

**WBHM RADIO**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

**WBHM RADIO  
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SEPTEMBER 30, 2017 AND 2016**

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## INDEPENDENT AUDITORS' REPORT

To the 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, 2017 and 2016, 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, 2017 and 2016, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 1, 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, 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, 2017 and 2016, 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 7 and schedules of proportionate share of net pension liability and employer contributions on page 24 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.



Birmingham, Alabama  
March 30, 2018

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

**WBHM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2017 AND 2016**

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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. A secondary signal acquired in 2016 operates 106.1 FM and reaches parts of southern Birmingham and the near southern suburbs.

In 1993, through an agreement with Gadsden State Community College, WSGN, at 91.5 FM in Gadsden, Alabama, began rebroadcasting WBHM programming. This arrangement allowed WBHM to reach a broader service area, and this was the first time that the Gadsden area was able to receive full-service public radio programming. An operational agreement with Sand Mountain Broadcasting Service extends the reach of WSGN to Fort Payne, Alabama, at 104.5 FM.

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-handicapped Alabamians throughout the state. ARRS operates on a subcarrier of WBHM and the audio is also accessible by users via a toll-free telephone number.

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, 2017 and 2016. 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.

**WBHM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2017 AND 2016**

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**Financial Highlights**

WBHM has total assets of \$539,923 and \$479,755 as of September 30, 2017 and 2016, respectively, and total liabilities of \$1,215,803 and \$1,363,288, respectively. Net position, which represents the excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources, increased by \$221,064 in fiscal year 2017 as compared to a fiscal year 2016 decrease of \$180,801. This change is summarized below:

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 2,185,952	\$ 1,824,279
Operating expenses	<u>2,353,986</u>	<u>2,401,251</u>
Operating loss	(168,034)	(576,972)
Nonoperating items and other changes	<u>389,098</u>	<u>396,171</u>
Change in net position	<u>\$ 221,064</u>	<u>\$ (180,801)</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 2 of the financial statements).

**WBHM RADIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**SEPTEMBER 30, 2017 AND 2016**

**Condensed Statements of Net Position**

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Capital assets	\$ 64,419	\$ 84,612
Other assets	475,504	395,143
Total assets	<u>539,923</u>	<u>479,755</u>
Deferred outflows of resources	187,650	158,376
Total assets and deferred outflows of resources	<u>727,573</u>	<u>638,131</u>
<b>Liabilities:</b>		
Current liabilities	108,088	287,916
Noncurrent liabilities	1,107,715	1,075,372
Total liabilities	<u>1,215,803</u>	<u>1,363,288</u>
Deferred inflows of resources	65,423	49,560
Total liabilities and deferred inflows of resources	<u>1,281,226</u>	<u>1,412,848</u>
<b>Net position:</b>		
Unrestricted	(618,072)	(859,329)
Net investment in capital assets	64,419	84,612
Total net position	<u>\$ (553,653)</u>	<u>\$ (774,717)</u>

Total assets increased by 12.5% in 2017 from 2016. This is due primarily to increases in cash and cash equivalents, accounts receivable for memberships and prepaid expenses, offset by decreases in accounts receivable for underwriting and grants, and capital assets. Total assets decreased by 4.1% in 2016 from 2015. This is due primarily to decreases in cash and cash equivalents, accounts receivable for underwriting, prepaid expenses, and capital assets during the year offset by increases in accounts receivable for memberships, pledges, and grants.

Total liabilities decreased by 10.8% in 2017 from 2016. This is due primarily to decreases in cash overdraft and accounts payable for programming, offset by increases in pension liability and unearned revenue for underwriting. Total liabilities increased by 27.1% in 2016 from 2015. This is due primarily to increases in pension liability, cash overdraft, accounts payable for programming, and unearned revenue for underwriting offset by a decrease in accounts payable for management and general.

At September 30, 2017, deferred outflows from pension obligations were \$187,650 and deferred inflows from pension obligations were \$65,423. At September 30, 2016, WBHM reported deferred outflows from pension obligations of \$158,376 and deferred inflows from pension obligations of \$49,560.



**WBHM RADIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**SEPTEMBER 30, 2017 AND 2016**

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

	<u>2017</u>	<u>2016</u>
Operating revenues and expenses:		
Revenues	\$ 2,185,952	\$ 1,824,279
Expenses	<u>2,353,986</u>	<u>2,401,251</u>
Operating loss	(168,034)	(576,972)
Nonoperating revenues:		
State appropriations	1,367	-
University support	<u>250,000</u>	<u>243,906</u>
Total nonoperating revenues	<u>251,367</u>	<u>243,906</u>
Income (loss) before other changes	83,333	(333,066)
Other changes in net position:		
Transfers from UAB	<u>137,731</u>	<u>152,265</u>
Total other changes in net position	<u>137,731</u>	<u>152,265</u>
Change in net position	221,064	(180,801)
Net position:		
Net position at beginning of year	<u>(774,717)</u>	<u>(593,916)</u>
Net position at end of year	<u>\$ (553,653)</u>	<u>\$ (774,717)</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, 2017 and 2016, is presented above. WBHM's net position increased by \$221,064 in fiscal year 2017 as compared to a fiscal year 2016 decrease of \$180,801.

During fiscal year 2017, the overall decrease in operating loss is primarily attributable to an increase in overall revenues of 19.8% offset by a 2.0% decrease in operating expenses. The fiscal year 2016 increase in operating loss was primarily attributable to an increase in overall revenues of 2.5% offset by an 11.2% increase in operating expenses.

**WBHM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2017 AND 2016**

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Also during 2017, WBHM's nonoperating revenues increased by 3.1%, primarily due to increases in University support from UAB for operating expenses, as compared to an 459.8% increase in fiscal year 2016.

**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 consumers' media habits and the economics of broadcast and online 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 financial contributions;
- The continued investment in new technology and personnel to best serve community needs and the public radio mission; and
- The close integration with UAB's available technical, budgetary, and marketing systems to support the station.

WBHM's traditional radio audience remains strong while Internet and mobile use of WBHM content continues to grow. WBHM has been successful in expanding the station's public service to new audiences and technology platforms, including the station's mobile app, and its stream to smart speakers. Partnerships with other commercial and noncommercial media organizations have created mutually beneficial programming to serve audiences on air and online.

As a listener-supported membership organization, private contributions and corporate underwriting of programming are important to the financial support of WBHM. As the broadcast license holder and home of the station, UAB has traditionally supported the station with supplemental funding and in-kind support. WBHM will continue to rely on these significant sources to support its public service mission.

WBHM will continue to carefully manage operating costs while targeting new revenue sources. The station is seeking additional resources by relaunching its planned giving and major gifts campaigns while also vigorously pursuing private and community service grants to support new journalism and programming initiatives, capital needs, and necessary upgrades in technology and equipment.

In summary, the potential for sustaining and expanding WBHM's successful public service to the people of north central Alabama is positive in the near and midterm future.

## **FINANCIAL STATEMENTS**

**WBHM RADIO  
STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2017 AND 2016**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 180,029	\$ -
Accounts receivable, net	74,248	77,555
Pledges receivable, net	181,925	151,521
Grants receivable	-	132,781
Prepaid expenses	39,302	33,286
Total current assets	475,504	395,143
<b>NONCURRENT ASSETS</b>		
Capital assets, net	64,419	84,612
Total noncurrent assets	64,419	84,612
<b>TOTAL ASSETS</b>	539,923	479,755
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	187,650	158,376
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 727,573	\$ 638,131

See notes to the financial statements.

**WBHM RADIO  
STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2017 AND 2016**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

	<b>2017</b>	<b>2016</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 67,660	\$ 84,959
Cash overdraft	-	165,109
Unearned revenue	40,428	37,848
Total current liabilities	108,088	287,916
<b>NET PENSION LIABILITY</b>	1,107,715	1,075,372
<b>TOTAL LIABILITIES</b>	1,215,803	1,363,288
<b>DEFERRED INFLOWS OF RESOURCES</b>	65,423	49,560
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	1,281,226	1,412,848
<b>NET POSITION</b>		
Unrestricted	(618,072)	(859,329)
Net investment in capital assets	64,419	84,612
<b>TOTAL NET POSITION</b>	\$ (553,653)	\$ (774,717)

See notes to the financial statements.

**WBHM RADIO**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Membership contributions	\$ 1,362,314	\$ 925,047
Community service grants	175,600	289,137
Program underwriting	628,183	564,671
Other	<u>19,855</u>	<u>45,424</u>
Total operating revenues	2,185,952	1,824,279
<b>OPERATING EXPENSES</b>		
Programming and production	867,728	1,163,959
Broadcasting	176,364	198,253
Fundraising and membership development	344,052	229,568
Underwriting	275,438	221,197
Management and general	670,211	568,081
Depreciation	<u>20,193</u>	<u>20,193</u>
Total operating expenses	<u>2,353,986</u>	<u>2,401,251</u>
<b>OPERATING LOSS</b>	(168,034)	(576,972)
<b>NONOPERATING REVENUES</b>		
State appropriations	1,367	-
University support	<u>250,000</u>	<u>243,906</u>
Total nonoperating revenues	<u>251,367</u>	<u>243,906</u>
<b>INCOME (LOSS) BEFORE OTHER CHANGES</b>	83,333	(333,066)
<b>OTHER CHANGES IN NET POSITION</b>		
Transfers from UAB	<u>137,731</u>	<u>152,265</u>
Total other changes in net position	<u>137,731</u>	<u>152,265</u>
<b>CHANGE IN NET POSITION</b>	221,064	(180,801)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>(774,717)</u>	<u>(593,916)</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ (553,653)</u>	<u>\$ (774,717)</u>

See notes to the financial statements.

**WBHM RADIO  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Membership contributions	\$ 1,331,910	\$ 920,572
Community service grants	294,375	181,843
Program underwriting	648,076	595,501
Other	19,855	45,424
Payments to employees	(1,213,572)	(1,176,488)
Payments to vendors	<u>(986,873)</u>	<u>(1,057,191)</u>
Net cash provided by (used in) operating activities	93,771	(490,339)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Change in cash overdraft	(165,109)	165,109
State appropriations	1,367	-
University support	<u>250,000</u>	<u>243,906</u>
Net cash provided by noncapital financing activities	<u>86,258</u>	<u>409,015</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	180,029	(81,324)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>-</u>	<u>81,324</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 180,029</u></u>	<u><u>\$ -</u></u>

See notes to the financial statements.

**WBHM RADIO  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (168,034)	\$ (576,972)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	20,193	20,193
Pension expense	48,206	74,852
Change in deferred outflows of resources	(29,274)	(82,172)
Operating expenses provided by UAB	137,731	152,265
Change in accounts and pledges receivable	(27,097)	24,298
Change in grants receivable	132,781	(121,955)
Change in prepaid expenses	(6,016)	16,885
Change in accounts payable and accrued liabilities	(17,299)	(14,451)
Change in unearned revenue	2,580	16,718
Net cash provided by (used in) operating activities	<u>\$ 93,771</u>	<u>\$ (490,339)</u>

See notes to the financial statements.



**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

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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, 2017 and 2016.

**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

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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, 2017 and 2016.
  - (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. WBHM did not have restricted expendable net position as of September 30, 2017 and 2016.

**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 \$1,426 and \$1,550 as of September 30, 2017 and 2016 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, which is based on historical collection experience. The pledges receivable totaled \$181,925 and \$151,521 as of September 30, 2017 and 2016, respectively.

**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

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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 are 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, 2017 and 2016, was \$20,193 and \$20,193, respectively.

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources consist of amounts related to the defined benefit pension plan of \$187,650 and \$158,376 at September 30, 2017 and 2016, respectively, as more fully described in Note 5.

Deferred inflows of resources consist of amounts related to the defined benefit pension plan of \$65,423 and \$49,560 at September 30, 2017 and 2016, respectively, as more fully described in Note 5.

**Revenue Recognition**

Membership contributions and other donations are nonexchange transactions, which are recognized as operating revenues in the period they are received. WBHM recognizes revenue associated with community service grants 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.

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

During 2017, WBHM received \$251,367 of University support from UAB for WBHM's general operating expenses. In 2016, WBHM received \$243,906 of University support from UAB for WBHM's general operating expenses.

During both 2017 and 2016, WBHM received revenue from a Corporation for Public Broadcasting grant to create multi-media reporting on the South's educational outcomes against the backdrop of race, poverty, and the segregation that characterizes its history. This grant is contingent on WBHM being able to provide sufficient deliverables and disbursements for a future period. This grant is recognized in community service grants on the statements of revenues, expenses, and changes in net position.

**WBHM RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

**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**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes measurement criteria for the other postemployment benefits (OPEB) liability of state and local governments. The statement intends to improve financial reporting by requiring recognition of the total OPEB liability (the portion of the actuarial present value of projected benefits, attributable to past periods of employee service), net of the OPEB plan's fiduciary net position. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017. As such, WBHM has not implemented the provisions in the 2017 financial statements and is currently assessing the impact the guidance will have on its financial statements when adopted, but notes that the adoption of this provision will likely result in the recognition of a material liability with a corresponding reduction of WBHM's unrestricted net position.

In March 2016, the GASB issued Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73. This statement amends Statements No. 67 and No. 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure instead of covered-employee payroll. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. WBHM has determined that there was no material impact from its adoption of GASB 82.

**Subsequent Events**

Management has evaluated subsequent events and their potential effects on these financial statements through March 30, 2018, the date the financial statements were available to be issued.

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**3. CAPITAL ASSETS**

WBHM's capital asset activity for the years ended September 30, 2017 and 2016, is summarized as follows:

**September 30, 2017**

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending</u>
Land	\$ 25,669	\$ -	\$ -	\$ 25,669
Building and building improvements	155,290	-	-	155,290
Equipment	437,084	-	42,025	479,109
	618,043	-	42,025	660,068
Less accumulated depreciation	<u>(533,431)</u>	<u>(20,193)</u>	<u>(42,025)</u>	<u>(595,649)</u>
Capital assets, net	<u>\$ 84,612</u>	<u>\$ (20,193)</u>	<u>\$ -</u>	<u>\$ 64,419</u>

During 2017, UAB transferred a fully depreciated capital asset to WBHM.

**September 30, 2016**

	<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	437,084	-	-	437,084
	618,043	-	-	618,043
Less accumulated depreciation	<u>(513,238)</u>	<u>(20,193)</u>	<u>-</u>	<u>(533,431)</u>
Capital assets, net	<u>\$ 104,805</u>	<u>\$ (20,193)</u>	<u>\$ -</u>	<u>\$ 84,612</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 classifications, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rates of pay up to a designated maximum number of pay-out days. The accounts payable and accrued liabilities balance on the statements of net position includes an accrual of \$50,091 and \$45,900 as of September 30, 2017 and 2016, 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, multi-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 program is a defined contribution plan.

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. Benefits for all TRS members vest after ten years of creditable service. Service retirement benefits are based on a guaranteed minimum or a formula method, with the participants receiving payments under the method which yields the highest monthly benefit. Vested Tier 1 participants who retire at age 60, or after completing 25 years of credited service regardless of age, are entitled to an annual benefit, payable monthly for life. Under the formula method, Tier 1 participants are allowed 2.0125% of their average final compensations (highest three of the last ten years) for each year of service.

Vested Tier 2 participants are eligible for retirement after age 62 and are also entitled to an annual benefit, payable monthly for life. Under the formula method, Tier 2 participants are allowed 1.65% of their average final compensations (highest five of the last ten years) for each year of service. TRS also provides death and disability benefits.

Covered employees are required by law to contribute to TRS. Tier 1 covered employees were required by statute to contribute 7.5% of earned compensation to TRS in 2017 and 2016. Tier 2 covered employees were required by statute to contribute 6.0% of earned compensation to TRS in 2017 and 2016. WBHM, as the employer, contributes to TRS through UAB. WBHM's contribution rate for the years ended September 30, 2017 and 2016, was 11.83% and 11.94% for Tier 1 covered employees, respectively, and 10.81% and 10.84% for Tier 2 employees, respectively.

The Tier 1 contribution requirements for fiscal years 2017 and 2016, respectively, were \$108,680 and \$119,412, which consisted of \$66,901 and \$73,338 from WBHM and \$41,779 and \$46,074 from employees. The Tier 2 contribution requirements for fiscal years 2017 and 2016, respectively, were \$43,300 and \$24,704, which consisted of \$27,854 and \$15,902 from WBHM and \$15,446 and \$8,802 from employees.

### **Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At September 30, 2017, WBHM reported a liability of \$1,107,715 (\$1,075,372 at September 30, 2016) for its proportionate share of UAB's collective net pension liability, which was measured as of September 30, 2016, and determined by the actuarial valuation of the total pension liability as of September 30, 2015. WBHM's proportion of the collective net pension liability was based on the employer's share of contributions to the pension plan relative to the total employer contributions of all participating TRS employees. At September 30, 2016, WBHM's proportion was .01030%, which was a decrease of .00019% from its proportion measured as of September 30, 2015. At September 30, 2015, WBHM's proportion was .01049%, which was a decrease of .00001% from its proportion measured as of September 30, 2014.

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**5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED**

In fiscal year 2017, WBHM recognized a pension expense of \$48,206 (\$74,852 in fiscal year 2016). WBHM also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**September 30, 2017**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 27,106
Change of assumptions	19,882	-
Net difference between projected and actual earnings on pension plan investments	75,945	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	38,317
Employer contributions subsequent to the measurement date	91,823	-
	<u>\$ 187,650</u>	<u>\$ 65,423</u>

**September 30, 2016**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 4,266
Net difference between projected and actual earnings on pension plan investments	71,875	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	45,294
Employer contributions subsequent to the measurement date	86,501	-
	<u>\$ 158,376</u>	<u>\$ 49,560</u>



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**5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED**

The \$91,823 reported as deferred outflows of resources related to pensions resulting from WBHM contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Increase</u>
2018	\$ 2,456
2019	2,456
2020	22,018
2021	317
2022	3,157
	\$ 30,404

**Actuarial assumptions.**

The total pension liability was determined by an actuarial valuation as of September 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases	3.50% - 8.25%
Investment rate of return*	8.00%
*Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015. The actuarial assumptions used in the actuarial valuation as of September 30, 2014, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010.

Mortality rates for TRS for service retirements and dependent beneficiaries were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females. In 2016, mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.



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**5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED**

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Fixed Income	18.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash	2.00%	1.50%
	<u>100.00%</u>	

\* Includes assumed rate of inflation of 2.50%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED**

**Sensitivity of WBHM’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents WBHM’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what WBHM’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
WBHM’s proportionate share of collective net pension liability	\$ 1,484,964	\$ 1,107,715	\$ 801,142

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2016. The auditors’ report dated September 22, 2017, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of and for the year ended September 30, 2016, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Other Retirement Plans**

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 2017 and 2016, excluding employee amounts not eligible for matching, were \$42,156 (\$21,078 from both WBHM and its employees) and \$42,334 (\$21,167 from both WBHM and its employees), respectively.

WBHM’s total salaries and wages for fiscal years 2017 and 2016 were \$922,144 and \$894,490, respectively. Total salaries and wages during fiscal years 2017 and 2016 for covered employees participating in Tier 1 of TRS were \$565,709 and \$614,313, respectively. Total salaries and wages during fiscal year 2017 and 2016 for covered employees participating in Tier 2 of TRS were \$257,661 and \$146,696, respectively. Total salaries and wages during fiscal years 2017 and 2016 for covered employees participating in the 403(b) Plan program were \$480,021 and \$427,312, respectively.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED**

**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 \$137,731 and \$152,265 for the years ended September 30, 2017 and 2016, 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WBHM RADIO**  
**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND EMPLOYER**  
**CONTRIBUTIONS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**  
**(SEPTEMBER 30, 2016 AND 2015 MEASUREMENT DATES)**

The following required supplementary information related to WBHM's participation in the Teachers' Retirement System of Alabama.

**Schedule of WBHM's Proportionate Share of the Net Pension Liability – Teachers' Retirement Plan of Alabama**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	.01030%	.01049%	.01048%
Proportionate share of the net pension liability	\$ 1,107,715	\$ 1,075,372	\$ 952,257
Covered-employee payroll during the measurement period	\$ 761,009	\$ 678,222	\$ 673,024
Proportionate share of the net pension liability as a percentage of covered-employee payroll	145.56%	158.56%	141.49%
Plan fiduciary net position as a percentage of the total pension liability	67.93%	67.51%	71.01%

**Schedule of WBHM's Contributions – Teachers' Retirement Plan of Alabama**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 91,823	\$ 86,501	\$ 76,204
Contributions in relation to the contractually required contribution	91,823	86,501	76,204
Contribution deficiency (excess)	-	-	-
Covered payroll	\$ 823,370	\$ 761,009	\$ 678,223
Contributions as a percentage of covered-employee payroll	11.15%	11.37%	11.24%

**Notes to Schedules**

Covered payroll: The payroll on which contributions to a pension plan are based.

Measurement period: For fiscal year 2017, the measurement period is October 1, 2015 - September 30, 2016. For the fiscal year 2016, the measurement period is October 1, 2014 - September 30, 2015. The Schedule of WBHM's Proportionate Share of the Net Pension Liability and the Schedule of WBHM's Contributions are not available for years prior to 2015.