

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

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**Financial Report**  
**June 30, 2012**





# Dave Yost • Auditor of State

Board of Trustees  
WKSU Radio Station  
224 Michael Schwartz Center  
P.O. Box 5190  
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, 2011 through June 30, 2012. 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.

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

Dave Yost  
Auditor of State

January 10, 2013

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# WKSU Radio Station

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## Independent Auditor's Report

To the Board of Trustees  
WKSU Radio

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, 2012 and 2011 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 that 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 financial statements referred to above present fairly, in all material respects, the financial position of WKSU as of June 30, 2012 and 2011 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees  
WKSU Radio

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012 on our consideration of the 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 that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This 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.

*Plante & Moran, PLLC*

December 17, 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, 2012.

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 six 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

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 online 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 \$211,839 due to an increase in overall unrestricted revenues. Net assets invested in capital assets decreased by \$42,002 due to ongoing depreciation of existing fixed assets. Total net assets decreased by \$191,704 from 2011 to 2012 and increased by \$418,040 from 2010 to 2011.

Total assets decreased \$225,239 from 2011 to 2012 due in part to the capital campaign from major donors nearing completion and the collection of outstanding membership balances. Property, plant, and equipment have decreased \$42,002 as a result of depreciation expense exceeding the amount of purchases for capital items. Total assets decreased \$64,543 in 2011 primarily due to a reduction in the receivable due from the KSU Foundation.

Total liabilities decreased \$33,535 in 2012 due to a reduction of deferred revenue and accounts payable. Total liabilities decreased \$482,583 in 2011. This was due to a large reduction of accounts payable due to Kent State University in 2010.

# 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, 2012, 2011, and 2010 is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>			
<b>Current Assets</b>	\$ 735,643	\$ 729,352	\$ 1,136,111
<b>Noncurrent Assets</b>			
Other assets	1,880,985	2,070,513	1,637,925
Capital assets - Net of depreciation	<u>3,157,709</u>	<u>3,199,711</u>	<u>3,290,083</u>
Total assets	<u>\$ 5,774,337</u>	<u>\$ 5,999,576</u>	<u>\$ 6,064,119</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>	\$ 813,785	\$ 847,320	\$ 1,329,903
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	3,157,709	3,199,711	3,290,083
Restricted - Expendable	1,325,480	1,687,021	1,513,000
Restricted - Nonexpendable	15,235	15,235	15,235
Unrestricted	<u>462,128</u>	<u>250,289</u>	<u>(84,102)</u>
Total net assets	<u>4,960,552</u>	<u>5,152,256</u>	<u>4,734,216</u>
Total liabilities and net assets	<u>\$ 5,774,337</u>	<u>\$ 5,999,576</u>	<u>\$ 6,064,119</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, 2012, 2011, and 2010 are summarized as follows:

	2012	2011	2010
<b>Operating Revenue</b>			
WKSU pledges and contributions	\$ 1,575,734	\$ 1,664,037	\$ 1,605,950
Folk Alley pledges and contributions	278,626	450,730	288,070
Underwriting contributions	1,103,414	927,099	918,443
In-kind contributions	445,555	525,904	525,053
Donated administration	1,016,035	883,212	941,075
Grant revenue	592,863	639,276	612,900
Other income	269,607	156,989	537,794
Total operating revenue	5,281,834	5,247,247	5,429,285
<b>Nonoperating Revenue</b>			
Restricted gifts	165,614	411,527	213,958
Investment (loss) income	(54,145)	207,327	106,234
Kent State University appropriations	457,218	500,223	455,815
Total nonoperating revenue	568,687	1,119,077	776,007
Total revenue	5,850,521	6,366,324	6,205,292
<b>Operating Expenses</b>			
Programming and production	3,473,552	3,623,047	3,402,978
Public information	373,506	428,359	543,720
Management and general	563,852	250,930	636,256
Depreciation	326,912	306,386	257,948
Fundraising	877,952	878,891	1,241,283
Underwriting	426,451	460,671	432,953
Total operating expenses	6,042,225	5,948,284	6,515,138
<b>(Decrease) Increase in Net Assets</b>	(191,704)	418,040	(309,846)
<b>Net Assets - Beginning of year</b>	5,152,256	4,734,216	5,044,062
<b>Net Assets - End of year</b>	<u>\$ 4,960,552</u>	<u>\$ 5,152,256</u>	<u>\$ 4,734,216</u>

# **WKSU Radio Station**

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

Operating revenue increased by \$34,587 or 0.7 percent during 2012. The main factor for this increase was (the 15.0 percent increase in) donated administration. Donated administration increased as a result of University salaries and expenses increasing, causing indirect University support to inflate to 19.0 percent in 2012. Another note is that Folk Alley 2012 operating revenue declined \$172,104 or 38.2 percent. Folk Alley 2011 revenue had increased by \$162,660 or 56.5 percent. This was due to an overall successful membership drive in 2011 and a \$50,000 contribution from one donor in 2011. Folk Alley 2010 operating revenue is in line with 2012. Operating revenue decreased by \$182,038 or 3.4 percent in 2011. The primary reason for the decrease was due to two special events held in 2010.

There is a significant decrease of \$550,390 or 49.2 percent in 2012 nonoperating revenue. This is due to three things:

- (1) Restricted gift money has declined \$245,913 due to the nearing completion of a major gift campaign. Currently, there are no other major gift campaigns.
- (2) Fiscal year 2012 experienced a loss of \$54,145 on investments and fiscal year 2011 had a gain on investments of \$207,327 causing a (\$261,472) change in nonoperating revenue in fiscal year 2012.
- (3) University appropriations declined \$43,005 or 8.6 percent due to the University providing a one-time increase in fiscal year 2011 for salary increases.

Operating expenses experienced an increase of \$93,941 or 1.6 percent. Management and general expenses experienced a large increase due to filling vacant and new positions in fiscal year 2012. There was a reduction in expenses of \$566,854 or 8.7 percent in 2011. The primary factors for decreases in 2011 were due to a change in calculating allowance for pledges receivable reducing fundraising operating expenses, various vacancies in personnel, and management's ongoing commitment to keep expenses down.

### **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, 2012, 2011, and 2010 are summarized as follows:

# WKSU Radio Station

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

	2012	2011	2010
<b>Cash Used in Operating Activities</b>	\$ (429,842)	\$ (819,142)	\$ (607,285)
<b>Cash Used in Capital and Related Financing Activities</b>	(284,910)	(216,014)	(92,905)
<b>Cash Provided by Investing Activities</b>	55,024	53,558	16,875
<b>Cash Provided by Noncapital Financing Activities</b>	622,832	911,750	713,061
<b>(Decrease) Increase in Cash</b>	(36,896)	(69,848)	29,746
<b>Cash - Beginning of year</b>	460,646	530,494	500,748
<b>Cash - End of year</b>	<u>\$ 423,750</u>	<u>\$ 460,646</u>	<u>\$ 530,494</u>

The Station consumed \$429,842, \$819,142, and \$607,285 in operating activities in 2012, 2011, and 2010, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$3,793,022, \$3,367,115, and \$3,880,241 for 2012, 2011, and 2010, respectively. Cash outlays include payments for wages and to vendors of \$3,787,147, \$3,710,790, and \$3,837,845 for 2012, 2011, and 2010, 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

In 2011, WKSU completed the Sound of the Future campaign, converting all of its transmission sites to digital technology. In September, WKSU celebrated the campaign with direct cash and deferred gifts surpassing \$5 million, ensuring WKSU's future in a digital landscape. The campaign would have not been possible without the generous support of individuals, foundations, Kent State University, and the corporate community.

Recognizing the developing changes in the media, this year saw one of our major newspapers, the Times Picayune in New Orleans (a news operation that played an essential role during the Katrina disaster), diminish its publication to three days per week. WKSU, like other NPR stations, is finding its place in the new digital media landscape. WKSU, as well as other NPR stations, has made an investment in NPR Digital to play a more significant role in this news delivery system, as well as the new music space being created by NPR music where WKSU's own Folk Alley plays a significant role. Looking ahead, this new media space will be fueled by major gifts which have grown nationally from just under \$10,000,000 in 2005 to over \$50,000,000 in 2011. WKSU's own growth has been the result of additional investments along with Kent State University in increasing WKSU's major gift efforts.

# WKSU Radio Station

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

### News Bureaus

WKSU has strengthened its position in the region with the recent completion of the Akron News Bureau Main Street Studio project. This studio is equipped for live on-air program origination as well as for program production work, leading to providing content that is aired both over the WKSU network of stations, as well as the National Public Radio (NPR) network. The studio sits in the shadow of the federal courthouse in downtown Akron and is strategically located very close to the City of Akron and Summit County government offices and courthouse. This new studio, coupled with a second studio, plus other production facilities located within WKSU's Akron News Bureau, all combine with WKSU's highly skilled staff of news reporters to provide a balanced and informative news source to the region. With the Stark and Wayne County bureau, the new Akron bureau, and the Cleveland bureau located in downtown Cleveland, WKSU has positioned itself as the region's best and strongest news organization, reaching all or part of 22 counties in northeast and north central Ohio.

### Grant Awards

During fiscal year 2011-2012, WKSU received four grants, totaling over \$500,000. Granting institutions included local foundations as well as the Corporation for Public Broadcasting (CPB).

### Awards in Fiscal Year 2012

Over the past fiscal year, WKSU received 46 regional, state, and national awards from seven different organizations that are respected in the fields of journalism, broadcast media, and advertising. Stand-out awards include (but are not limited to):

- Best Radio Newscast in Ohio (Ohio Excellence in Journalism Awards)
- Best Reporter - Vivian Goodman (Ohio SPJ Awards)
- Best Broadcast-Affiliated Website (Ohio SPJ Awards, Regional Murrow Awards)
- Best Use of Sound and Best Series - Jeff St. Clair for *Exploradio* (Ohio Excellence in Journalism Awards, Ohio Associated Press Broadcasters)
- Best Continuing Coverage - Tim Rudell for *Fracking* (Regional Murrow Awards)
- Best Reporting Series and Best Enterprise Reporting - Vivian Goodman for *Gay in Ohio* (Ohio Professional Writers, Ohio Associated Press Broadcasters)
- Extraordinary Coverage of a Scheduled Event and Best 9/11 Coverage - WKSU Newsroom for *9/11 Ten Years Later* (Ohio Associated Press Broadcasters and Ohio Excellence in Journalism Awards)

# WKSU Radio Station

## Statement of Net Assets

	June 30	
	2012	2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ -	\$ 96,980
Accounts receivable, less allowance for doubtful accounts of \$8,124 and \$10,181 for June 30, 2012 and 2011, respectively	132,651	80,845
Member pledges receivable, less allowance for uncollectible pledges of \$5,935 and \$10,073 for June 30, 2012 and 2011, respectively	121,279	151,033
Major gift pledges receivable, less allowance for uncollectible pledges of \$9,106 and \$7,725 for June 30, 2012 and 2011, respectively	81,959	69,525
Due from Kent State University Foundation - Net	274,080	259,937
Prepaid expense and other assets	125,674	71,032
	<u>735,643</u>	<u>729,352</u>
<b>Total current assets</b>		
<b>Noncurrent Assets</b>		
Major gift pledges receivable, less allowance for uncollectible pledges of \$41,756 and \$57,360 and discounts of \$12,594 and \$25,817 for June 30, 2012 and 2011, respectively	375,800	516,243
Temporarily restricted cash	423,750	363,666
Investments	1,081,435	1,190,604
Property, plant, and equipment - At cost:		
Building	2,432,121	2,432,121
Equipment and other	4,404,626	4,107,774
Furniture and fixtures	146,248	158,190
	<u>6,982,995</u>	<u>6,698,085</u>
<b>Total</b>	<b>6,982,995</b>	<b>6,698,085</b>
Less accumulated depreciation	<u>(3,825,286)</u>	<u>(3,498,374)</u>
<b>Property, plant, and equipment - Net</b>	<b>3,157,709</b>	<b>3,199,711</b>
	<u>3,157,709</u>	<u>3,199,711</u>
<b>Total assets</b>	<b>\$ 5,774,337</b>	<b>\$ 5,999,576</b>
	<u>\$ 5,774,337</u>	<u>\$ 5,999,576</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 48,922	\$ 115,016
Accrued expenses	353,863	333,023
Due to Kent State University - Net	322,773	259,937
Deferred revenue	88,227	139,344
	<u>813,785</u>	<u>847,320</u>
<b>Total liabilities</b>	<b>813,785</b>	<b>847,320</b>
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	3,157,709	3,199,711
Restricted - Expendable	1,325,480	1,687,021
Restricted - Nonexpendable	15,235	15,235
Unrestricted	462,128	250,289
	<u>4,960,552</u>	<u>5,152,256</u>
<b>Total net assets</b>	<b>4,960,552</b>	<b>5,152,256</b>
	<u>4,960,552</u>	<u>5,152,256</u>
<b>Total liabilities and net assets</b>	<b>\$ 5,774,337</b>	<b>\$ 5,999,576</b>
	<u>\$ 5,774,337</u>	<u>\$ 5,999,576</u>

# WKSU Radio Station

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

	Year Ended June 30	
	2012	2011
<b>Operating Revenue</b>		
WKSU pledges and contributions	\$ 1,575,734	\$ 1,664,037
Folk Alley pledges and contributions	278,626	450,730
Underwriting contributions	1,103,414	927,099
In-kind contributions	445,555	525,904
Donated administration	1,016,035	883,212
Grant revenue	592,863	639,276
Other income	269,607	156,989
Total operating revenue	5,281,834	5,247,247
<b>Operating Expenses</b>		
Program and production	2,463,717	2,610,224
Broadcasting	598,647	721,229
Depreciation	326,912	306,386
Public information	373,506	428,359
Management and general	563,852	250,930
Fundraising	877,952	878,891
Underwriting	426,451	460,671
Folk Alley expenses	411,188	291,594
Total operating expenses	6,042,225	5,948,284
<b>Operating Loss</b>	(760,391)	(701,037)
<b>Nonoperating Revenue (Expense)</b>		
Restricted gifts	165,614	411,527
Kent State University appropriations	457,218	500,223
Investment (loss) income	(54,145)	207,327
Total nonoperating revenue	568,687	1,119,077
<b>Change in Net Assets</b>	(191,704)	418,040
<b>Net Assets - Beginning of year</b>	5,152,256	4,734,216
<b>Net Assets - End of year</b>	<u>\$ 4,960,552</u>	<u>\$ 5,152,256</u>



# WKSU Radio Station

## Statement of Cash Flows

	Year Ended June 30	
	2012	2011
<b>Cash Flows from Operating Activities</b>		
Cash received from donors	\$ 2,177,680	\$ 1,715,677
Cash received from the community	1,022,479	1,012,162
Cash received from grants	592,863	639,276
Cash from other sources	223,080	115,517
Cash from endowments	52,049	56,012
Payments to employees	(1,855,734)	(1,807,221)
Payments for benefits	(710,847)	(646,996)
Payments to suppliers and vendors	(1,931,413)	(1,903,569)
Net cash used in operating activities	(429,842)	(819,142)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(284,910)	(316,014)
Loss on disposals	-	100,000
Net cash used in capital and related financing activities	(284,910)	(216,014)
<b>Cash Flows from Noncapital Financing Activities</b>		
Restricted gifts	165,614	411,527
Cash received from Kent State University	457,218	500,223
Net cash provided by noncapital financing activities	622,832	911,750
<b>Cash Flows from Investing Activities - Interest received</b>	55,024	53,558
<b>Decrease in Cash</b>	(36,896)	(69,848)
<b>Cash - Beginning of year</b>	460,646	530,494
<b>Cash - End of year</b>	<u>\$ 423,750</u>	<u>\$ 460,646</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (760,391)	\$ (701,037)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	326,912	306,386
Changes in assets and liabilities:		
Accounts receivable - Net	(51,806)	25,980
Pledges receivable - Net	157,763	(279,628)
Prepaid expenses and other assets	(68,785)	(22,756)
Accounts payable	(66,094)	(111,338)
Accrued expenses and other liabilities	32,559	(36,749)
Net cash used in operating activities	<u>\$ (429,842)</u>	<u>\$ (819,142)</u>

# WKSU Radio Station

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## Notes to Financial Statements June 30, 2012 and 2011

### 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 that 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 \$423,750 and \$363,666 as temporarily restricted cash at June 30, 2012 and 2011, 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 nonmonetary contributions as unrestricted revenue in the accompanying statement of revenue, expenses, and changes in net assets.

Donated personal services of nonprofessional 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, 2012.

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 \$521,215 and \$676,670 as of June 30, 2012 and 2011, respectively.

**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.

**Upcoming Accounting Pronouncements** - The following upcoming GASB pronouncements are currently being evaluated and analyzed by management for future impact on WKSU's financial statements.

- **GASB Statement No. 63** - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was issued in June 2011. This statement introduced and defined those elements as a consumption of net assets by the government entity that is applicable to a future reporting period, and an acquisition of net assets by the government entity that is applicable to a future reporting period, respectively. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this statement are effective for financial statements for the year ending June 30, 2013.

### Note 2 - Significant Accounting Policies (Continued)

- **GASB Statement No. 65** - *Items Previously Reported as Assets and Liabilities*. Statement No. 65 was issued in March 2012. It establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. WKSU will evaluate this statement for implementation in the fiscal year ending June 30, 2014.
- **GASB Statement No. 68** - *Accounting and Financial Reporting for Pensions*. In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability, and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

**Reclassification** - Certain amounts from the prior year have been reclassified to conform to the current year's presentation, specifically, balances of current and noncurrent assets.

### 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 years 2012, 2011, and 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, 2012 and 2011

### Note 3 - Pledges Receivable (Continued)

Membership pledges are expected to be received within 12 months. Membership pledge receivable (less allowance for uncollectible amounts) due in less than one year is \$121,279 for fiscal year 2012 and \$151,033 for fiscal year 2011. Major gift pledges receivable at June 30, 2012 and 2011 are expected to be realized in the following periods:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 91,065	\$ 77,250
One to five years	<u>430,150</u>	<u>599,420</u>
Total	521,215	676,670
Less amount estimated to be uncollectible	(50,862)	(65,085)
Less unamortized discount	<u>(12,594)</u>	<u>(25,817)</u>
Total pledge receivable - Net	<u>\$ 457,759</u>	<u>\$ 585,768</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 (in Years)</u>
Buildings	40
Towers	20
Furniture and fixtures	10
Equipment	7-10
Automobiles	5
Computers	3

# WKSU Radio Station

## Notes to Financial Statements June 30, 2012 and 2011

### Note 4 - Capital Assets (Continued)

Capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

	2012			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Office equipment	\$ 158,190	\$ -	\$ (11,942)	\$ 146,248
Telecommunications equipment	4,107,774	284,910	11,942	4,404,626
Building	2,432,121	-	-	2,432,121
<b>Total</b>	<b>6,698,085</b>	<b>284,910</b>	<b>-</b>	<b>6,982,995</b>
Less accumulated depreciation:				
Office equipment	153,640	-	(7,392)	146,248
Telecommunications equipment	2,203,674	267,429	7,392	2,478,495
Building	1,141,060	59,483	-	1,200,543
<b>Total accumulated depreciation</b>	<b>3,498,374</b>	<b>326,912</b>	<b>-</b>	<b>3,825,286</b>
<b>Capital assets - Net</b>	<b>\$ 3,199,711</b>	<b>\$ (42,002)</b>	<b>\$ -</b>	<b>\$ 3,157,709</b>
	2011			
	Beginning Balance	Additions	Retirements/ Transfers	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>

# WKSU Radio Station

## Notes to Financial Statements June 30, 2012 and 2011

### 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 the last one expiring in 2016. Additional renewal options are available.

For the years ended June 30, 2012 and 2011, lease expense totaled \$28,827 and \$31,294, respectively.

Future minimum operating lease commitments at June 30, 2012 are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2013	\$ 23,398
2014	11,911
2015	6,000
2016	6,000

WKSU leases space on the University towers to various third parties using five-year leases, expiring in 2017, with renewal options thereafter. During fiscal years 2012 and 2011, WKSU recorded \$127,055 and \$97,953, 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:

<u>Years Ending June 30</u>	<u>Amount</u>
2013	\$ 103,343
2014	81,607
2015	62,417
2016	50,231
2017	43,323



# WKSU Radio Station

## Notes to Financial Statements June 30, 2012 and 2011

### 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.

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, 2012 and 2011:

#### Year Ended June 30, 2012

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,016,035	\$ 11,314
Appropriations	KSU appropriations	457,218	

#### 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	

### 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, 2012 and 2011

### Note 8 - Net Assets

Net assets as of June 30 are as follows:

	<u>2012</u>	<u>2011</u>
Invested in capital assets - Net of related debt	\$ 3,157,709	\$ 3,199,711
Restricted expendable - Net assets principally related to grants and major gifts - Specific purpose funds	1,325,480	1,687,021
Restricted nonexpendable - Net assets principally related to purposes in general support of WKSU - Endowment funds	15,235	15,235
Unrestricted net assets - Current operations	<u>462,128</u>	<u>250,289</u>
Total	<u>\$ 4,960,552</u>	<u>\$ 5,152,256</u>

### Note 9 - Investments

Investment funds are either board-designated or restricted as to intent purpose and are invested with and managed by Kent State University Foundation. The fair value of the investment funds at June 30, 2012 and 2011 were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Board-designated	\$ 267,116	\$ 275,378	\$ 275,380	\$ 303,792
Restricted expendable	766,641	790,351	818,689	869,329
Restricted nonexpendable	<u>15,235</u>	<u>15,706</u>	<u>16,279</u>	<u>17,483</u>
Total	<u>\$ 1,048,992</u>	<u>\$ 1,081,435</u>	<u>\$ 1,110,348</u>	<u>\$ 1,190,604</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*

Independent Auditor's Report

To the Board of Trustees  
WKSU Radio

We have audited the financial statements of WKSU Radio Station (WKSU) as of and for the year ended June 30, 2012 and 2011 and have issued our report thereon dated December 17, 2012. We have 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**

Management of WKSU is responsible for establishing and maintaining effective 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 WKSU's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WKSU'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.

To the Board of Trustees  
WKSU Radio

### **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*.

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*

December 17, 2012



# Dave Yost • 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  
JANUARY 22, 2013**