

WKSU Radio Station

**Financial Statements
June 30, 2006 and 2005**



Mary Taylor, CPA
Auditor of State

Kent State University Board of Trustees
WKSU Radio Station
224 Michael Schwartz Center
Kent, Ohio 44242

We have reviewed the *Report of Independent Auditors* of the WKSU Radio Station, Portage County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The WKSU Radio Station is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 16, 2007

This Page is Intentionally Left Blank.

Report of Independent Auditors

To the Community Advisory Council of
WKSU Radio Station:

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of WKSU Radio Station ("WKSU") at June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of WKSU's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2006 on our consideration of the WKSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2006. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

PricewaterhouseCoopers LLP

November 8, 2006
Cleveland, Ohio

WKSU Radio Station
Statements of Financial Position
As of June 30, 2006 and 2005

ASSETS		
	2006	2005
Cash and cash equivalents	\$ 1,254,687	\$ 1,292,555
Accounts receivable, less allowance for doubtful accounts of \$4,440 and \$11,300, respectively	114,586	121,600
Member pledges receivable, less allowance for uncollectible pledges of \$37,473 and \$38,630, respectively	43,989	57,943
Endowment pledges receivable, less allowance for uncollectible pledges of \$11,481 and \$16,431 and discount of \$7,384 and \$10,551, respectively	95,942	137,325
Major gift pledges receivable less allowance for uncollectible pledges of \$23,600 and discount of \$9,092	203,308	-
Due from Kent State University Foundation, net	34,148	426,749
Prepaid expenses and other assets	75,912	87,370
Property, plant and equipment, at cost		
Building	2,360,377	2,360,377
Equipment and other	2,838,030	2,890,346
Furniture and fixtures	197,196	258,827
	<u>5,395,603</u>	<u>5,509,550</u>
Less accumulated depreciation	2,372,260	2,339,144
Property, plant and equipment, net	<u>3,023,343</u>	<u>3,170,406</u>
Temporarily restricted cash	154,061	131,799
Permanently restricted cash	<u>816,114</u>	<u>723,643</u>
Total assets	<u>\$ 5,816,090</u>	<u>\$ 6,149,390</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 18,107	\$ 42,999
Accrued expenses	268,900	242,267
Due to Kent State University, net	34,148	426,749
Deferred revenue	<u>265,570</u>	<u>300,291</u>
Total liabilities	586,725	1,012,306
Net assets:		
Unrestricted	4,025,872	4,250,559
Temporarily restricted	291,437	25,557
Permanently restricted	<u>912,056</u>	<u>860,968</u>
Total net assets	<u>5,229,365</u>	<u>5,137,084</u>
Total liabilities and net assets	<u>\$ 5,816,090</u>	<u>\$ 6,149,390</u>

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Statements of Activities
For the years ended June 30, 2006 and 2005

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues and other additions:								
WKSU pledges and contributions	\$ 1,605,861	\$ 1,624,494	\$ 205,880	\$ -	\$ 3,053	\$ 19,877	\$ 1,814,794	\$ 1,644,371
Folk Alley pledges and contributions	171,687	139,815	60,000	-	-	-	231,687	139,815
Kent State University appropriations	455,815	465,815	-	-	-	-	455,815	465,815
Underwriting contributions	1,050,570	1,047,658	-	-	-	-	1,050,570	1,047,658
In-kind contributions	388,807	376,390	-	-	-	-	388,807	376,390
Donated administration	722,226	639,831	-	-	-	-	722,226	639,831
Grant revenue	-	-	551,614	586,984	-	-	551,614	586,984
Other income	285,843	399,289	-	-	48,035	-	333,878	399,289
Total revenues and other additions	4,680,809	4,693,292	817,494	586,984	51,088	19,877	5,549,391	5,300,153
Release of restrictions	551,614	586,984	(551,614)	(586,984)	-	-	-	-
Total revenues and other additions after release of restrictions	5,232,423	5,280,276	265,880	-	51,088	19,877	5,549,391	5,300,153
Expenses and other deductions:								
Program and production	2,240,267	2,054,955	-	-	-	-	2,240,267	2,054,955
Broadcasting	560,409	528,705	-	-	-	-	560,409	528,705
Depreciation	220,612	202,503	-	-	-	-	220,612	202,503
Public information	435,045	382,340	-	-	-	-	435,045	382,340
Management and general	594,093	591,970	-	-	-	-	594,093	591,970
Fundraising	751,667	799,905	-	-	-	-	751,667	799,905
Underwriting	379,189	401,779	-	-	-	-	379,189	401,779
Folk Alley expenses	275,828	172,948	-	-	-	-	275,828	172,948
Total expenses and other deductions	5,457,110	5,135,105	-	-	-	-	5,457,110	5,135,105
Change in net assets	(224,687)	145,171	265,880	-	51,088	19,877	92,281	165,048
Net assets at beginning of year	4,250,559	4,105,388	25,557	25,557	860,968	841,091	5,137,084	4,972,036
Net assets at end of year	\$ 4,025,872	\$ 4,250,559	\$ 291,437	\$ 25,557	\$ 912,056	\$ 860,968	\$ 5,229,365	\$ 5,137,084

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Statements of Cash Flows
For the years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 92,281	\$ 165,048
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	220,612	202,503
Loss on disposal of assets	-	47,515
Changes in assets and liabilities:		
Accounts receivable, net	7,014	(2,429)
Pledges receivable, net	(147,971)	76,945
Prepaid expenses and other assets	11,458	(14,064)
Temporarily restricted cash	(22,262)	16,772
Permanently restricted cash	(92,471)	(114,605)
Accounts payable	(24,892)	13,269
Accrued expenses	26,633	22,630
Deferred revenue	(34,721)	39,041
Net cash provided by operating activities	<u>35,681</u>	<u>452,625</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(73,549)</u>	<u>(165,495)</u>
Net cash used in investing activities	<u>(73,549)</u>	<u>(165,495)</u>
Net (decrease) increase in cash and cash equivalents	(37,868)	287,130
Cash and cash equivalents, beginning of year	<u>1,292,555</u>	<u>1,005,425</u>
Cash and cash equivalents, end of year	<u>\$ 1,254,687</u>	<u>\$ 1,292,555</u>

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2006 and 2005

1. Organization and Operation

WKSU Radio Station ("WKSU") is a regional public service radio station whose purpose is to serve the educational and cultural needs of the Northeastern Ohio community. WKSU is governed by the Board of Trustees of Kent State University (the "University"). Kent State University Foundation, Inc. (the "Foundation") has been established as the gift-receiving arm of the University and also serves as the gift-receiving arm of WKSU. As such, the accompanying statements of financial position and related statements of activities and cash flows reflect the assets owned by the University and the Foundation, designated for use by WKSU. WKSU is administered by the Vice President of University Relations and Development and permanent staff. WKSU is funded mainly by community fundraising, underwriting contributions, federal and state grants, and appropriations from the University.

2. Significant Accounting Policies

Basis of Accounting

The accounts of WKSU are maintained in accordance with the principles of not-for-profit accounting. The accompanying financial statements have been prepared on an accrual basis.

Basis of Presentation

WKSU reports net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WKSU and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. This category includes unrestricted assets, uncollected pledges and property.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be met either by actions of WKSU and/or the passage of time. This category includes grants received by WKSU.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by WKSU. The donors of these assets permit WKSU to use the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a "release of restrictions" in the accompanying statements of activities.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2006 and 2005

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires WKSU's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents as presented in the accompanying financial statements are defined as cash held on account with the Foundation and grant funds made available for use by the University Governmental Reporting Department. Some of this cash has been designated as temporarily or permanently restricted based on the wishes of the donor. WKSU recorded \$154,061 and \$816,114 as temporarily and permanently restricted cash, respectively, at June 30, 2006. WKSU recorded \$131,799 and \$723,643 as temporarily and permanently restricted cash, respectively, at June 30, 2005.

In-Kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. WKSU reports gifts of equipment, professional services, materials and other nonmonetary contributions as unrestricted revenue in the accompanying statements of activities.

Donated personal services of non-professional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributions

Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon WKSU management's judgment including such factors as prior collection history and type of contribution. All member pledges receivable are promises to give within one year of June 30, 2006.

WKSU conducted an endowment campaign in response to a challenge from the GAR Foundation. The gross pledges receivable for the endowment total \$114,807 and are promises to give within three years of June 30, 2006.

WKSU has initiated a major gift program. The new major gift program will serve as the capital campaign umbrella for several initiatives including but not limited to: Equipment, Technology, Cultural, Endowment funds, and Building expansion. The gross pledges receivable total \$226,908 and are promises to give within five years of June 30, 2006.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2006 and 2005

Grants

Grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When WKSU is notified as a recipient of these grants, the amounts are included as temporarily restricted grant revenue in the accompanying statements of activities.

3. Property, Plant and Equipment

WKSU follows the University policy to expense property additions less than \$2,500 in the year purchased. Depreciation is computed on a straight-line basis over the estimated useful lives of the asset as follows:

<u>Asset Category</u>	<u>Estimated Useful Life</u> (in years)
Buildings	40
Towers	20
Furniture and fixtures	10
Equipment	7-10
Automobiles	5
Computers	3

During fiscal years 2004, 2002 and 1997, WKSU received federal funding from the National Telecommunication and Information Administration for three capital expenditure projects in the amounts of \$147,496, \$37,858 and \$120,415, respectively. As a condition of this funding, the Federal government has a priority reversionary interest on certain equipment. The liens expire on July 31, 2014, July 31, 2011 and February 28, 2007, respectively.

4. Operating Lease Commitments and Contingencies

WKSU leases tower space for certain repeater stations from third parties under lease agreements. The leases are accounted for as operating leases and are for various terms ranging from 5 to 10 years, with additional renewal options.

For the years ended June 30, 2006 and 2005, lease expense totalled \$61,837 and \$46,050 respectively.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2006 and 2005

Future minimum operating lease commitments at June 30, 2006 are as follows:

<u>Fiscal Year</u>	
2007	28,955
2008	29,441
2009	24,324
2010	24,403
2011	24,940
Thereafter	69,824

WKSU leases space on the University towers to various third parties using five-year leases with renewal options. During fiscal year 2006 and 2005, WKSU recorded \$98,972 and \$109,661 respectively, as tower rental income that is included in "other income" in the statements of activities. Future minimum rentals due are as follows:

<u>Fiscal Year</u>	
2007	100,739
2008	96,715
2009	69,405
2010	47,679
2011	44,794
Thereafter	50,564

5. Related Party Transactions

WKSU receives administrative support from the Foundation and the University, and monetary support from the University. However, WKSU reimburses the University for all expenditures in excess of appropriations. Administrative support provided by the Foundation is valued based on the salaries of the Foundation's staff and their proportionate amount of time spent on WKSU support.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2006 and 2005

The statements of financial position and the statements of activities include the following related party amounts for the years ended June 30, 2006 and 2005:

For the year ended June 30, 2006:

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 722,226	\$ 17,601
Expenses in excess of appropriations	Due to KSU, net Due from KSUF, net	\$ 34,148	\$ 34,148
Appropriations	KSU appropriations	\$ 455,815	

For the year ended June 30, 2005:

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 639,831	\$ 18,015
Expenses in excess of appropriations	Due to KSU, net Due from KSUF, net	\$ 426,749	\$ 426,749
Appropriations	KSU appropriations	\$ 465,815	

6. Income Taxes

WKSU is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from paying federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2006 and 2005

7. **Net Assets**

	2006	2005
Unrestricted net assets at June 30, 2006 and 2005 are as follows:		
Current Operations	\$ 4,073,907	\$ 4,250,559
Temporarily restricted net assets principally related to grants and major gifts at June 30, 2006 and 2005 are as follows:		
Specific purpose funds	\$ 291,437	\$ 25,557
Permanently restricted net assets principally related to purposes in general support of WKSU at June 30, 2006 and 2005 are as follows:		
Endowment funds	\$ 816,114	\$ 723,643
Pledges receivable, net	95,942	137,325
Total	<u>\$ 912,056</u>	<u>\$ 860,968</u>

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Community Advisory Council of
WKSU Radio Station:

We have audited the financial statements of WKSU Radio Station (the "Radio Station"), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Radio Station's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Radio Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Kent State University Board of Trustees, WKSU Community Advisory Council, and management, and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

November 8, 2006
Cleveland, Ohio



Mary Taylor, CPA
Auditor of State

**KENT STATE UNIVERSITY
WKSU RADIO STATION**

PORTAGE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2007**