

WKSU Radio Station

**Financial Statements
June 30, 2007 and 2006**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the WKSU Radio Station, Portage County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 27, 2007

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Report of Independent Auditors

To the Community Advisory Council of
WKSU Radio Station:

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of WKSU Radio Station ("WKSU") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of WKSU's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2007 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 and grants for the year ended June 30, 2007. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

PricewaterhouseCoopers LLP

November 14, 2007
Cleveland, Ohio

WKSU Radio Station
Statements of Financial Position
As of June 30, 2007 and 2006

ASSETS		
	2007	2006
Cash and cash equivalents	\$ 1,224,360	\$ 1,254,687
Accounts receivable, less allowance for doubtful accounts of \$5,607 and \$4,440, respectively	173,514	114,586
Member pledges receivable, less allowance for uncollectible pledges of \$31,821 and \$37,473, respectively	40,500	43,989
Endowment pledges receivable, less allowance for uncollectible pledges of \$4,602 and \$11,481 and discount of \$2,485 and \$7,384, respectively	38,932	95,942
Major gift pledges receivable, less allowance for uncollectible pledges of \$11,700 and \$23,600 and discount of \$5,480 and \$9,092, respectively	99,820	203,308
Due from Kent State University Foundation, net	10,079	34,148
Prepaid expenses and other assets	89,932	75,912
Property, plant and equipment, at cost:		
Building	2,360,377	2,360,377
Equipment and other	3,064,444	2,838,030
Furniture and fixtures	183,873	197,196
	<u>5,608,694</u>	<u>5,395,603</u>
Less accumulated depreciation	2,547,186	2,372,260
Property, plant and equipment, net	<u>3,061,508</u>	<u>3,023,343</u>
Temporarily restricted cash	145,967	154,061
Permanently restricted cash	912,159	816,114
Total assets	<u>\$ 5,796,771</u>	<u>\$ 5,816,090</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 30,868	\$ 18,107
Accrued expenses	264,301	268,900
Due to Kent State University, net	10,079	34,148
Deferred revenue	143,612	265,570
Total liabilities	448,860	586,725
Net assets:		
Unrestricted	4,164,082	4,025,872
Temporarily restricted	248,515	291,437
Permanently restricted	935,314	912,056
Total net assets	<u>5,347,911</u>	<u>5,229,365</u>
Total liabilities and net assets	<u>\$ 5,796,771</u>	<u>\$ 5,816,090</u>

The accompanying notes are integral part of these financial statements.

**WKSU Radio Station
Statements of Activities
For the years ended June 30, 2007 and 2006**

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues and other additions:								
WKSU pledges and contributions	\$ 1,506,440	\$ 1,605,861	\$ 24,289	\$ 205,880	\$ 23,258	\$ 3,053	\$ 1,553,987	\$ 1,814,794
Folk Alley pledges and contributions	211,633	171,687	-	60,000	-	-	\$ 211,633	231,687
Kent State University appropriations	455,815	455,815	-	-	-	-	\$ 455,815	455,815
Underwriting contributions	1,232,547	1,050,570	-	-	-	-	\$ 1,232,547	1,050,570
In-kind contributions	535,370	388,807	-	-	-	-	\$ 535,370	388,807
Donated administration	999,546	722,226	-	-	-	-	\$ 999,546	722,226
Grant revenue	-	-	661,448	551,614	-	-	\$ 661,448	551,614
Other income	297,763	285,843	-	-	-	48,035	\$ 297,763	333,878
Total revenues and other additions	5,239,114	4,680,809	685,737	817,494	23,258	51,088	5,948,109	5,549,391
Release of restrictions	728,659	551,614	(728,659)	(551,614)	-	-	-	-
Total revenues and other additions after release of restrictions	5,967,773	5,232,423	(42,922)	265,880	23,258	51,088	5,948,109	5,549,391
Expenses and other deductions:								
Program and production	2,440,848	2,240,267	-	-	-	-	2,440,848	2,240,267
Broadcasting	580,531	560,409	-	-	-	-	580,531	560,409
Depreciation	202,906	220,612	-	-	-	-	202,906	220,612
Public information	288,203	435,045	-	-	-	-	288,203	435,045
Management and general	616,281	594,093	-	-	-	-	616,281	594,093
Fundraising	1,034,460	751,667	-	-	-	-	1,034,460	751,667
Underwriting	454,124	379,189	-	-	-	-	454,124	379,189
Folk Alley expenses	212,210	275,828	-	-	-	-	212,210	275,828
Total expenses and other deductions	5,829,563	5,457,110	-	-	-	-	5,829,563	5,457,110
Change in net assets	138,210	(224,687)	(42,922)	265,880	23,258	51,088	118,546	92,281
Net assets at beginning of year	4,025,872	4,250,559	291,437	25,557	912,056	860,968	5,229,365	5,137,084
Net assets at end of year	\$ 4,164,082	\$ 4,025,872	\$ 248,515	\$ 291,437	\$ 935,314	\$ 912,056	\$ 5,347,911	\$ 5,229,365

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Statements of Cash Flows
For the years ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 118,546	\$ 92,281
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	202,906	220,612
Changes in assets and liabilities:		
Accounts receivable, net	(58,928)	7,014
Pledges receivable, net	163,987	(147,971)
Prepaid expenses and other assets	(14,020)	11,458
Temporarily restricted cash	8,094	(22,262)
Permanently restricted cash	(96,045)	(92,471)
Accounts payable	12,761	(24,892)
Accrued expenses	(4,599)	26,633
Deferred revenue	(121,958)	(34,721)
Net cash provided by operating activities	<u>210,744</u>	<u>35,681</u>
Cash flows from investing activities:		
Purchases of equipment	<u>(241,071)</u>	<u>(73,549)</u>
Net cash used in investing activities	<u>(241,071)</u>	<u>(73,549)</u>
Net decrease in cash and cash equivalents	(30,327)	(37,868)
Cash and cash equivalents, beginning of year	<u>1,254,687</u>	<u>1,292,555</u>
Cash and cash equivalents, end of year	<u>\$ 1,224,360</u>	<u>\$ 1,254,687</u>

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2007 and 2006

1. Organization and Operation

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

2. Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

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

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2007 and 2006

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 \$145,967 and \$912,159 as temporarily and permanently restricted cash, respectively, at June 30, 2007. WKSU recorded \$154,061 and \$816,114 as temporarily and permanently restricted cash, respectively, at June 30, 2006.

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 statements of activities.

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

Contributions

Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon WKSU management's judgment including such factors as prior collection history and type of contribution. All member pledges receivable are promises to give within one year of June 30, 2007.

WKSU conducted an endowment campaign in response to a challenge from the GAR Foundation. The gross pledges receivable for the endowment total \$46,019 and are promises to give within three years of June 30, 2007.

WKSU has initiated a major gift program. The new major gift program will serve as the capital campaign umbrella for several initiatives including but not limited to: Equipment, Technology, Cultural, Endowment funds, and Building expansion. The gross pledges receivable total \$117,000 and are promises to give within five years of June 30, 2007.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Grants

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

3. Property, Plant and Equipment

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

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

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

4. Operating Lease Commitments and Contingencies

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

For the years ended June 30, 2007 and 2006, lease expense totaled \$23,084 and \$61,837 respectively.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Future minimum operating lease commitments at June 30, 2007 are as follows:

2008	29,287
2009	24,157
2010	24,228
2011	24,761
2012	25,301
Thereafter	44,089

WKSU leases space on the University towers to various third parties using five-year leases with renewal options. During fiscal year 2007 and 2006, WKSU recorded \$116,540 and \$98,972 respectively, as tower rental income that is included in "other income" in the statements of activities. Future minimum rentals due are as follows:

2008	112,062
2009	91,628
2010	77,727
2011	62,521
2012	26,323
Thereafter	31,848

5. Related Party Transactions

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

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2007 and 2006

The statements of financial position and the statements of activities include the following related party amounts for the years ended June 30, 2007 and 2006:

For the year ended June 30, 2007:

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 999,546	\$ 21,785
Expenses in excess of Appropriations	Due to KSU, net Due from KSUF, net	\$ 10,079	\$ 10,079
Appropriations	KSU appropriations	\$ 455,815	

For the year ended June 30, 2006:

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

6. Income Taxes

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

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2007 and 2006

7. Net Assets

	2007	2006
Unrestricted net assets at June 30, 2007 and 2006 are as follows:		
Current Operations	\$ 4,164,082	\$ 4,025,872
Temporarily restricted net assets principally related to grants and major gifts at June 30, 2007 and 2006 are as follows:		
Specific purpose funds	\$ 248,515	\$ 291,437
Permanently restricted net assets principally related to purposes in general support of WKSU at June 30, 2007 and 2006 are as follows:		
Endowment funds	\$ 896,382	\$ 816,114
Pledges receivable, net	38,932	95,942
Total	<u>\$ 935,314</u>	<u>\$ 912,056</u>

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

To the Community Advisory Council of
WKSU Radio Station:

We have audited the financial statements of WKSU Radio Station (the "Radio Station") as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Radio Station's internal control over financial reporting 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 Radio Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Radio Station's internal control over financial reporting.

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.

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

This report is intended solely for the information and use of The University's Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

November 14, 2007
Cleveland, Ohio



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
JANUARY 10, 2008**