

WBHM RADIO

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

**WBHM RADIO
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SEPTEMBER 30, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Directors of the University of Alabama
Birmingham, Alabama

Report on the Financial Statements

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, 2013 and 2012, 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 audit 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, 2013 and 2012, 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, 2013 and 2012, 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

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 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2013 AND 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 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, 2013 and 2012. 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 \$663,065 and \$537,215 as of September 30, 2013 and 2012, respectively, and total liabilities of \$73,782 and \$77,396, respectively. Net position, which represents the excess of total assets over total liabilities, increased by \$129,464 in fiscal year 2013 as compared to a fiscal year 2012 increase of \$428,384. This change is summarized below:

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 1,533,175	\$ 1,527,773
Operating expenses	<u>1,932,769</u>	<u>1,724,840</u>
Operating loss	(399,594)	(197,067)
Nonoperating items and other changes	<u>529,058</u>	<u>625,451</u>
Change in net position	<u>\$ 129,464</u>	<u>\$ 428,384</u>

WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2013 AND 2012

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>2013</u>	<u>2012</u>
Assets:		
Capital assets	\$ 84,330	\$ 34,384
Other assets	<u>578,735</u>	<u>502,831</u>
Total assets	<u>\$ 663,065</u>	<u>\$ 537,215</u>
Liabilities:		
Current liabilities	<u>\$ 73,782</u>	<u>\$ 77,396</u>
Total liabilities	<u>\$ 73,782</u>	<u>\$ 77,396</u>
Net position:		
Restricted – expendable	\$ 10,000	\$ 10,000
Unrestricted	494,953	415,435
Net investment in capital assets	<u>84,330</u>	<u>34,384</u>
Total net position	<u>\$ 589,283</u>	<u>\$ 459,819</u>

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 assets increased 130.1% 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 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. Total liabilities decreased by 61.7% in 2012 from 2011. This is due primarily to decreases in accounts payable for programming and deferred revenue from underwriting.

WBHM has no deferred outflow or deferred inflow of resources.

WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2013 AND 2012

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

	<u>2013</u>	<u>2012</u>
Operating revenues and expenses:		
Revenues	\$ 1,533,175	\$ 1,527,773
Expenses	<u>1,932,769</u>	<u>1,724,840</u>
Operating loss	(399,594)	(197,067)
Nonoperating revenues:		
State appropriations	6,201	23,485
University support	<u>345,906</u>	<u>475,299</u>
Total nonoperating revenues	<u>352,107</u>	<u>498,784</u>
Income (loss) before other changes	(47,487)	301,717
Other changes in net position:		
Capital grant	20,000	-
Transfers from UAB	<u>156,951</u>	<u>126,667</u>
Total other changes in net position	<u>176,951</u>	<u>126,667</u>
Change in net position	129,464	428,384
Net position:		
Net position at beginning of year	<u>459,819</u>	<u>31,435</u>
Net position at end of year	<u>\$ 589,283</u>	<u>\$ 459,819</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, 2013 and 2012, is presented above. WBHM's net position increased by \$129,464 in fiscal year 2013 as compared to a fiscal year 2012 increase of \$428,384. During fiscal year 2013, the overall increase in operating loss is primarily attributable to an increase in overall revenues of .35% offset by a 12.1% increase in operating expenses. The fiscal year 2012 increase in operating loss was primarily attributable to an increase in overall revenues of 7.6% offset by an 11.3% increase in operating expenses. Also during 2013, WBHM's nonoperating revenues and expenses decreased 29.4% due to decreases in University support from UAB for operating expenses and UAB personnel support for management and operations. The fiscal year 2012 significant increase in nonoperating revenues was due to the first year of this support to WBHM from UAB.

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2013 AND 2012**

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.

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. However, the full cost savings of this restructuring will not be fully realized until 2014. Business support for programming saw continued increases in this fiscal year, since a restructuring of that area was instituted in 2012.

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 are being developed for mutual benefit. The traditional radio audience has been sustained at historic 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, 2013 AND 2012**

ASSETS		
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 431,167	\$ 351,400
Accounts receivable, net	93,949	82,096
Pledges receivable, net	47,873	36,884
Grants receivable	-	27,034
Prepaid expenses	5,746	5,417
Total current assets	578,735	502,831
NONCURRENT ASSETS		
Capital assets, net	84,330	34,384
Total noncurrent assets	84,330	34,384
TOTAL ASSETS	\$ 663,065	\$ 537,215
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 66,025	\$ 63,236
Unearned revenue	7,757	14,160
Total current liabilities	73,782	77,396
TOTAL LIABILITIES	73,782	77,396
NET POSITION		
Restricted – expendable	10,000	10,000
Unrestricted	494,953	415,435
Net investment in capital assets	84,330	34,384
Total net position	589,283	459,819
TOTAL LIABILITIES AND NET POSITION	\$ 663,065	\$ 537,215

See notes to the financial statements.

WBHM RADIO
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Membership contributions	\$ 775,838	\$ 760,265
Community service grants	163,712	187,606
Program underwriting	592,966	560,096
Other	659	19,806
	<u>1,533,175</u>	<u>1,527,773</u>
OPERATING EXPENSES		
Programming and production	812,362	613,443
Broadcasting	167,861	170,198
Fund-raising and membership development	169,211	153,507
Underwriting	200,418	148,634
Management and general	561,974	632,293
Depreciation	20,943	6,765
	<u>1,932,769</u>	<u>1,724,840</u>
OPERATING LOSS	(399,594)	(197,067)
NONOPERATING REVENUES		
State appropriations	6,201	23,485
University support	345,906	475,299
	<u>352,107</u>	<u>498,784</u>
INCOME (LOSS) BEFORE OTHER CHANGES	(47,487)	301,717
OTHER CHANGES IN NET POSITION		
Capital grant	20,000	-
Transfers from UAB	156,951	126,667
	<u>176,951</u>	<u>126,667</u>
CHANGE IN NET POSITION	129,464	428,384
NET POSITION AT BEGINNING OF YEAR	<u>459,819</u>	<u>31,435</u>
NET POSITION AT END OF YEAR	<u>\$ 589,283</u>	<u>\$ 459,819</u>

See notes to the financial statements.

WBHM RADIO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership contributions	\$ 764,849	\$ 759,421
Community service grants	190,746	190,495
Program underwriting	574,710	535,356
Other	659	19,806
Payments to employees	(965,335)	(688,854)
Payments to vendors	<u>(787,080)</u>	<u>(834,134)</u>
Net cash used in operating activities	(221,451)	(17,910)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	6,201	23,485
University support	<u>345,906</u>	<u>290,000</u>
Net cash provided by noncapital financing activities	352,107	313,485
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grant	20,000	-
Purchases of capital assets	<u>(70,889)</u>	<u>-</u>
Net cash used in capital financing activities	<u>(50,889)</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	79,767	295,575
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>351,400</u>	<u>55,825</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 431,167</u></u>	<u><u>\$ 351,400</u></u>

See notes to the financial statements.

WBHM RADIO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (399,594)	\$ (197,067)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	20,943	6,765
Operating expenses provided by UAB	156,951	126,667
Change in accounts receivable, pledges receivable, and grants receivable	4,192	(17,635)
Change in prepaid expenses	(329)	2,714
Change in accounts payable and accrued liabilities	2,789	(119,593)
Change in unearned revenue	<u>(6,403)</u>	<u>(5,060)</u>
Net cash used in operating activities	<u>\$ (221,451)</u>	<u>\$ (203,209)</u>

See notes to the financial statements.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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, 2013 and 2012.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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, 2013 and 2012.
 - (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 \$5,117 and \$4,520 as of September 30, 2013 and 2012, respectively. This amount is based on past experience and an analysis of current accounts receivable collectibility.

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 \$33,620 and \$19,272 as of September 30, 2013 and 2012, 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.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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, 2013 and 2012, was \$20,943 and \$6,765, 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 2013, WBHM recognized other revenue primarily from studio time payments where other radio stations will book WBHM's studio to conduct an interview between stations. In 2012, WBHM recognized other revenue primarily from ticket sales of a live performance of The Capitol Steps.

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 2013, WBHM received \$250,000 of University support from UAB for WBHM's general operating expenses and designated technology purchases. Also in 2013, WBHM received \$95,906, or 50%, of interim management and information technology (IT) support from UAB's Office of Public Relations & Marketing (OPRM). In 2012, WBHM received \$290,000 of University support from UAB for WBHM's general operating expenses and designated technology purchases and \$185,299, or 75%, 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, 2013 AND 2012

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. 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. WBHM adopted this provision early and included it in the 2013 financial statements. The adoption of this statement had no 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 2013 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 2013 financial statements. Management is determining the 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. 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 2013 financial statements. Management is determining the impact on WBHM's financial statements.

**WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through March 21, 2014, the date the financial statements were available to be issued.

3. CAPITAL ASSETS

WBHM's capital asset activity for the years ended September 30, 2013 and 2012, is summarized as follows:

September 30, 2013

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</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	(592,114)	(20,943)	-	45,495	(567,562)
Capital assets, net	<u>\$ 34,384</u>	<u>\$ 49,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,330</u>

September 30, 2012

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
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.

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 \$45,076 and \$50,252 as of September 30, 2013 and 2012, 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.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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 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.

During 2013, TRS created a Tier 2 Defined Benefit plan for all participants hired on or after January 1, 2013. New participants pay lower contribution rates but will not be able to draw a retirement benefit until they reach age 62. Upon the creation of the Tier 2 Defined Benefit plan, all existing TRS participants became Tier 1 participants keeping the same benefits as before the creation of Tier 2.

Covered employees are required by law to contribute to TRS. WBHM, as the employer, contributes to TRS through UAB. The fiscal year 2013 Tier 1 contribution requirement for WBHM was \$103,903, which consisted of \$59,970 from WBHM and \$43,933 from employees. The Tier 1 contribution requirement for WBHM for fiscal year 2012 was \$82,443, which consisted of \$47,881 from WBHM and \$34,562 from employees. WBHM's Tier 1 contribution was 9.68% and 10.06% of salaries and wages for covered employees in 2013 and 2012, respectively. The contribution of earned compensation by employees was 7.09% and 7.26% in 2013 and 2012, respectively. The fiscal year 2013 Tier 2 contribution requirement for WBHM was \$4,024, which consisted of \$2,460 from WBHM and \$1,564 from employees. WBHM's Tier 2 contribution was 9.49% of salaries and wages for covered employees, and the contribution of earned compensation by employees was 6.03% in 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 presented in the September 30, 2013, 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 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 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 2013 and 2012, excluding employee amounts not eligible for matching, were \$28,228 (\$14,114 from both WBHM and its employees) and \$19,640 (\$9,820 from both WBHM and its employees), respectively.

WBHM's total salaries and wages for fiscal years 2013 and 2012 were \$662,815 and \$524,913, respectively. Total salaries and wages during fiscal years 2013 and 2012 for covered employees participating in Tier 1 of TRS were \$619,233 and \$475,984, respectively. Total salaries and wages during fiscal year 2013 for covered employees participating in Tier 2 of TRS were \$25,917. Total salaries and wages during fiscal years 2013 and 2012 for covered employees participating in the 403(b) Plan programs were \$282,276 and \$210,711, 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 \$156,951 and \$126,667 for the years ended September 30, 2013 and 2012, 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.