

WKSU Radio Station
(a public telecommunications entity operated by
Kent State University)

Financial Report
June 30, 2009



Mary Taylor, CPA
Auditor of State

Community Advisory Council
WKSU Radio Station
224 Michael Swartz Center
Kent, Ohio 44242

We have reviewed the *Independent Auditor's Report* of the WKSU Radio Station, Portage County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2008 through June 30, 2009. 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

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Auditor of State

November 16, 2009

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WKSU Radio Station

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Independent Auditor's Report

To the Community Advisory Council
WKSU Radio Station

We have audited the accompanying statement of net assets of WKSU Radio Station, a public telecommunications entity operated by Kent State University, as of June 30, 2009 and 2008 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WKSU Radio Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WKSU Radio Station as of June 30, 2009 and 2008 and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2009 on our consideration of WKSU Radio Station's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Community Advisory Board
WKSU Radio Station

The management's discussion and analysis presented on pages 3 through 9 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 15, 2009
Toledo, Ohio

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

Introduction

The following discussion and analysis provides an overview of the financial position, activities, and cash flows of public radio station WKSU-FM, which is licensed to Kent State University, for the year ended June 30, 2009.

This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

WKSU-FM, which serves all or part of 22 counties in Northeast and North Central Ohio, has the largest FM radio signal footprint in the state. Notable cities covered by WKSU's signal include Cleveland (433,748), Akron (207,510), and Canton (78,362) with seven transmission sites:

- 89.1 WKSU Thompson
- 89.3 WKRW Wooster
- 89.7 WKSU Kent (main signal)
- 90.7 WNRK Norwalk
- 91.5 WKRJ New Philadelphia
- 95.7 W239AZ Ashland
- 107.5 W298BA Boardman

WKSU went on the air on October 2, 1950 and broadcasts from its Main Broadcast Center, located on the Kent campus of Kent State University in Kent, Ohio.

WKSU provides classical and folk music as well as news and information programming, including National Public Radio's (NPR's) highly acclaimed news programs, Morning Edition and All Things Considered. WKSU operates 24 hours a day throughout the year.

The WKSU stations also broadcast a multi-channel High Definition (HD) Radio signal. HD Channel 1 contains WKSU's primary news and music format, HD Channel 2 presents a hosted, all-folk music format from the popular FolkAlley.com, and HD Channel 3 presents all classical music. In addition, WKSU provides an on-line listening service through which listeners can link to www.wksu.org to hear either WKSU's on-air channel, an all-news channel, or an all-classical music channel. From FolkAlley.com, an on-line folk music site created by WKSU and launched in September 2003, listeners can access a hosted live-stream of folk music and a robust, interactive website. This 24/7 stream reaches a global audience of over 90,000 registered listeners and is produced and maintained by WKSU-FM in Kent, Ohio.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Thanks to WKSU's Sound of the Future fundraising campaign, WKSU has converted all of its transmission sites to digital technology (Phase I). The continuing Sound of the Future fundraising capital campaign (Phase II) is now focused on upgrading WKSU's main transmission antenna and replacing outdated analog equipment at WKSU's Main Broadcast Center and regional news bureaus with equipment that utilizes the latest in digital technologies. Funding from grants received from the Corporation for Public Broadcasting (CPB) has largely complimented gifts received from individuals and corporations in support of the Sound of the Future Campaign. The timely completion of Phase I of WKSU's HD Radio project would not have been possible without receipt of the CPB grants. Additional grant applications to the Public Telecommunications Funding Program (PTFP) are outstanding at this time.

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WKSU Radio Station (the "Station"), which is owned and operated by Kent State University (the "University"). The report consists of three basic financial statements that provide information on the radio station: the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These reports begin on page 10 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. The difference between total assets and total liabilities is net assets, which is one way to measure the current financial activities of the Station. Unrestricted net assets decreased by \$1,053,491 due to excess of expenses over revenues incurred by the Station from 2008 to 2009 and increased by \$133,336 due to excess of revenues over expenses incurred by the Station from 2007 to 2008. Net assets invested in capital assets increased by \$461,718 due to the acquisition of new broadcast equipment, less the ongoing depreciation of existing fixed assets from 2008 to 2009. Net assets invested in capital assets decreased by \$122,778 due to ongoing depreciation of existing fixed assets and new purchases from 2007 to 2008. Total net assets decreased by \$751,494 from 2008 to 2009 and increased by \$572,712 from 2007 to 2008.

Total assets decreased \$579,609 from 2008 to 2009 primarily due to cash outlays for capital projects (digital conversion) and required matching funds for those projects that were from granting agencies.

Total assets increased \$722,974 in 2008 caused primarily by increases in pledge receivables and decreased \$19,319 in 2007 caused primarily by a reduction in the amounts due from the University (pooled cash and investments) and the recognition of the new broadcast equipment.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Total liabilities increased \$171,885 in 2009. This increase was primarily attributable to an increase in accounts payable due to Kent State University. Total liabilities increased \$150,262 in 2008, which was attributable primarily to an increase in deferred revenue and account payables.

A summarized comparison of the station's assets, liabilities, and net assets at June 30, 2009, 2008, and 2007 is as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Current Assets	\$ 1,267,344	\$ 2,452,553	\$ 1,677,137
Capital Assets - Net of depreciation	3,400,448	2,938,730	3,061,508
Restricted Cash	<u>1,272,344</u>	<u>1,128,462</u>	<u>1,058,126</u>
Total assets	<u>\$ 5,940,136</u>	<u>\$ 6,519,745</u>	<u>\$ 5,796,771</u>
Liabilities and Net Assets			
Current Liabilities	\$ 771,007	\$ 599,122	\$ 448,860
Net Assets			
Invested in capital assets	3,400,448	2,938,730	3,061,508
Expendable restricted	663,919	804,340	248,515
Nonexpendable restricted	922,343	941,643	935,314
Unrestricted	<u>182,419</u>	<u>1,235,910</u>	<u>1,102,574</u>
Total net assets	<u>5,169,129</u>	<u>5,920,623</u>	<u>5,347,911</u>
Total liabilities and net assets	<u>\$ 5,940,136</u>	<u>\$ 6,519,745</u>	<u>\$ 5,796,771</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the operating results of the Station. The Station's revenues, expenses, and changes in net assets are summarized as follows:

	2009	2008	2007
Operating Revenues			
WKSU pledges and contributions	\$ 1,550,648	\$ 1,623,135	\$ 1,506,440
Folk Alley pledges and contributions	206,566	406,537	211,633
Underwriting contributions	1,030,875	1,049,206	1,232,547
In-kind contributions	587,732	753,267	535,370
Donated administration	1,133,910	1,072,541	999,546
Grant revenue	659,079	477,724	-
Other income	139,503	556,274	297,763
Total operating revenues	5,308,313	5,938,684	4,783,299
Nonoperating Revenues			
Restricted gifts	345,428	562,154	708,995
Kent State University appropriations	455,815	705,815	455,815
Total nonoperating revenue	801,243	1,267,969	1,164,810
Total revenues	6,109,556	7,206,653	5,948,109
Operating Expenses			
Programming and production	3,655,136	3,336,342	3,233,589
Public information	628,624	634,027	288,203
Management and general	638,703	647,780	616,281
Depreciation	247,922	229,454	202,906
Fund-raising	1,322,953	1,312,847	1,034,460
Underwriting	367,712	473,491	454,124
Total operating expenses	6,861,050	6,633,941	5,829,563
(Decrease) Increase in Net Assets	(751,494)	572,712	118,546
Net Assets - Beginning of year	5,920,623	5,347,911	5,229,365
Net Assets - End of year	<u>\$ 5,169,129</u>	<u>\$ 5,920,623</u>	<u>\$ 5,347,911</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Operating revenues decreased by \$630,371 or 11 percent, during 2009. The decrease can be attributable to a decrease of \$68,054 from the Corporation for Public Broadcasting, \$28,747 from State Network Commission, \$278,156 from private grant revenue for digital conversion \$278,156, and \$81,011 from contributed services. Operating expenses increased by \$227,109 or 3 percent.

For 2008, operating revenues increased by \$1,155,385 or 24 percent, Corporation for Public Broadcasting decreased \$71,848, State Network Commission and private grants revenue increased \$1,596, and contributed services increased \$319,803. This increase is due primarily to a funding formula change implemented by the State of Ohio due to the merging of two funding mechanisms. Operating expenses increased by \$804,378, or 14 percent.

For 2007, operating revenues increased by \$558,305, or 13 percent; Corporation for Public Broadcasting decreased \$18,633, State Network Commission and private grants revenue increased \$5,588, and contributed services increased \$423,883. This increase is due primarily to a funding formula change implemented by the State of Ohio due to the merging of two funding mechanisms. Operating expenses increased by \$372,453 or 7 percent.

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. Cash consists of the Station's share of University pooled cash and investments. The Station's cash flows are summarized as follows:

	2009	2008	2007
Cash Used in Operating Activities	\$ (966,880)	\$ (918,780)	\$ (866,115)
Cash Used in Capital and Related Financing Activities	(709,640)	(106,676)	(241,071)
Cash from Noncapital Financing Activities	<u>801,243</u>	<u>1,267,969</u>	<u>1,164,810</u>
(Decrease) Increase in Cash	(875,277)	242,513	57,624
Cash - Beginning of year	<u>2,524,999</u>	<u>2,282,486</u>	<u>2,224,862</u>
Cash - End of year	<u><u>\$ 1,649,722</u></u>	<u><u>\$ 2,524,999</u></u>	<u><u>\$ 2,282,486</u></u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

The Station consumed \$966,880 and \$918,780 in operating activities in 2009 and 2008, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$3,992,285 and \$3,813,720 for 2009 and 2008, respectively. Cash outlays include payments for wages and to vendors of \$4,109,604 and \$3,794,794 for 2009 and 2008, respectively. The primary noncapital financing activities consist of support from the University and restricted gifts.

Economic Factors that Will Affect the Future of Public Radio and WKSU

As print media outlets in the United States continue to struggle, the need for public radio is increasing. Arbitron data indicates that U.S. residents reached by public radio in an average week grew to 32.7 million, up 6 percent from the previous year. Specifically, WKSU's listening audience grew from 157,000 regular weekly listeners in spring 2008 to 172,500 in spring 2009. During WKSU's spring 2009 Fund Drive, 50 percent of all pledges were made by new and lapsed members. In addition, although Arbitron indicates growth in WKSU's total survey area, it also is significant to note that online listening is growing, with recent numbers featuring 17,000 online listeners and 600 Folk Alley iPhone application downloads.

WKSU's long-term strategy is to continue to "create a shared civic and cultural life that connects communities through a diverse mix of media and that extends the heritage of Kent State University." In addition to propagating a civic and cultural life that extends the heritage of Kent State University, WKSU strives to continually improve programming. WKSU is currently evaluating through strategic planning new ways and means to improve its service to the community and the region. In addition, partnerships with the University and community organizations remain strong, thus enhancing WKSU's positive status in the community.

In the coming year, WKSU will expand its younger listener base through concerts and events that have a more youthful appeal. With this initiative, WKSU hopes to gain a younger group of listeners to establish and position itself for the future.

News Bureaus

Another way that WKSU is positioning itself for the future is through regional news bureaus, with the most recently opened bureau being strategically located in the United Building at the corner of Main and Market streets in the heart of downtown Akron. WKSU's Stark and Wayne Counties News Bureau is located in the Canton Museum of Art, which is situated within the Canton Cultural Arts Center. The Cleveland News Bureau is located within the WKYC-TV Channel 3 newsroom. These cities contain WKSU's core listening audiences.

Grant Awards

During fiscal year 2008-2009, WKSU received 12 grants, some matching, totaling over half a million dollars. Granting institutions included local foundations as well as the Corporation for Public Broadcasting (CPB).

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Awards

Over the last fiscal year, WKSU received 40 regional, state, and national awards from seven different organizations that are respected in the fields of journalism and print and online media. Most significant of the awards won include (but are not limited to):

- Best News Operation in Ohio (Society of Professional Journalists, Ohio Chapter)
- Best Use of Sound (Public Radio News Director, Inc.) for "Insect Orchestra" (Jeff St. Clair)
- Best Radio Web Site Design (Press Club of Cleveland - Ohio Excellence in Journalism Awards) for "NEO Development: Rebuilding Northeast Ohio"
- Best Feature: Hard News (Radio-Television News Directors Association - Regional Murrow Awards) for "A Soldier's Friends" (Amanda Rabinowitz)
- Best Reporter, Large Market (Ohio Associated Press) (Amanda Rabinowitz)

WKSU Radio Station

Statement of Net Assets

	June 30	
	2009	2008
Assets		
Current Assets		
Cash	\$ 377,378	\$ 1,396,537
Accounts receivable, less allowance for doubtful accounts of \$6,526 and \$3,231 for 2009 and 2008, respectively	132,310	296,000
Member pledges receivable, less allowance for uncollectible pledges of \$25,899 and \$13,599 for 2009 and 2008, respectively	34,758	42,527
Endowment pledges receivable, less allowance for uncollectible pledges of \$0 and \$3,250 and discount of \$0 and \$2,485 for 2009 and 2008, respectively	-	29,250
Major gift pledges receivable, less allowance for uncollectible pledges of \$56,678 and \$72,270 and discount of \$34,869 and \$52,914 for 2009 and 2008, respectively	475,234	597,513
Due from Kent State University Foundation, net	193,044	-
Prepaid expense and other assets	54,620	90,726
Total current assets	1,267,344	2,452,553
Property, plant, and equipment, at cost:		
Building	2,360,377	2,360,377
Equipment and other	3,620,157	3,068,210
Furniture and fixtures	160,031	186,783
Construction in progress	206,968	100,000
Total	6,347,533	5,715,370
Less accumulated depreciation	2,947,085	2,776,640
Property, plant, and equipment, net	3,400,448	2,938,730
Temporarily restricted cash	411,674	170,880
Permanently restricted cash	860,670	957,582
Total assets	\$ 5,940,136	\$ 6,519,745
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 105,615	\$ 200,147
Accrued expenses	307,039	230,273
Due to Kent State University, net	193,044	-
Deferred revenue	165,309	168,702
Total liabilities	771,007	599,122
Net Assets		
Invested in capital assets, net of related debt	3,400,448	2,938,730
Unrestricted	182,419	1,235,910
Restricted - Expendable	663,919	804,340
Restricted - Nonexpendable	922,343	941,643
Total net assets	5,169,129	5,920,623
Total liabilities and net assets	\$ 5,940,136	\$ 6,519,745

WKSU Radio Station

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2009	2008
Operating Revenue		
WKSU pledges and contributions	\$ 1,550,648	\$ 1,623,135
Folk Alley pledges and contributions	206,566	406,537
Underwriting contributions	1,030,875	1,049,206
In-kind contributions	587,732	753,267
Donated administration	1,133,910	1,072,541
Grant revenue	659,079	477,724
Other income	139,503	556,274
Total operating revenue	5,308,313	5,938,684
Operating Expenses		
Program and production	2,420,169	2,499,677
Broadcasting	938,505	573,219
Depreciation	247,922	229,454
Public information	628,624	634,027
Management and general	638,703	647,780
Fund-raising	1,322,953	1,312,847
Underwriting	367,712	473,491
Folk Alley expenses	296,462	263,446
Total operating expenses	6,861,050	6,633,941
Operating Loss	(1,552,737)	(695,257)
Nonoperating Revenues		
Restricted gifts	345,428	562,154
Kent State University appropriations	455,815	705,815
Total nonoperating revenues and expenses	801,243	1,267,969
Change in Net Assets	(751,494)	572,712
Net Assets - Beginning of year	5,920,623	5,347,911
Net Assets - End of year	<u>\$ 5,169,129</u>	<u>\$ 5,920,623</u>

WKSU Radio Station

Statement of Cash Flows

	Year Ended June 30	
	2009	2008
Cash Flows from Operating Activities		
Cash received from donors	1,847,171	1,324,232
Cash received from the community	1,140,607	1,449,610
Cash received from grants	659,079	477,724
Cash from other sources	210,702	119,427
Cash from endowments	67,044	128,566
Payments to employees	(1,917,220)	(1,798,023)
Payments for benefits	(781,879)	(623,545)
Payments to suppliers and vendors	(2,192,384)	(1,996,771)
Net cash used in operating activities	(966,880)	(918,780)
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	(709,640)	(106,676)
Cash Flows from Noncapital Financing Activities		
Restricted gifts	345,428	562,154
Cash received from Kent State University	455,815	705,815
Net cash provided by noncapital financing activities	801,243	1,267,969
(Decrease) Increase in Cash	(875,277)	242,513
Cash - Beginning of year	2,524,999	2,282,486
Cash - End of year	\$ 1,649,722	\$ 2,524,999
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,552,737)	\$ (695,257)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	247,922	229,454
Changes in assets and liabilities:		
Accounts receivable, net	163,063	(122,486)
Pledges receivable, net	159,925	(490,037)
Prepaid expenses and other assets	36,106	(794)
Accounts payable	(94,532)	169,279
Accrued expenses and other liabilities	73,373	(8,939)
Net cash used in operating activities	\$ (966,880)	\$ (918,780)

WKSU Radio Station

Notes to Financial Statements June 30, 2009 and 2008

Note 1 - Organization and Operation

WKSU Radio Station (WKSU or the "Station") 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 net assets and related statements of revenue, expenses, and changes in net assets 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 permanent staff. WKSU is funded mainly by community fund-raising, underwriting contributions, federal and state grants, and appropriations from the University.

Note 2 - Significant Accounting Policies

Basis of Presentation - WKSU reports a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB No. 35, the funds of the Station are reported in the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows on a consolidated basis. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Pursuant to GASB Statement No. 20, the Station has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, statements and interpretations issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

As required by the GASB, resources of the Station are classified into one of four net asset categories, as follows:

- **Invested in Capital Assets, Net of Related Debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- **Restricted, Nonexpendable** - Net assets subject to externally imposed stipulations that the Station maintains such assets permanently
- **Restricted, Expendable** - Net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time

Note 2 - Significant Accounting Policies (Continued)

- **Unrestricted** - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

Operating Versus Nonoperating Revenue and Expenses

The Station defines operating activities as reported on the statement of revenue, expenses, and changes in net assets as those that generally result from exchange transactions such as payments received for providing goods or services. All of the University's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenues as required by GASB Statement No. 35.

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 \$411,674 and \$860,670 as temporarily and permanently restricted cash, respectively, at June 30, 2009. WKSU recorded \$170,880 and \$957,582 as temporarily and permanently restricted cash, respectively, at June 30, 2008.

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 non-monetary contributions as unrestricted revenue in the accompanying statement 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.

Note 2 - Significant Accounting Policies (Continued)

Contributions - Contributions, including unconditional promises to give and membership receipts, are recognized as revenue when all eligibility requirements, including time requirements, have been met. 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, 2009.

WKSU conducted an endowment campaign in response to a challenge from the GAR Foundation. The gross pledges receivable for the endowment total \$0 and \$32,500 as of June 30, 2009 and 2008, respectively. WKSU has initiated a major gift program. The 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 \$566,781 and \$722,697 as of June 30, 2009 and 2008, respectively. Gross pledges receivable as of June 30, 2009 are promises to give within five years of June 30, 2009.

Grants - Grants are restricted for the purchase of equipment and for the payment of certain operational expenses. Grants are recorded as support and revenue in the statement of revenue, expenses, and changes in net assets when all applicable financial reimbursement criteria have been met.

Reclassification - Certain amounts from the prior year have been reclassified to conform with the current year's presentation.

Note 3 - Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded at their approximate present value. For pledges made during the year ended June 30, 2009, the future cash flows from pledges receivable have been discounted using a discount rate of 2.50 percent. For pledges made during June 30, 2008, the future expected cash flows from pledge receivables have been discounted using a discount rate of 3.50 percent.

WKSU Radio Station

Notes to Financial Statements June 30, 2009 and 2008

Note 3 - Pledges Receivable (Continued)

Pledges receivable at June 30, 2009 and 2008 are expected to be realized in the following periods:

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 211,647	\$ 250,397
One to five years	<u>355,134</u>	<u>472,300</u>
Total	566,781	722,697
Less amount estimated to be uncollectible	(56,678)	(72,270)
Less unamortized discount	<u>(34,869)</u>	<u>(52,914)</u>
Total pledge receivable - Net	<u>\$ 475,234</u>	<u>\$ 597,513</u>

Note 4 - Capital Assets

WKSU follows the University's 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

WKSU Radio Station

Notes to Financial Statements June 30, 2009 and 2008

Note 4 - Capital Assets (Continued)

Capital asset activity for the years ended June 30, 2009 and 2008 is as follows:

	2009			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 186,783	\$ -	(\$ 26,752)	\$ 160,031
Telecommunications equipment	3,068,210	602,672	(50,725)	3,620,157
Building	2,360,377	-	-	2,360,377
Construction in progress	100,000	106,968	-	206,968
Total	5,715,370	709,640	(77,477)	6,347,533
Less accumulated depreciation:				
Office equipment	162,654	2,590	(26,752)	138,492
Telecommunications equipment	1,639,418	190,632	(50,725)	1,779,325
Building	974,568	54,700	-	1,029,268
Total accumulated depreciation	2,776,640	247,922	(77,477)	2,947,085
Capital assets - Net	\$ 2,938,730	\$ 461,718	\$ -	\$ 3,400,448
	2008			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 183,873	\$ 2,910	\$ -	\$ 186,783
Telecommunications equipment	3,064,444	3,766	-	3,068,210
Building	2,360,377	-	-	2,360,377
Construction in progress	-	100,000	-	100,000
Total	5,608,694	106,676	-	5,715,370
Less accumulated depreciation:				
Office equipment	148,568	14,086	-	162,654
Telecommunications equipment	1,478,750	160,668	-	1,639,418
Building	919,868	54,700	-	974,568
Total accumulated depreciation	2,547,186	229,454	-	2,776,640
Capital assets - Net	\$ 3,061,508	(\$ 122,778)	\$ -	\$ 2,938,730

During fiscal years 2006, 2004, and 2002, WKSU received federal funding from the National Telecommunication and Information Administration for four capital expenditure projects in the amounts of \$67,547, \$147,496, and \$37,858, respectively. As a condition of this funding, the federal government has a priority reversionary interest on certain equipment. The liens expire on June 29, 2017, July 31, 2014, and July 31, 2011, respectively.

WKSU Radio Station

Notes to Financial Statements June 30, 2009 and 2008

Note 5 - 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, 2009 and 2008, lease expense totaled \$28,295 and \$26,735, respectively.

Future minimum operating lease commitments at June 30, 2009 are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2010	\$ 23,928
2011	24,461
2012	25,001
2013	20,550
2014	11,968
2015-2018	9,298

WKSU leases space on the University towers to various third parties using five-year leases with renewal options. During fiscal years 2009 and 2008, WKSU recorded \$115,152 and \$122,646, respectively, as tower rental income that is included in "other income" in the statement of activities. Future minimum rentals due are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2010	\$ 110,013
2011	102,283
2012	77,477
2013	38,618
2014	20,887
2015-2018	22,243

WKSU Radio Station

Notes to Financial Statements June 30, 2009 and 2008

Note 6 - 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.

The statements of financial position and the statements of activities include the following related party amounts for the years ended June 30, 2009 and 2008:

For the year ended June 30, 2009

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,133,910	\$ 15,718
Appropriations	KSU appropriations	\$ 455,815	

For the year ended June 30, 2008

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,072,541	\$ 18,160
Appropriations	KSU appropriations	\$ 705,815	

Note 7 - Income Taxes

Under Internal Revenue Code Section 501(c)(3), the operations of the Station are exempt from income taxes as part of the overall operations of the University as a political subdivision of the State of Ohio.

WKSU Radio Station

Notes to Financial Statements June 30, 2009 and 2008

Note 8 - Net Assets

Net assets as of June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Invested in capital assets - Net of related debt at June 30, 2009 and 2008	\$ 3,400,448	\$ 2,938,730
Unrestricted net assets at June 30, 2009 and 2008 - Current operations	182,419	1,235,910
Restricted expendable - Net assets principally related to grants and major gifts at June 30, 2009 and 2008 - Specific purpose funds	663,919	804,340
Restricted nonexpendable - Net assets principally related to purposes in general support of WKSU at June 30, 2009 and 2008: Endowment funds	922,343	912,393
Pledges receivable, net	<u>-</u>	<u>29,250</u>
Total	<u>\$ 5,169,129</u>	<u>\$ 5,920,623</u>

Report Letter on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
WKSU Radio Station

We have audited the financial statements of WKSU Radio Station as of and for the years ended June 30, 2009 and 2008 and have issued our report thereon dated October 15, 2009. We conducted our audits 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 WKSU Radio Station's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of WKSU Radio Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WKSU Radio Station's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and others that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2009-1 to be a significant deficiency in internal control over financial reporting.

To the Board of Trustees
WKSU Radio Station

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that are considered material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-2 and 2009-3 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WKSU 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*.

WKSU Radio Station's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit WKSU Radio Station's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the University's board of trustees, management of WKSU Radio Station, Kent State University, and the auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

October 15, 2009

WKSU Radio Station

Schedule of Findings and Responses June 30, 2009 and 2008

Reference Number	Findings
2009-1	<p>Finding Type - Significant deficiency</p> <p>Criteria - WKSU Radio Station (WKSU) management is responsible for establishing an accounting and financial reporting process to adequately cut off accounts payable as of the end of the fiscal year.</p> <p>Condition - We noted that WKSU relies on the cutoff procedures and threshold utilized by the University on invoices received subsequent to year end. As such, invoices that fall below the University's threshold that related to WKSU are not reviewed for proper cutoff of accounts payable and expense at June 30, 2009.</p> <p>Cause - WKSU relied solely upon the cut-off procedures performed by the University as of June 30, 2009</p> <p>Effect or Potential Effect - WKSU understated the accounts payable balance by approximately \$21,000 related to two invoices that were improperly excluded from accounts payable as of June 30, 2009 and expense for the year ended June 30, 2009.</p> <p>Recommendation - We recommend that WKSU perform cutoff procedures independent of the University as a \$50,000 threshold does not provide reasonable assurance of accurate reporting of the WKSU's liability at year end.</p> <p>Views of Responsible Officials and Planned Corrective Actions - WKSU will establish a specific year-end process to search for unrecorded liabilities on June 30. The process will consist of the reviewing of all July disbursements greater than \$5,000 from University and Foundation funds.</p>

WKSU Radio Station

Schedule of Findings and Responses (Continued) June 30, 2009 and 2008

Reference Number	Findings
2009-2	<p>Finding Type - Material weakness</p> <p>Criteria - An entity should have appropriate segregation of duties as part of the processes and controls for employees who complete account reconciliations, prepare journal entries, and are involved in financial reporting. Employees involved in the account reconciliation process and maintaining support for general ledger balances should not have the ability to post journal entries in the general ledger without an appropriate review process.</p> <p>Condition - There is a lack of segregation of duties with respect to WKSU's financial reporting. There is no review or approval of recording of manual journal entries or account reconciliations supporting the general ledger.</p> <p>Cause - WKSU has a limited number of employees given the size of the entity, the volume of activity, and resources available.</p> <p>Effect or Potential Effect - A lack of segregation of duties can result in inaccurate financial reporting or misappropriations. During our audit, we identified three audit adjustments that would most likely have been identified had a proper review taken place. Without proper review, intentional misreporting and unintentional errors may go undetected indefinitely.</p> <p>Recommendation - We recommend that WKSU establish an independent approval and review process to minimize the risk associated with posting manual journal entries and preparing account reconciliations.</p> <p>Views of Responsible Officials and Planned Corrective Actions - WKSU will establish a monthly process for review and approval of manual journal entries and account reconciliations supporting the general ledger. The monthly process will consist of the financial manager preparing a summary listing of all manual journal entries and account reconciliations supporting the general ledger for the general manager to review and approve. Documentation supporting the listing will be available for the general manager to review.</p>

WKSU Radio Station

Schedule of Findings and Responses (Continued) June 30, 2009 and 2008

Reference Number	Findings
2009-3	<p>Finding Type - Material weakness</p> <p>Criteria - WKSU Radio Station (WKSU) management is responsible for establishing an accounting and financial reporting process to adequately cut off accounts receivable, revenue, and deferred revenue relate to in-kind contributions as of the end of the fiscal year.</p> <p>Condition - We noted several invoices during our testing of in-kind contribution revenue and receivable that were improperly recorded in the correct period. This resulted in an audit adjustment of approximately \$220,000.</p> <p>Cause - WKSU account reconciliation and cutoff procedures inadequately cut off in-kind contribution revenue and receivables as of June 30, 2009.</p> <p>Effect or Potential Effect - Improper cutoff on revenues can cause understatement and overstatement of revenues, receivables, deferred revenues, and net assets.</p> <p>Recommendation - We recommend that WKSU perform cutoff procedures on invoices related to in-kind contributions as of the end of the fiscal year to ensure proper recognition of revenue in the correct period. Additionally, an individual independent of the process should review prior to adjusting the related accounts.</p> <p>Views of Responsible Officials and Planned Corrective Actions - WKSU will establish a specific year-end process to search for unrecorded gift-in-kind transactions on June 30. The process will consist of the reviewing transactions greater than \$5,000 included in the July gift-in-kind report.</p>



Mary Taylor, CPA
Auditor of State

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
DECEMBER 1, 2009**