2012 and 2011, was \$6,765 and \$18,029, respectively.

WBHM RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

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 deferred revenue in the statements of net assets for programs not yet broadcast. Revenue is recognized when the related program is aired.

During 2012, WBHM recognized other revenue primarily from ticket sales of a live performance of The Capitol Steps. In 2011, WBHM recognized other revenue from ticket sales of a live performance of Ira Glass, host of "This American Life," which is produced by Public Radio International and broadcast by WBHM. Also, in 2011, WBHM recognized other revenue from rent received from National Public Radio for the Southern Bureau Chief at WBHM.

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

During 2012, WBHM received \$290,000 of University support from UAB for WBHM's general operating expenses and designated technology purchases. In addition, during 2012, WBHM received \$185,299 of interim management and information technology (IT) support from UAB after the retirement of WBHM's general manager and operations manager. The Management and IT personnel from the UAB Office of Public Relations & Marketing (OPRM) were asked to assume temporary strategic leadership and daily operational responsibilities for the station, while concurrently continuing to execute the core functions of their OPRM positions. This is reflected in the addition of 75 percent of both UAB employees' salaries and combined fringe benefits to the dollar figure reflected in the total of WBHM's University support for 2012.

WBHM RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

Operating Revenues and Expenses

WBHM's statements of revenues, expenses and changes in net assets distinguish between operating and nonoperating revenue 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.

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. 61, *The Financial Reporting Entity: Omnibus*, was issued by the GASB in December 2010. This statement will improve the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). The statement is effective for financial statements for periods beginning after June 15, 2012. As such, WBHM has not implemented the provisions in the 2012 financial statements. The adoption of this statement is not expected to have a material impact on WBHM's financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued by the GASB in December 2010. This statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. The statement is effective for financial statements for periods beginning after December 15, 2011. As such, WBHM has not implemented the provisions in the 2012 financial statements. The adoption of this statement is not expected to have a material impact on WBHM's financial statements.

WBHM RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued by GASB in March 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for financial statements for periods beginning after December 15, 2012. As such, WBHM has not implemented the provisions in the 2012 financial statements. The adoption of this statement is not expected to have a material impact on WBHM's financial statements.

GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, was issued in March 2012. This statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The statement is effective for financial statements for periods beginning after December 15, 2012. As such, WBHM has not implemented the provisions in the 2012 financial statements. The adoption of this statement is not expected to have a material impact on WBHM's financial statements.

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. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. The statement is effective for financial statements for fiscal years beginning after June 15, 2013. As such, WBHM has not implemented the provisions in the 2012 financial statements. Management is determining the impact on WBHM's financial statements.

**WBHM RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, was issued in June 2012. This statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions and paying benefits to plan members as they come due. 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 2012 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 1, 2013, the date the financial statements were available to be issued.

NOTE C - CAPITAL ASSETS

WBHM's capital asset activity for the years ended September 30, 2012 and 2011, is summarized as follows:

September 30, 2012

	Beginning	Additions	Transfers	Retirements	Ending
Land	\$ 25,669	\$ -	\$ -	\$ -	\$ 25,669
Building and building improvements	155,290	-	-	-	155,290
Equipment	458,907	-	18,583	(31,951)	445,539
	639,866	-	18,583	(31,951)	626,498
Less accumulated depreciation	(598,717)	(6,765)	(18,583)	31,951	(592,114)
Capital assets, net	<u>\$ 41,149</u>	<u>\$ (6,765)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,384</u>

Transfers include fully-depreciated assets transferred from UAB to WBHM.

**WBHM RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE C - CAPITAL ASSETS - Continued

September 30, 2011

	Beginning	Additions	Retirements	Ending
Land	\$ 25,669	\$ -	\$ -	\$ 25,669
Building and building improvements	155,290	-	-	155,290
Equipment	458,907	-	-	458,907
	639,866	-	-	639,866
Less accumulated depreciation	(580,688)	(18,029)	-	(598,717)
Capital assets, net	<u>\$ 59,178</u>	<u>\$ (18,029)</u>	<u>\$ -</u>	<u>\$ 41,149</u>

NOTE D - 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 assets includes an accrual of \$50,252 and \$61,617 as of September 30, 2012 and 2011, 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.

NOTE E - 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.

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NOTE E - EMPLOYEE RETIREMENT BENEFITS - Continued

Participants in TRS 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 percent 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.

Covered employees are required by law to contribute to TRS. WBHM, as the employer, contributes to TRS through UAB. The contribution requirement for WBHM for fiscal year 2012 was \$82,443, which consisted of \$47,881 from WBHM and \$34,562 from employees. The contribution requirement for WBHM for fiscal year 2011 was \$95,164, which consisted of \$67,990 from WBHM and \$27,174 from employees. WBHM's contribution was 10.06 percent and 12.35 percent of salaries and wages for covered employees in 2012 and 2011, respectively, which represents 100 percent of the required contribution. The contribution of earned compensation by employees was 7.25 percent and five percent in 2012 and 2011, respectively. 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 10-year historical trend information shows TRS' progress in accumulating sufficient assets to pay benefits when due and the significant actuarial assumptions used to compute the pension benefit obligation, including the discount rate, projected salary increases and postretirement benefit increases presented in the September 30, 2012, annual financial report of TRS. That report is publicly available and may be obtained by contacting TRS.

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NOTE E - EMPLOYEE RETIREMENT BENEFITS - Continued

As previously noted, some employees participate in the optional 403(b) Plan programs, which are defined contribution plans. 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 five percent 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 2012 and 2011, excluding employee amounts not eligible for matching, were \$19,640 (\$9,820 from both WBHM and its employees) and \$22,908 (\$11,454 from both WBHM and its employees), respectively.

WBHM's total salaries and wages for fiscal years 2012 and 2011 were \$524,913 and \$578,404, respectively. Total salaries and wages during fiscal years 2012 and 2011 for covered employees participating in TRS were \$475,984 and \$550,568, respectively. Total salaries and wages during fiscal years 2012 and 2011 for covered employees participating in the 403(b) Plan programs were \$210,711 and \$235,589, 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.

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NOTE F - 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 \$126,667 and \$81,265 for the years ended September 30, 2012 and 2011, respectively. This cost is recognized in the statements of revenues, expenses and changes in net assets as an expense in the management and general expense category and as transfers from UAB.