

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

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**Financial Report**  
**June 30, 2011**





# Dave Yost • Auditor of State

Community Advisory Council  
Kent State University WKSU Radio Station  
1613 East Summit Street  
Kent, Ohio 44242

We have reviewed the *Independent Auditor's Report* of the Kent State University WKSU Radio Station, Portage County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. 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 Kent State University WKSU Radio Station is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 4, 2012

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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 (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, as of June 30, 2011 and 2010 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. 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 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 basic 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 as of June 30, 2011 and 2010 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 our report dated January 30, 2012 on our consideration of WKSU's internal control over financial reporting and on 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 that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report (included on pages 21 and 22 herein) 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 Council  
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 & Morse, PLLC*

January 30, 2012



# **WKSU Radio Station**

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## **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, 2011.

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, Akron, and Canton 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 online listening service through which listeners can link to [www.wksu.org](http://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 100,000 registered listeners and is produced and maintained by WKSU-FM in Kent, Ohio.

# **WKSU Radio Station**

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## **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 complemented 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, 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 revenue, 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 increased by \$334,391 due to a reduction in expenses from (prior year) 2010 to 2011. Net assets invested in capital assets decreased by \$90,372 due to ongoing depreciation of existing fixed assets and due to the disposal of old assets. Total net assets increased by \$418,040 from 2010 to 2011 and decreased by \$309,846 from 2009 to 2010.

Total assets decreased \$64,543 from 2010 to 2011 primarily due to a decrease in the receivable from the Kent State University Foundation. Total assets increased \$249,050 in 2010 primarily due to a large receivable due from the KSU Foundation.

Total liabilities decreased \$482,583 in 2011. This decrease is primarily attributed to a large outstanding accounts payable due to Kent State University and Minnesota Public Radio for the Prairie Home companion performance in 2010 (and this caused a large liability increase of \$558,896 for 2010 from 2009).

# WKSU Radio Station

## Management's Discussion and Analysis - Unaudited (Continued)

A summarized comparison of the station's assets, liabilities, and net assets at June 30, 2011, 2010, and 2009 is as follows:

	2011	2010	2009 (restated)
<b>Assets</b>			
<b>Current Assets</b>	\$ 1,245,595	\$ 1,475,782	\$ 1,267,345
<b>Temporarily Restricted Cash</b>	363,666	261,419	123,368
<b>Investments</b>	1,190,604	1,036,835	969,228
<b>Capital Assets - Net of depreciation</b>	<u>3,199,711</u>	<u>3,290,083</u>	<u>3,455,128</u>
Total assets	<u><b>\$ 5,999,576</b></u>	<u><b>\$ 6,064,119</b></u>	<u><b>\$ 5,815,069</b></u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>	\$ 847,320	\$ 1,329,903	\$ 771,007
<b>Net Assets</b>			
Invested in capital assets	3,199,711	3,290,083	3,455,128
Expendable restricted	1,687,021	1,513,000	1,391,279
Nonexpendable restricted	15,235	15,235	15,235
Unrestricted	<u>250,289</u>	<u>(84,102)</u>	<u>182,420</u>
Total net assets	<u>5,152,256</u>	<u>4,734,216</u>	<u>5,044,062</u>
Total liabilities and net assets	<u><b>\$ 5,999,576</b></u>	<u><b>\$ 6,064,119</b></u>	<u><b>\$ 5,815,069</b></u>

# WKSU Radio Station

## Management's Discussion and Analysis - Unaudited (Continued)

### Statement of Revenue, Expenses, and Changes in Net Assets

The statement of revenue, expenses, and changes in net assets presents the operating results of the Station. The Station's revenue, expenses, and changes in net assets for the years ended June 30, 2011, 2010, and 2009 are summarized as follows:

	2011	2010	2009 (restated)
<b>Operating Revenue</b>			
WKSU pledges and contributions	\$ 1,664,037	\$ 1,605,950	\$ 1,550,648
Folk Alley pledges and contributions	450,730	288,070	206,566
Underwriting contributions	927,099	918,443	1,030,875
In-kind contributions	525,904	525,053	587,732
Donated administration	883,212	941,075	1,133,910
Grant revenue	639,276	612,900	659,079
Other income	156,989	537,794	139,503
Total operating revenue	5,247,247	5,429,285	5,308,313
<b>Nonoperating Revenue</b>			
Restricted gifts	411,527	213,958	345,428
Investment income (loss)	207,327	106,234	(192,913)
Kent State University appropriations	500,223	455,815	455,815
Total nonoperating revenue	1,119,077	776,007	608,330
Total revenue	6,366,324	6,205,292	5,916,643
<b>Operating Expenses</b>			
Programming and production	3,623,047	3,402,978	3,626,062
Public information	428,359	543,720	623,183
Management and general	250,930	636,256	633,174
Depreciation	306,386	257,948	247,922
Fundraising	878,891	1,241,283	1,311,501
Underwriting	460,671	432,953	364,528
Total operating expenses	5,948,284	6,515,138	6,806,370
Increase (Decrease) in Net Assets	418,040	(309,846)	(889,727)
Net Assets - Beginning of year	4,734,216	5,044,062	5,933,789
Net Assets - End of year	<u>\$ 5,152,256</u>	<u>\$ 4,734,216</u>	<u>\$ 5,044,062</u>

# WKSU Radio Station

## Management's Discussion and Analysis - Unaudited (Continued)

Operating revenue decreased by \$182,038 or 3.4 percent, during 2011. The main revenue stream that caused the decrease was in special events (other income). There were two large events in 2010: Prairie Home Companion and What'd Ya Know performances. Those two events generated \$311,348 in revenue for 2010. These events are the primary reason for an increase of operating revenue in 2010 of \$120,972 or 2.3 percent. 2009 operating revenue decreased by \$630,371 or 10.6 percent, due primarily to a decrease in funding from State Network Commission and other private grants.

Operating expenses continue to decrease. There was a \$566,854 or 8.7 percent reduction in expenses in 2011 and a reduction of \$291,232 or 4.2 percent in 2010. The primary factors for decreases in 2011 were due to a change in calculating allowance for pledges receivable reducing bad debt expense (reducing fundraising operating expenses), various vacancies in personnel, and management's ongoing commitment to keep expenses down. There was an increase in operating expenses for 2009 of \$174,429 or 2.6 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 for the years ended June 30, 2011, 2010, and 2009 are summarized as follows:

:-

	2011	2010	2009 (restated)
<b>Cash Used in Operating Activities</b>	\$ (819,142)	\$ (607,285)	\$ (912,200)
<b>Cash Used in Capital and Related Financing Activities</b>	(216,014)	(92,905)	(764,320)
<b>Cash Provided by Investing Activities</b>	53,558	16,875	157,682
<b>Cash Provided by Noncapital Financing Activities</b>	911,750	713,061	801,243
<b>(Decrease) Increase in Cash</b>	(69,848)	29,746	(717,595)
<b>Cash - Beginning of year</b>	530,494	500,748	1,218,343
<b>Cash - End of year</b>	<u>\$ 460,646</u>	<u>\$ 530,494</u>	<u>\$ 500,748</u>

The Station consumed \$819,142, \$607,285, and \$912,200 in operating activities in 2011, 2010, and 2009, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$3,367,115, \$3,880,241, and \$3,646,857 for 2011, 2010, and 2009, respectively. Cash outlays include payments for wages and to vendors of \$3,710,790, \$3,837,845, and \$4,054,923 for 2011, 2010, and 2009, respectively. The primary noncapital financing activities consist of support from the University and restricted gifts.

# **WKSU Radio Station**

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## **Management's Discussion and Analysis - Unaudited (Continued)**

### **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. In 2011, Arbitron data indicates that U.S. residents reached by public radio in an average week grew 5 percent from the previous year. In addition, it is also significant to note that online listening is growing, with recent numbers featuring 24,442 online listeners of WKSU and 600 Folk Alley iPhone 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 focus on news and information through fundraising initiatives. With this initiative, WKSU will make \$70,000 of improvements to the Akron Bureau (with grant money) in order to better serve the local community.

### **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 are 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 2010-2011, WKSU received six grants, some matching, totaling over half a million dollars. Granting institutions included local foundations as well as the Corporation for Public Broadcasting (CPB).

### **Awards**

Over the past fiscal year, WKSU received 71 regional, state, and national awards from eight different organizations that are respected in the fields of journalism, broadcast media, advertising and online publishing. Stand-out awards include (but are not limited to):

- Outstanding News Operation (Ohio Associated Press Broadcasters)
- Best Anchor - Amanda Rabinowitz (Ohio Associated Press Broadcasters)
- Best Anchor - Jeff St. Clair (Society of Professional Journalists - Ohio Chapter)
- Best Website (Ohio Excellence in Journalism, Society of Professional Journalists - Ohio Chapter)

## **WKSU Radio Station**

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### **Management's Discussion and Analysis - Unaudited (Continued)**

- On-going Coverage - Staff, "Cuyahoga County Corruption" (Ohio Excellence in Journalism)
- Special Reporting Series - Staff, "Good Jobs in Bad Times" (National Federation of Press Women - Communications Contest)
- Radio Documentary - Vivian Goodman, "Mean Kids" (second place, National Headliner Awards)
- Best Use of Sound - M.L. Schultze, "Auto Auctioneer Championship" (second place, Public Radio News Directors, Inc.)
- Eight Gold Awards - "WKSU and The 44<sup>th</sup> Kent State Folk Festival" (with Marcus Thomas LLC, Cleveland ADDY Awards)

# WKSU Radio Station

## Statement of Net Assets

	June 30	
	2011	2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 96,980	\$ 269,075
Accounts receivable, less allowance for doubtful accounts of \$10,181 and \$4,084 for June 30, 2011 and 2010, respectively	80,845	106,825
Member pledges receivable, less allowance for uncollectible pledges of \$10,073 and \$127,165 for June 30, 2011 and 2010, respectively	151,033	25,227
Major gift pledges receivable, less allowance for uncollectible pledges of \$65,085 and \$52,171 and discounts of \$25,817 and \$37,202 for June 30, 2011 and 2010, respectively	585,768	431,946
Due from Kent State University Foundation - Net	259,937	594,433
Prepaid expense and other assets	71,032	48,276
Total current assets	1,245,595	1,475,782
Temporarily restricted cash	363,666	261,419
Investments	1,190,604	1,036,835
Property, plant, and equipment - At cost:		
Building	2,432,121	2,360,377
Equipment and other	4,107,774	3,863,504
Furniture and fixtures	158,190	158,190
Construction in progress	-	100,000
Total	6,698,085	6,482,071
Less accumulated depreciation	(3,498,374)	(3,191,988)
Property, plant, and equipment - Net	3,199,711	3,290,083
Total assets	<b>\$ 5,999,576</b>	<b>\$ 6,064,119</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 115,016	\$ 226,354
Accrued expenses	333,023	323,933
Due to Kent State University - Net	259,937	594,433
Deferred revenue	139,344	185,183
Total liabilities	847,320	1,329,903
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	3,199,711	3,290,083
Unrestricted	250,289	(84,102)
Restricted - Expendable	1,687,021	1,513,000
Restricted - Nonexpendable	15,235	15,235
Total net assets	5,152,256	4,734,216
Total liabilities and net assets	<b>\$ 5,999,576</b>	<b>\$ 6,064,119</b>



# WKSU Radio Station

## Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2011	2010
<b>Operating Revenue</b>		
WKSU pledges and contributions	\$ 1,664,037	\$ 1,605,950
Folk Alley pledges and contributions	450,730	288,070
Underwriting contributions	927,099	918,443
In-kind contributions	525,904	525,053
Donated administration	883,212	941,075
Grant revenue	639,276	612,900
Other income	156,989	537,794
Total operating revenue	5,247,247	5,429,285
<b>Operating Expenses</b>		
Program and production	2,610,224	2,481,121
Broadcasting	721,229	631,729
Depreciation	306,386	257,948
Public information	428,359	543,720
Management and general	250,930	636,256
Fundraising	878,891	1,241,283
Underwriting	460,671	432,953
Folk Alley expenses	291,594	290,128
Total operating expenses	5,948,284	6,515,138
<b>Operating Loss</b>	(701,037)	(1,085,853)
<b>Nonoperating Revenue</b>		
Restricted gifts	411,527	213,958
Kent State University appropriations	500,223	455,815
Investment income	207,327	106,234
Total nonoperating revenue	1,119,077	776,007
<b>Change in Net Assets</b>	418,040	(309,846)
<b>Net Assets - Beginning of year</b>	4,734,216	5,044,062
<b>Net Assets - End of year</b>	<u>\$ 5,152,256</u>	<u>\$ 4,734,216</u>

# WKSU Radio Station

## Statement of Cash Flows

	Year Ended June 30	
	2011	2010
<b>Cash Flows from Operating Activities</b>		
Cash received from donors	\$ 1,715,677	\$ 1,873,660
Cash received from the community	1,012,162	1,393,681
Cash received from grants	639,276	612,900
Cash from other sources	115,517	55,469
Cash from endowments	56,012	58,039
Payments to employees	(1,807,221)	(1,885,446)
Payments for benefits	(646,996)	(763,180)
Payments to suppliers and vendors	(1,903,569)	(1,952,408)
Net cash used in operating activities	(819,142)	(607,285)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(316,014)	(92,905)
Loss on disposals	100,000	-
Net cash used in capital and related financing activities	(216,014)	(92,905)
<b>Cash Flows from Noncapital Financing Activities</b>		
Restricted gifts	411,527	257,246
Cash received from Kent State University	500,223	455,815
Net cash provided by noncapital financing activities	911,750	713,061
<b>Cash Flows from Investing Activities - Interest received</b>	53,558	16,875
<b>Net (Decrease) Increase in Cash</b>	(69,848)	29,746
<b>Cash - Beginning of year</b>	530,494	500,748
<b>Cash - End of year</b>	<u>\$ 460,646</u>	<u>\$ 530,494</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (701,037)	\$ (1,085,853)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	306,386	257,948
Changes in assets and liabilities:		
Accounts receivable - Net	25,980	25,484
Pledges receivable - Net	(279,628)	9,530
Prepaid expenses and other assets	(22,756)	6,345
Accounts payable	(111,338)	120,739
Accrued expenses and other liabilities	(36,749)	58,522
Net cash used in operating activities	<u>\$ (819,142)</u>	<u>\$ (607,285)</u>

# WKSU Radio Station

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## Notes to Financial Statements June 30, 2011 and 2010

### 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 statement 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 fundraising, 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 revenue, 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 with 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 revenue 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents and Investments** - Cash and investments are held by the Kent State University Foundation. The amounts reflected in the accompanying statement of net assets represent the net amounts due to WKSU from the Foundation's pooled cash and investments. Investments are stated at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Some of this cash has been designated as temporarily or permanently restricted based on the wishes of the donor. WKSU recorded \$363,666 and \$261,419 as temporarily restricted cash at June 30, 2011 and 2010, respectively.

**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 revenue, expenses, and changes in net assets.

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, 2011.

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 \$676,670 and \$521,275 as of June 30, 2011 and 2010, respectively. Gross pledges receivable as of June 30, 2011 are promises to give within five years of June 30, 2011.

**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 to 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 fiscal year 2011 and fiscal year 2010, the future cash flows from pledges receivable have been discounted using a discount rate of 1.5 percent. For pledges made during fiscal year 2009 and fiscal year 2008, the future expected cash flows from pledge receivables have been discounted using a discount rate of 2.5 percent and 3.5 percent, respectively.

# WKSU Radio Station

## Notes to Financial Statements June 30, 2011 and 2010

### Note 3 - Pledges Receivable (Continued)

Major gift pledges receivable at June 30, 2011 and 2010 are expected to be realized in the following periods:

	2011	2010
Less than one year	\$ 77,250	\$ 102,527
One to five years	<u>599,420</u>	<u>418,748</u>
Total	676,670	521,275
Less amount estimated to be uncollectible	(65,085)	(52,127)
Less unamortized discount	<u>(25,817)</u>	<u>(37,202)</u>
Total pledges receivable - Net	<u>\$ 585,768</u>	<u>\$ 431,946</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:

Asset Category	Estimated Useful Life (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, 2011 and 2010

### Note 4 - Capital Assets (Continued)

Capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

	2011			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 158,190	\$ -	\$ -	\$ 158,190
Telecommunications equipment	3,863,504	244,270	-	4,107,774
Building	2,360,377	71,744	-	2,432,121
Construction in progress	100,000	-	(100,000)	-
<b>Total</b>	<b>6,482,071</b>	<b>316,014</b>	<b>(100,000)</b>	<b>6,698,085</b>
Less accumulated depreciation:				
Office equipment	151,864	1,776	-	153,640
Telecommunications equipment	1,956,156	247,751	(233)	2,203,674
Building	1,083,968	57,092	-	1,141,060
<b>Total accumulated depreciation</b>	<b>3,191,988</b>	<b>306,619</b>	<b>(233)</b>	<b>3,498,374</b>
<b>Capital assets - Net</b>	<b>\$ 3,290,083</b>	<b>\$ 9,395</b>	<b>\$ (99,767)</b>	<b>\$ 3,199,711</b>
	2010			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 160,031	\$ -	\$ (1,841)	\$ 158,190
Telecommunications equipment	3,620,157	260,158	(16,811)	3,863,504
Building	2,360,377	-	-	2,360,377
Construction in progress	261,648	-	(161,648)	100,000
<b>Total</b>	<b>6,402,213</b>	<b>260,158</b>	<b>(180,300)</b>	<b>6,482,071</b>
Less accumulated depreciation:				
Office equipment	138,492	13,372	-	151,864
Telecommunications equipment	1,779,325	189,876	(13,045)	1,956,156
Building	1,029,268	54,700	-	1,083,968
<b>Total accumulated depreciation</b>	<b>2,947,085</b>	<b>257,948</b>	<b>(13,045)</b>	<b>3,191,988</b>
<b>Capital assets - Net</b>	<b>\$ 3,455,128</b>	<b>\$ 2,210</b>	<b>\$ (167,255)</b>	<b>\$ 3,290,083</b>

# WKSU Radio Station

## Notes to Financial Statements June 30, 2011 and 2010

### Note 4 - Capital Assets (Continued)

During fiscal years 2011, 2006, and 2004, WKSU received federal funding from the National Telecommunication and Information Administration for five capital expenditure projects in the amounts of \$143,095, \$67,547, and \$147,496, respectively. As a condition of this funding, the federal government has a priority reversionary interest on certain equipment. The liens expire on June 30, 2021, June 29, 2017, and July 31, 2014, respectively.

### 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, 2011 and 2010, lease expense totaled \$31,294 and \$28,728, respectively.

Future minimum operating lease commitments at June 30, 2011 are as follows:

Years Ending June 30	Amount
2012	\$ 29,908
2013	23,276
2014	11,561
2015	6,000
2016	6,000

WKSU leases space on the University towers to various third parties using five-year leases with renewal options. During fiscal years 2011 and 2010, WKSU recorded \$97,953 and \$115,409, respectively, as tower rental income that is included in "other income" in the statement of revenue, expenses, and changes in net assets. Future minimum rentals due are as follows:

Years Ending June 30	Amount
2012	\$ 84,809
2013	53,240
2014	38,224
2015	19,094
2016	6,908



# WKSU Radio Station

## Notes to Financial Statements June 30, 2011 and 2010

### 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 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 statement of net assets and the statement of revenue, expenses, and changes in net assets include the following related party amounts for the years ended June 30, 2011 and 2010:

#### Year Ended June 30, 2011

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 883,212	\$ 11,314
Appropriations	KSU appropriations	500,223	

#### Year Ended June 30, 2010

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 941,075	\$ 11,411
Appropriations	KSU appropriations	455,815	

### 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, 2011 and 2010

### Note 8 - Net Assets

Net assets as of June 30, 2011 and 2010 are as follows:

	2011	2010
Invested in capital assets - Net of related debt at June 30, 2011 and 2010	\$ 3,199,711	\$ 3,290,083
Unrestricted net assets at June 30, 2011 and 2010 - Current operations	250,289	(84,102)
Restricted expendable - Net assets principally related to grants and major gifts at June 30, 2011 and 2010 - Specific purpose funds	1,687,021	1,513,000
Restricted nonexpendable - Net assets principally related to purposes in general support of WKSU at June 30, 2011 and 2010 - Endowment funds	15,235	15,235
Total	<u>\$ 5,152,256</u>	<u>\$ 4,734,216</u>

### Note 9 - Investments

Investment funds are either board-designated or temporarily restricted as to intent purpose and are invested with and managed by the Kent State University Foundation. The fair value of the investment funds at June 30, 2011 and 2010 were as follows:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Board-designated	\$ 275,380	\$ 303,792	\$ 275,380	\$ 265,653
Temporarily restricted	818,689	869,329	818,689	755,947
Permanently restricted	16,279	17,483	16,279	15,235
Total	<u>\$ 1,110,348</u>	<u>\$ 1,190,604</u>	<u>\$ 1,110,348</u>	<u>\$ 1,036,835</u>

Report 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 Board of Trustees  
WKSU Radio Station

We have audited the financial statements of WKSU Radio Station (WKSU) as of and for the years ended June 30, 2011 and 2010 and have issued our report thereon dated January 30, 2012. 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'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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WKSU'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*.

To the Board of Trustees  
WKSU Radio Station

This report is intended solely for the information and use of the University's board of trustees, management of WKSU, 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 these specified parties.

*Plante & Moran, PLLC*

Toledo, Ohio  
January 30, 2012



# Dave Yost • 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  
APRIL 17, 2012**