

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

Financial Report
June 30, 2016



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, 2015 through June 30, 2016. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 12, 2016

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WKSU Radio Station

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Independent Auditor's Report

To the Board of Trustees
WKSU Radio Station

Report on the Financial Statements

We have audited the accompanying financial statements of WKSU Radio Station (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, as of and for the years ended June 30, 2016 and 2015 and the related statements of net position, revenue, expenses, and changes in net position, and cash flows and the notes to the financial statements, which collectively comprise the WKSU Radio Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 in accordance with 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WKSU Radio Station as of June 30, 2016 and 2015, and the respective changes in its net position and cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
WKSU Radio Station

Emphasis of Matter

We draw attention to Note 2, which explains that the financial statements of WKSU are intended to present the net position, changes in net position, and cash flows of only that portion of the University's business-type activities that are attributable to the transactions of the department. They do not purport to, and do not, present fairly the financial position of Kent State University as of June 30, 2016 and 2015 or the changes in its net position, or the changes in its cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, as of July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the schedule of proportionate share of the net pension liability and the schedule of contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the WKSU Radio Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WKSU Radio Station's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 29, 2016

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

Introduction

The following discussion and analysis provides an overview of the financial position, activities, and cash flows of public radio station WKSU-FM (the "Station" or WKSU), which is licensed to Kent State University, as of and for the year ended June 30, 2016.

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 Ohio, has the largest FM radio signal footprint in the region. Notable cities covered by WKSU's signal include Cleveland, Akron, Kent, 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.

In August 2013, WKSU's primary program service underwent a strategic program change designed to emphasize news and information programming and reach a wider audience. The WKSU analog broadcast stations provide a prime time of news and information programming, including National Public Radio's (NPR) highly acclaimed news programs *Morning Edition* and *All Things Considered* and other public radio shows, such as *A Prairie Home Companion* and *This American Life*. The stations also offer classical music in the evenings and all through the night. The WKSU stations operate 24 hours a day throughout the year.

The WKSU stations also broadcast multi-channel digital HD Radio services. 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, HD Channel 3 presents all classical music, and HD Channel 4 offers news and information exclusively.

In addition, WKSU provides an online streaming audio service. Through www.wksu.org, listeners have access to the programming featured on all four of WKSU's HD Radio channels. WKSU's award-winning website also presents in-depth international news and regional news from WKSU's distinguished news department. The same online services are available via WKSU's app for users of smartphones and tablet computers.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

From FolkAlley.com, an online folk music site created by WKSU and launched in September 2003, listeners can enjoy a hosted stream of folk music and a robust, interactive website. This 24/7 stream reaches a global audience of more than 121,000 registered listeners and is produced and maintained by WKSU-FM in Kent, Ohio. In addition to the main Folk Alley program service, the website offers streams of Irish music, a stream of new releases called *Fresh Cuts*, and seasonal streams related to holidays. The website also contains a significant selection of exclusive on-demand audio and video music content, a blog, and more. A Folk Alley app for users of smartphones and tablet computers provides access to all of the audio streams, plus video and blog content on-demand.

Thanks to WKSU's ongoing *Sound of the Future* fundraising campaign, WKSU has converted all of its transmission sites to digital technology. The *Sound of the Future* fundraising capital campaign is now focused on expanding WKSU's news gathering capacity by upgrading the primary newsroom and replacing outdated analog equipment with equipment that utilizes the latest in digital technologies.

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 position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements begin on page 13 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion and analysis are intended to provide readers with an overview of the financial statements.

Noteworthy Financial Activity

In 2016, the Station implemented Governmental Accounting Standards Board (GASB) Statement No. 72 - *Fair Value Measurements of Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

In fiscal year 2015, the Station implemented GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements require 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 statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with these statements, the Station recorded its allocated share of the University's net pension liability of \$627,769 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. The Station's net pension liability as of June 30, 2016 was \$997,598 and as of June 30, 2015 \$696,525. June 30, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

The Statement of Net Position

A summarized comparison of the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
Assets and Deferred Outflows			
Current Assets	\$ 398,406	\$ 292,368	\$ 1,824,626
Temporarily Restricted Cash	313,331	383,034	482,975
Investments	1,188,159	1,285,315	1,336,159
Noncurrent Assets	9,662	7,808	85,809
Capital Assets - Net of depreciation	<u>2,176,611</u>	<u>2,435,752</u>	<u>2,539,558</u>
Total assets	4,086,170	4,404,277	6,269,127
Deferred Outflows of Resources	<u>340,861</u>	<u>94,666</u>	<u>-</u>
Total deferred outflows and assets	<u>\$ 4,427,031</u>	<u>\$ 4,498,943</u>	<u>\$ 6,269,127</u>
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities	\$ 437,520	\$ 561,556	\$ 3,503,973
Noncurrent Liabilities			
Net pension liability	997,598	696,525	-
Capital lease obligation	<u>18,038</u>	<u>24,944</u>	<u>-</u>
Total liabilities	1,453,155	1,283,025	3,503,973
Deferred Inflows of Resources	20,236	12,955	-
Net Position			
Invested in capital assets	2,151,667	2,403,602	2,539,558
Unrestricted	(480,948)	(648,827)	(1,391,165)
Restricted - Expendable	1,267,687	1,432,953	1,601,526
Restricted - Nonexpendable	<u>15,235</u>	<u>15,235</u>	<u>15,235</u>
Total net position	<u>2,953,641</u>	<u>3,202,963</u>	<u>2,765,154</u>
Total deferred inflows, liabilities and net position	<u>\$ 4,427,031</u>	<u>\$ 4,498,943</u>	<u>\$ 6,269,127</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

The statement of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 deferred outflows of resources and total liabilities and deferred inflows of resources is net position, which is one way to measure the current financial activities of the Station. Unrestricted net position increased by \$167,879 due primarily to an increase in membership contributions. This was offset by decreases of net investment in capital assets by \$251,935 and restricted net position by \$165,266. Net investment in capital assets decreased due to depreciation expense. Restricted net position is decreasing because restricted cash is being used for the fiscal year 2017 addition for the Station's new state of the art newsroom. Total net position increased by \$437,809 from fiscal year 2014 to fiscal year 2015 due to additional university support.

Total assets decreased \$318,107 from fiscal year 2015 to fiscal year 2016. The decrease is primarily due to net capital assets decreasing by \$259,141, or 10.6 percent, as a result of depreciation expense. Additionally, market losses on investments caused a decrease of \$97,156 or 7.6 percent, and restricted cash decreased by \$69,703, or 18.2 percent, due to the use of those funds in fiscal year 2016. These decreases were offset by an increase of \$106,038, or 36.3 percent, of current assets, which includes pledge and underwriting receivables. Total assets decreased \$1,864,850 from fiscal year 2014 to fiscal year 2015, primarily due to the netting of \$1,533,385 of a receivable from Kent State Foundation with a payable of the same amount due to Kent State University.

Deferred outflows of resources increased in fiscal year 2016 by \$246,195, or 260.1 percent, as a result of an increase in net pension liability recorded in accordance with GASB 68. Deferred outflows of resources increased \$94,666 in fiscal year 2015 due to the implementation of GASB 68.

Total liabilities increased \$170,130 in fiscal year 2016 due mainly to an increase of net pension liability by \$301,073, or 43.2 percent. This was partially offset by a decrease in unearned revenue of \$101,101, or 54.2 percent, due to the fact that incentives for clients to prepay underwriting revenue have been discontinued. Total liabilities decreased by \$2,220,948 in fiscal year 2015, primarily due to a decrease of funds that are owed to KSU. The decrease was offset by the implementation of GASB Statement No. 68, which required an unfunded net pension liability to be recorded of \$696,525.

Deferred inflows of resources increased by \$7,281, or 56.2 percent, from fiscal year 2016 to fiscal year 2015 as a result of the impact of GASB 68. Deferred inflows of resources increased by \$12,955 in fiscal year due to the implementation of GASB 68.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the operating results of the Station. The Station's revenue, expenses, and changes in net position for the years ended June 30, 2016, 2015, and 2014 are summarized as follows:

	2016	2015	2014
Operating Revenue			
WKSU pledges and contributions	\$ 1,411,726	\$ 1,215,672	\$ 1,432,422
Folk Alley pledges and contributions	241,509	280,685	262,118
Underwriting contributions	1,026,537	922,499	727,986
In-kind contributions	425,244	426,531	362,624
Donated administration	1,202,779	1,128,865	1,194,606
Grant revenue	367,574	430,865	414,158
Other income	102,769	141,133	165,797
Total operating revenue	<u>4,778,138</u>	<u>4,546,250</u>	<u>4,559,711</u>
Nonoperating Revenue			
Restricted gifts	88,130	124,825	30,245
Investment income (loss)	(62,462)	6,267	199,638
Kent State University appropriations	1,244,704	2,745,169	455,815
Total nonoperating revenue	<u>1,270,372</u>	<u>2,876,261</u>	<u>685,698</u>
Total revenue	6,048,510	7,422,511	5,245,409
Operating Expenses			
Programming and production	3,434,775	3,479,518	3,657,535
Public information	650,371	609,768	548,346
Management and general	584,205	622,568	687,654
Depreciation	304,740	327,178	338,044
Fundraising	729,293	640,985	715,427
Underwriting	594,447	676,916	549,254
Total operating expenses	<u>6,297,831</u>	<u>6,356,933</u>	<u>6,496,260</u>
Decrease in Net Position	(249,321)	1,065,578	(1,250,851)
Net Position - Beginning of year	3,202,963	2,765,154	4,016,005
Adjustment to beginning balance - GASB 68 (Note 2)	<u>-</u>	<u>(627,769)</u>	<u>-</u>
Net Position - Beginning of year - Restated	<u>3,202,963</u>	<u>2,137,385</u>	<u>4,016,005</u>
Net Position - End of year	<u>\$ 2,953,642</u>	<u>\$ 3,202,963</u>	<u>\$ 2,765,154</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

Overall operating revenue for fiscal year 2016 has increased \$231,888, or 5.1 percent. Membership contributions increased \$196,054 or 16.1 percent. Underwriting increased \$104,038, or 11.3 percent. Membership and underwriting revenue is rebounding back to preprogram levels. Donated administration increased \$73,914, or 6.5 percent, due to the growth in university programs and administration costs causing WKSU's portion of the administration revenue and expenditures to increase. The overall operating revenue increase was offset by decreases in Folk Alley contributions \$39,176, or 14.0 percent, grant revenue \$63,291, or 14.7 percent, because the Corporation for Public Broadcasting Community Service grant that WKSU receives annually fluctuates depending on funding levels and other formulas, and other income \$38,364, or 27.2 percent. In fiscal year 2015, total operating revenue decreased slightly \$13,461, or 0.3 percent, due to decreases in membership revenue.

WKSU nonoperating revenue decreased \$1,605,889, or 55.8 percent. This was primarily due to the reduction of Kent State University support \$1,500,465, or 54.7 percent. The University has been giving extra support to WKSU for operating expenses through the interim revenue decline that is as a result of the program change. The support will decrease as membership and underwriting continues to rebound from classical programming to all news programming. Other decreases in nonoperating revenue were restricted gifts of \$36,695, or 29.4 percent, due to the special newsroom project nearing completion. A new campaign for FY 2017 will begin to secure gifts for updating and repairs on the various WKSU transmitters. Also, investment income experienced a significant decline of \$68,729, or 1096.7 percent, due to the downturn of the stock market in fiscal year 2016. Nonoperating revenue increased \$2,190,563, or 319.5 percent, during fiscal year 2015. The majority of this increase was due to increased support from Kent State University, which included current operating support as well as writing off the prior payable due to KSU.

Operating expenses decreased slightly \$59,101, or 0.9 percent, in 2016. There were decreases for programming and production by \$18,955, or 0.7 percent, management and general by \$38,363, or 6.2 percent, and underwriting \$82,469, or 12.2 percent. These departments experienced decreases in expenses because there were staff vacancies. Depreciation expense decreased by \$22,438, or 6.9 percent, this is due to the fact that there were small capital additions and that many items were disposed of to clean up fix assets that WKSU no longer used in fiscal years 2016, 2015, and 2014. Expenditures increased for public information by \$40,603, or 6.7 percent, because of an increase in marketing expenses. Fundraising expenses increased \$88,308, or 13.8 percent, as a result of hiring consultants who were hired to reformat the current fund drive initiatives.

Fiscal year 2015 experienced a decrease of \$139,327, or 2.1 percent, due to all departments having decreases in expenses, except for the underwriting expenses. Programming and production and administration had the largest decreases in expenses because of reductions in salaries due to retirements with no replacements of staff. Fundraising experienced a reduction of expenses that was primarily due to spending less on fund drive premiums (gifts for certain levels of donations).

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

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, 2016, 2015, and 2014 are summarized as follows:

	2016	2015	2014
Cash Used in Operating Activities	\$ (1,391,630)	\$ (1,348,814)	\$ (382,751)
Cash Used in Capital and Related Financing Activities	(45,600)	(227,271)	(33,641)
Cash Provided by Noncapital Financing Activities	1,332,833	1,419,033	486,060
Cash Provided by Investing Activities	34,694	57,111	21,165
(Decrease) Increase in Cash	(69,703)	(99,941)	90,833
Cash - Beginning of year	383,034	482,975	392,142
Cash - End of year	<u>\$ 313,331</u>	<u>\$ 383,034</u>	<u>\$ 482,975</u>

The Station consumed \$1,391,630, \$1,348,814, and \$382,751 in operating activities in 2016, 2015, and 2014, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$2,835,896, \$3,118,230, and \$3,075,455, for 2016, 2015, and 2014, respectively. Cash outlays include payments for wages and to vendors of \$3,614,179, \$3,876,585, and \$3,618,932 for 2016, 2015, and 2014, 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

Print news media in the United States continues to struggle, creating an increasing need for public radio to fill the need for quality news and information. As a result, news and information programming is leading the way in growing public radio's audience. WKSU has begun taking action to improve its results from operations. In addition to the format change mentioned previously and the items listed below, a consultant has been retained to analyze the operations of the Station in an effort to improve the financial performance.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

In August 2013, WKSU's primary program service shifted the primetime listening hours from a mixture of news/classical music to an all news and information format. This shift in program service has already resulted in increased listenership and is anticipated to build financial support for the Station through growth in membership and underwriting income. In fiscal year 2014, WKSU took advantage of its expanded underwriting team to grow revenue from new and established corporate and nonprofit clients to lay a foundation for advanced tactical initiatives. WKSU made investments in improving the efficiency and productivity of its membership and underwriting programs through updated software tools and online interface. WKSU has continued to strategically adjust its marketing efforts to promote the new programming format and grow its audience.

In response to the growth of digital media, WKSU continues to promote its distribution of programming via high definition digital broadcasts and online streaming, offering listeners multiple channels of programming, including folk and classical music. In fiscal year 2015, WKSU launched a new Folk Alley app and is working towards a WKSU app for smartphones and tablet computers. These new apps, offering expanded capabilities for users, put WKSU and Folk Alley content where an increasing number of listeners are accessing media. As the digital media audience continues to grow, WKSU is well positioned to serve those audiences and generate additional income from membership and underwriting.

In fiscal year 2016, management hired consultants to assist with reorganizing the annual fund drives. The focus is to implement changes to better increase revenue streams. Beginning with fiscal year 2017, the Station is moving away from annual membership gifts to sustainer gifts. Sustainer donations are gifts that are committed on a regular basis either monthly, quarterly, or annually and do not expire until the donor desires. Stations across the nation are experiencing increases and a better flow of revenue with this strategy.

News Bureaus

WKSU maintains a strong presence in Northeast Ohio through multiple news bureaus in addition to the primary news hub located in the WKSU Kent studios. The station is currently working to relocate the Akron News Bureau to a new home within the facilities of the Akron Beacon Journal, after the previous housing was slated for renovation into a boutique hotel. Moving to a new location is much more than changing landlords. Relocating the bureau presents exciting new opportunities to collaborate with the Beacon Journal on new reporting projects and to partner on the production of new audio projects for podcasting and potentially for broadcast. The new Akron News Bureau combined 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 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 Ohio.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

Grant Awards

During fiscal year 2016, WKSU received two grant awards, totaling over \$360,000. Granting institutions included Ohio Broadcast Educational Media Commission and the Corporation for Public Broadcasting (CPB).

WKSU Awards: Fiscal Year - 2016

WKSU received the following awards for reporting in fiscal year 2016.

National Association of Black Journalists—Salute to Excellence Awards

- Finalist-*Feature, Market 16+*, Jeff St. Clair—“Avoiding the ‘Talking White’ Trap”

National Federation of Press Women—Communications Contest

- First Place-*Prepared Report, Radio*, M.L. Schultze—“Goodyear Christens Its Next Generation of Airships”
- First Place-*Special Programming, Radio*, Amanda Rabinowitz—“Heroin: Big Trouble in a Small Town”
- First Place-*Feature Writing, Collegiate*, Lyndsey Schley—“Goodyear Recruits Thousands of Vets”

Society of Professional Journalists-Ohio Chapter—SPJ Awards

- Best in Show-*Best Reporter*, Tim Rudell
- First Place-*Best Environment Reporting*, Tim Rudell—“Will the Ohio River Carry Fracking Wastewater?”
- First Place-*Best Medical/Science Reporting*, Jeff St. Clair—“Exploradio: Sports Training and Knee Injuries in Girls”
- First Place-*Best Enterprise Reporting*, Amanda Rabinowitz—“Heroin: Big Trouble in a Small Town”
- First Place-*Best Sports Reporting*, Amanda Rabinowitz—“Gay Games 9”
- First Place-*Best Consumer Reporting*, Kevin Niedermier—“Historic Ohio Hotel Looks at Change”
- First Place-*Best General Assignment Reporting*, Kabir Bhatia—“United Hub Closure in Cleveland Could Have Silver Lining”
- Second Place-*Best Spot News*, Tim Rudell—“Utica Fractionator Eases Propane Shortage”
- Second Place-*Best Minority Issues Reporting*, Jeff St. Clair—“Avoiding the ‘Talking White’ Trap”
- Second Place-*Best General Assignment Reporting*, Kevin Niedermier—“Cleveland Lands the 2016 GOP Convention”
- Second Place-*Best Criminal Justice Reporting*, WKSU Staff—“Tamir Rice Shooting”
- Second Place-*Best Website*, Chuck Poulton—“WKSU.org”

Radio-Television News Directors Association—Regional Murrow Awards

- *Best Writing*, Amanda Rabinowitz—“Revisiting Racinos”

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

Press Club of Atlantic City—National Headliner Award

- Third Place-News Series, M.L. Schultze—“Namaste: A past in Bhutan, a future in Akron”

Ohio Associated Press—Ohio APME Awards (Presented May 15)

- *Best Feature Reporting*, Vivian Goodman—“School Children produce a seed-to-table garlic feast”
- *Best Broadcast Writing*, Amanda Rabinowitz—“Revisiting Racinos”
- *Best Sportscast*, Amanda Rabinowitz and Terry Pluto—“Cavs lose two starters but still have their star”
- *Best Sports Feature*, M.L. Schultze—“Whipsawed from Canton to Cleveland”
- *Best Series*, WKSU Staff—“Remembering Vietnam”
- *Best Coverage of a Scheduled Event*, WKSU Staff—“Michael Brelo Verdict”
- *Best Continuing Coverage*, WKSU Staff—“Cleveland Police Consent Decree”

Press Club of Cleveland—Ohio Excellence in Journalism Awards (Presented June 3)

- *Radio News*, WKSU Staff—“Michael Brelo Verdict”
- *Radio News*, Kevin Niedermier—“Gay Games Economics”
- *On-going Coverage*, WKSU Staff—“Mayor Don Plusquellic Resigns”
- *Public Service*, M.L. Schultze and Amanda Rabinowitz—“Namaste: A past in Bhutan, a future in Akron”
- *In-Depth Coverage*, WKSU Staff —“Remembering Vietnam”
- *Use of Social Media*, WKSU Staff—“WKSU.org”
- *Use of Sound*, Vivian Goodman—“Free range hogs”
- *Human Interest*, Kabir Bhatia—“College students and their prison pals”
- *Human Interest*, Tim Rudell—“Historic housing gets a new purpose for vets”
- *News Writing*, Amanda Rabinowitz—“Revisiting Racinos”

WKSU Radio Station

Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets and Deferred Outflows		
Current Assets		
Accounts receivable, less allowance for doubtful accounts of \$8,728 and \$3,652 for June 30, 2016 and 2015, respectively	\$ 179,488	\$ 116,305
Member pledges receivable, less allowance for uncollectible pledges of \$7,776 and \$6,495 for June 30, 2016 and 2015, respectively	161,260	135,706
Current major gift pledges receivable, less allowance for pledges of \$6,712 and \$2,074 for June 30, 2016 and June 30, 2015, respectively	23,288	18,652
Prepaid expense and other assets	<u>34,370</u>	<u>21,705</u>
Total current assets	398,406	292,368
Temporarily Restricted Cash	313,331	383,034
Investments	1,188,159	1,285,315
Major Gift Pledges Receivable - Less allowance for uncollectible pledges of \$1,074 and \$867 and discounts of \$264 and \$324 for June 30, 2016 and 2015, respectively	9,662	7,808
Capital Assets - Net	<u>2,176,611</u>	<u>2,435,752</u>
Total assets	4,086,169	4,404,277
Deferred Outflows of Resources - GASB 68	<u>340,861</u>	<u>94,666</u>
Total deferred outflows and assets	<u>\$ 4,427,030</u>	<u>\$ 4,498,943</u>
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts payable	\$ 40,692	\$ 61,015
Accrued expenses	304,460	306,772
Due to Kent State University - Net	6,906	7,206
Unearned revenue	<u>85,462</u>	<u>186,563</u>
Total current liabilities	437,520	561,556
Noncurrent Liabilities		
Net pension liability	997,598	696,525
Capital lease obligation	<u>18,038</u>	<u>24,944</u>
Total liabilities	1,453,156	1,283,025
Deferred Inflows of Resources - GASB 68	20,236	12,955
Net Position		
Net investment in capital assets	2,151,667	2,403,602
Unrestricted	(480,948)	(648,827)
Restricted - Expendable	1,267,687	1,432,953
Restricted - Nonexpendable	<u>15,235</u>	<u>15,235</u>
Total net position	<u>2,953,641</u>	<u>3,202,963</u>
Total liabilities and net position	<u>\$ 4,427,032</u>	<u>\$ 4,498,943</u>

WKSU Radio Station

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2016	2015
Operating Revenue		
WKSU pledges and contributions	\$ 1,411,726	\$ 1,215,672
Folk Alley pledges and contributions	241,509	280,685
Underwriting contributions	1,026,537	922,499
In-kind contributions	425,244	426,531
Donated administration	1,202,779	1,128,865
Grant revenue	367,574	430,865
Other income	102,769	141,133
Total operating revenue	4,778,138	4,546,250
Operating Expenses		
Program and production	2,676,721	2,657,727
Broadcasting	460,945	534,478
Depreciation	304,740	327,178
Public information	650,371	609,768
Management and general	584,205	622,568
Fundraising	729,293	640,985
Underwriting	594,447	676,916
Folk Alley expenses	297,109	287,313
Total operating expenses	6,297,831	6,356,933
Operating Loss	(1,519,693)	(1,810,683)
Nonoperating Revenue		
Restricted gifts	88,130	124,825
Kent State University appropriations	1,244,704	2,745,169
Investment income	(62,462)	6,267
Total nonoperating revenue	1,270,372	2,876,261
Change in Net Position	(249,321)	1,065,578
Net Position - Beginning of year	3,202,963	2,765,154
Adjustment GASB 68 (Note 2)	-	(627,769)
Net Position - Beginning of year - Restated	3,202,963	2,137,385
Net Position - End of year	<u>\$ 2,953,642</u>	<u>\$ 3,202,963</u>

WKSU Radio Station

Statement of Cash Flows

	Year Ended June 30	
	2016	2015
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,609,249	\$ 1,736,935
Cash received from the community	859,073	950,430
Cash received from grants	367,574	430,865
Cash from other sources	40,089	140,297
Cash from endowments	59,744	58,237
Payments to employees	(1,741,655)	(1,987,238)
Payments for benefits	(713,180)	(788,993)
Payments to suppliers and vendors	(1,872,524)	(1,889,347)
Net cash used in operating activities	(1,391,630)	(1,348,814)
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	(45,600)	(227,271)
Cash Flows from Noncapital Financing Activities		
Restricted gifts	88,130	124,825
Cash received from Kent State University	1,244,704	1,294,208
Net cash provided by noncapital financing activities	1,332,833	1,419,033
Cash Flows from Investing Activities - Interest received	34,694	57,111
Decrease in Cash	(69,703)	(99,941)
Cash - Beginning of year	383,034	482,975
Cash - End of year	\$ 313,331	\$ 383,034
Reconciliation of Operating Loss to Net Cash used in Operating Activities		
Adjustments to reconcile operating loss to net cash used in operating activities:		
Operating loss	\$ (1,519,693)	\$ (1,810,683)
Depreciation	304,740	327,178
Loss on disposal of assets	-	3,899
Changes in assets and deferred outflows and liabilities and deferred inflows:		
Accounts receivable - Net	(63,183)	(40,390)
Pledges receivable - Net	(32,044)	116,751
Prepaid expenses and other assets	(12,665)	(94,153)
Deferred outflows of resources	(246,195)	94,666
Net pension liability	301,073	(12,955)
Accounts payable	(20,323)	21,072
Accrued expenses and other liabilities	(110,620)	32,846
Deferred inflows of resources	7,281	12,955
Net cash used in operating activities	\$ (1,391,630)	\$ (1,348,814)

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

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 position and related statements of revenue, expenses, and changes in net position 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. WKSU's financial statements are presented on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when incurred. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

As of June 30, 2016, the Station adopted GASB Statement No. 72 - *Fair Value Measurements of Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

In fiscal year 2015, the Station implemented GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements require 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 statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with these statements, the Station recorded its allocated share of the University's net pension liability of \$627,769 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. The Station's net pension liability as of June 30, 2016 and June 30, 2015 was \$997,598 and \$696,525, respectively.

Note 2 - Significant Accounting Policies (Continued)

As required by the Government Accounting Standards Board, resources of WKSU are classified into one of four net position categories, as follows:

- **Net Investment in Capital Assets** - 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 position subject to externally imposed stipulations that the Station maintains such assets permanently
- **Restricted - Expendable** - Net position 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
- **Unrestricted** - Net position not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties

Deferred Outflows of Resources and Deferred Inflows of Resources - Deferred inflows and outflows of resources are consumptions of net position by the Station that are applicable to a future reporting period, and an acquisition of net position by the Station that is applicable to a future reporting period, respectively. The Station has recorded a deferred outflow of resources and a deferred inflow of resources related to GASB Statement No. 68 for pensions. See Note 11 for further discussion.

Pensions - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition - Pledges of financial support are received from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Grants are recorded as revenue in the statement of revenue, expenses, and changes in net position when all applicable financial reimbursement criteria have been met.

Unearned Revenue - Unearned revenue consists of underwriting revenue that is collected, but the airtime spots were not aired as of the end of the year. Revenue is earned at the time spots are aired.

Accounts Receivable - Accounts receivable consist primarily of sales of underwriting contracts for spots aired. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts.

Operating Versus Nonoperating Revenue and Expenses - The Station defines operating activities as reported on the statement of revenue, expenses, and changes in net position as those that generally result from exchange transactions, such as payments received for providing goods or services. All of the Station'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.

Capital Assets - Capital assets are stated at cost at the time of purchase or fair value at the date of gift. Depreciation of plant physical properties is provided on a straight-line basis over the estimated useful lives (three to 40 years) of the respective assets.

Note 2 - Significant Accounting Policies (Continued)

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 position.

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.

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, 2016.

WKSU has 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, culture, endowment funds, and building expansion. The gross pledges receivable total \$41,000 and \$29,725 as of June 30, 2016 and 2015, 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 position when all applicable financial reimbursement criteria have been met.

Upcoming Accounting Pronouncements - In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require WKSU to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation OPERS. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). WKSU is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the WKSU's financial statements for the year ending June 30, 2018.

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

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 2016, 2014, and 2013, the future cash flows from pledges receivable have been discounted using a discount rate of 2.5 percent. For pledges made during fiscal year 2012, the future expected cash flows from pledges receivable have been discounted using a discount rate of 1.5 percent. For pledges made during fiscal year 2015, the future expected cash flows from pledges receivable have been discounted 2.0 percent.

Membership pledges are expected to be received within 12 months. Major gift pledges receivable (less allowance for uncollectible amounts) due in less than one year totaled \$23,288 for fiscal year 2016 and \$18,652 for fiscal year 2015.

Major gift pledges receivable at June 30, 2016 and 2015 are expected to be realized at the following net amounts:

	2016	2015
Less than one year	\$ 30,000	\$ 20,725
One to five years	11,000	9,000
Total	41,000	29,725
Less amount estimated to be uncollectible	(7,786)	(2,941)
Less unamortized discount	(264)	(324)
Total pledge receivable - Net	<u>\$ 32,950</u>	<u>\$ 26,460</u>

Note 4 - Capital Assets

WKSU follows the University's policy to expense property additions less than \$5,000 in the year purchased. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Category</u>	<u>Depreciation Category</u>	<u>Estimated Useful Life</u>
Buildings	Buildings	40 years
Towers	Buildings	30 years
Furniture and fixtures	Furniture and fixtures	10 years
Equipment	Equipment	7-10 years
Automobiles	Equipment	5 years
Computers	Equipment	3 years

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

Note 4 - Capital Assets (Continued)

Capital asset activity for the years ended June 30, 2016 and 2015 is as follows:

	2016			
	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Furniture and fixtures	\$ 127,398	\$ -	\$ -	\$ 127,398
Equipment	4,239,108	-	(24,634)	4,214,474
Building	2,432,121	-	-	2,432,121
Construction in progress	201,971	45,600	9,350	256,921
Total	7,000,598	45,600	(15,284)	7,030,914
Less accumulated depreciation:				
Furniture and fixtures	127,398	-	-	127,398
Equipment	3,058,455	245,257	(15,284)	3,288,428
Building	1,378,994	59,483	-	1,438,477
Total accumulated depreciation	4,564,847	304,741	(15,284)	4,854,303
Capital assets - Net	\$ 2,435,751	(\$ 259,141)	\$ -	\$ 2,176,611
	2015			
	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Furniture and fixtures	\$ 146,248	\$ -	\$ (18,850)	\$ 127,398
Equipment	4,302,533	51,300	(114,725)	4,239,108
Building	2,432,121	-	-	2,432,121
Construction in progress	26,000	175,971	-	201,971
Total	6,906,902	227,271	(133,575)	7,000,598
Less accumulated depreciation:				
Furniture and fixtures	146,248	-	(18,850)	127,398
Equipment	2,901,586	267,695	(110,826)	3,058,455
Building	1,319,510	59,483	-	1,378,993
Total accumulated depreciation	4,367,344	327,178	(129,676)	4,564,846
Capital assets - Net	\$ 2,539,558	(\$ 99,907)	\$ (3,899)	\$ 2,435,752

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

Note 4 - Capital Assets (Continued)

During fiscal years 2011 and 2006, WKSU received federal funding from the National Telecommunication and Information Administration for two capital expenditure projects in the amounts of \$143,095 and \$67,547, 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 and June 29, 2017.

Note 5 - Capital Lease

WKSU has entered into a capital lease with Kent State University for a 2015 Ford Explorer vehicle. The vehicle purchase under the capital lease arrangement has been capitalized and is included in capital assets - net on the statement of net position. Depreciation of this asset under capital leases is included in depreciation expense. The current portion of capital lease obligation is included in due to Kent State University - net on the statement of net position.

At June 30, 2016, the future minimum lease payments, by year and in the aggregate, are summarized as follows:

	Years Ending June 30	Amount
	2017	\$ 8,094
	2018	8,094
	2019	8,094
	2020	3,373
	2021	-
Total minimum lease payments		27,655
Less amount representing interest		(2,711)
Present value of net minimum lease payments		24,944
Less current obligations		(6,906)
Long-term obligations under capital leases		<u>\$ 18,038</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

Note 6 - 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 five to 10 years, with the last one expiring in 2021. Additional renewal options are available.

For the years ended June 30, 2016 and 2015, lease expense totaled \$32,730 and \$32,561, respectively.

Future minimum operating lease commitments at June 30, 2016 are as follows:

Years Ending June 30	Amount
2017	\$ 33,305
2018	33,587
2019	21,291
2020	6,000
2021	6,000

WKSU leases space on the University towers to various third parties using five-year leases, expiring in 2021, with renewal options thereafter. During fiscal years 2016 and 2015, WKSU recorded \$90,985 and \$97,169, respectively, as tower rental income that is included in "other income" on the statement of revenue, expenses, and changes in net position. Future minimum rentals due are as follows:

June 30	Amount
2017	\$ 78,745
2018	74,022
2019	48,997
2020	43,800
2021	23,050

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

Note 7 - 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 expenses 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 position and the statement of revenue, expenses, and changes in net position include the following related party amounts for the years ended June 30, 2016 and 2015:

Year Ended June 30, 2016

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,202,779	\$ 27,575
Appropriations	KSU appropriations	1,244,704	

Year Ended June 30, 2015

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,128,865	\$ 20,878
Appropriations	KSU appropriations	2,745,169	

Note 8 - Income Taxes

Under Internal Revenue Code Section 115, the operations of the Station are exempt from income taxes as part of the overall operations of the University.

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

Note 9 - Investments

Investment funds are either board-designated or restricted as to intended purpose and are invested with and managed by Kent State University Foundation, Inc. (the "Foundation"). These investments are held in the Foundation's name. The fair values of the investment funds at June 30, 2016 and 2015 were as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Board-designated	\$ 276,496	\$ 286,168	\$ 279,888	\$ 316,795
Restricted expendable	855,572	885,502	839,560	950,266
Restricted nonexpendable	15,235	16,489	15,235	18,254
Total	\$ 1,147,303	\$ 1,188,159	\$ 1,134,683	\$ 1,285,315

Note 10 - Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment meeting all of the respective criteria for each.

A "contribution" is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity other than the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio programs and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV Community Service Grant (CSG) program precipitated by extraordinary infusions of new capital investments in digital television (DTV), all capital contributions received for the purpose of acquiring new equipment, upgrading existing facilities, or building new facilities regardless of source or form of the contribution are not included in calculating the fiscal year 2015 or fiscal year 2016 NFFS. This change excludes all revenue received for any capital purchases.

Note 10 - Nonfederal Financial Support (NFFS) (Continued)

A “payment” is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$5,656,915 and \$6,840,088 for the radio fund for 2016 and 2015, respectively.

Note 11 - Retirement Benefits

Basic Retirement Benefits

Plan Description - WKSU participates in the Ohio Public Employees Retirement System (OPERS or the “Plan”), one of the statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of WKSU. OPERS has three retirement plan options available to its members. Each plan provides retirement, survivor, and disability benefits to plan members and their beneficiaries. Each plan also provides postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

OPERS issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. The report may be obtained by contacting:

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
(800) 222-7377
www.opers.org

Note 11 - Retirement Benefits (Continued)

Contributions - State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement board of the system (OPERS) individually sets contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plan's 2016 and 2015 contribution rates on covered payroll were as follows:

	Employer Contribution Rate			
	Pension	Post Retirement Healthcare	Death Benefits	Total
OPERS	12.0%	2.0%	- %	14.0%

WKSU's required and actual contributions to the plans are as follows:

	For the Years Ended June 30	
	2016	2015
OPERS	\$ 101,797	\$ 111,087

Benefits Provided

Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirement to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15 to 30 years), age (48 to 62 years), and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

Note 11 - Retirement Benefits (Continued)

A death benefit of \$500 to \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2016, WKSU reported a liability for its proportionate share of the net pension liability of OPERS. The net pension liability was measured at December 30, 2015 for the OPERS plan. At June 30, 2015 WKSU reported a liability for its proportionate share of the net liability for OPERS. The net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

WKSU's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. WKSU was allocated a portion of the University's net pension liability based on its percentage of payroll expense.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2016	2015	2016	2015	
OPERS	December 31	\$ 997,598	\$ 696,525	0.61%	0.68%	-0.07%

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

Note 11 - Retirement Benefits (Continued)

For the years ended June 30, 2016 and 2015, WKSU recognized pension expense of \$305,008 and \$121,160, respectively. At June 30, 2016, WKSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 20,236
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	281,635	-
Changes in proportion and differences between contributions and proportionate share of contributions	13,822	-
Contributions subsequent to the measurement date	45,404	-
Total	<u>\$ 340,861</u>	<u>\$ 20,236</u>

At June 30, 2015, WKSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 12,955
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	37,418	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,387	-
Contributions subsequent to the measurement date	55,861	-
Total	<u>\$ 94,666</u>	<u>\$ 12,955</u>

Note 11 - Retirement Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2017	\$ (65,710)
2018	(69,940)
2019	(70,450)
2020	(61,970)
2021	-

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next fiscal year (2017).

Actuarial Assumptions - June 30, 2016 total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPERS - As of December 31, 2015</u>
Valuation date	December 31, 2015
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	4.25 percent - 10.05 percent
Inflation	3.75 percent
Investment rate of return	8.00 percent net of pension plan investment expense
Experience study date	Period of 5 years ended December 31, 2010
Mortality basis	RP- 2000 mortality Table Projected 20 years using projection Scale AA

Note 11 - Retirement Benefits (Continued)

June 30, 2015 total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPERS - As of December 31, 2014</u>
Valuation date	December 31, 2014
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	4.25 percent - 10.05 percent
Inflation	3.0 percent
Investment rate of return	8.00 percent net of pension plan investment expense
Experience study date	Period of 5 years ended December 31, 2010
Mortality basis	RP- 2000 mortality Table Projected 20 years using projection Scale AA

Discount Rate - As of June 30, 2016 and June 30, 2015, the discount rate used to measure the total pension liability was 8.0 percent for OPERS for both years. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 11 - Retirement Benefits (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized for June 30, 2016 in the following table:

<u>Investment Category</u>	<u>OPERS as of December 31, 2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	23.00%	2.31%
Domestic equities	20.70%	5.84%
Real estate	10.00%	4.25%
Private equity	10.00%	9.25%
International equity	18.30%	7.40%
Other investments	18.00%	4.59%
	<u>100.0%</u>	

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized for June 30, 2015 in the following table:

<u>Investment Category</u>	<u>OPERS as of December 31, 2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	23.00%	2.31%
Domestic equities	19.90%	5.84%
Real estate	10.00%	4.25%
Private equity	10.00%	9.25%
International equity	19.10%	7.40%
Other investments	18.00%	4.59%
	<u>100.0%</u>	

Note 11 - Retirement Benefits (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -
For June 30, 2016, the following presents the net pension liability of WKSU, calculated using the discount rate listed below, as well as what WKSU's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	1.00 percent Decrease		Current Discount Rate		1.00 percent Increase	
OPERS	7.00%	1,593,753	8.00%	997,598	9.00%	494,695

For June 30, 2015 the following presents the net pension liability of WKSU, calculated using the discount rate listed below, as well as what WKSU's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	1.00 percent Decrease		Current Discount Rate		1.00 percent Increase	
OPERS	7.00%	1,285,824	8.00%	696,525	9.00%	200,342

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Note 12 - Fair Value Measurements

The Kent State University Foundation invests WKSU's endowment funds. The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Station's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

WKSU Radio Station

Notes to Financial Statements June 30, 2016 and 2015

Note 12 - Fair Value Measurements (Continued)

WKSU's share of the Foundation's pool of investments for June 30, 2016 and June 30, 2015 was .83127 percent and .8689 percent, respectively. The Foundation had the following investments measured at fair value as of June 30, 2016 and 2015:

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Corporate stocks	\$ 4,419,270	\$ 4,419,270	\$ -	\$ -
Exchanged Traded Funds (ETFs)	10,700,987	10,700,987	-	-
Mutual funds:				
Large capitalization equity funds	36,662,798	36,662,798	-	-
Small/Middle capitalization equity funds	8,177,385	8,177,385	-	-
International equity funds	30,297,424	30,297,424	-	-
Other mutual funds	12,796,031	12,796,031	-	-
Fixed-income funds	31,214,432	19,679,509	11,534,923	-
	<u>134,268,327</u>	<u>\$ 122,733,404</u>	<u>\$ 11,534,923</u>	<u>\$ -</u>

Investments Measured at the Net Asset Value (NAV)

Limited partnership hedge funds	8,320,628
Private equity	344,640
Total investments measure at net asset value (NAV)	<u>8,665,268</u>
Total investments measure at fair value	<u>\$ 142,933,595</u>

	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Corporate stocks	\$ 5,053,104	\$ 5,053,104	\$ -	\$ -
Exchanged Traded Funds (ETFs)	5,472,401	5,472,401	-	-
Mutual funds:				
Large capitalization equity funds	42,349,972	42,349,972	-	-
Small/Middle capitalization equity funds	9,522,498	9,522,498	-	-
International equity funds	30,607,126	30,607,126	-	-
Other mutual funds	19,382,921	19,382,921	-	-
Fixed-income funds	30,494,685	19,428,285	11,066,400	-
	<u>142,882,707</u>	<u>\$ 131,816,307</u>	<u>\$ 11,066,400</u>	<u>\$ -</u>

Investments Measured at the Net Asset Value (NAV)

Limited partnership hedge funds	5,044,665
Total investments measure at fair value	<u>\$ 147,927,372</u>

Note 12 - Fair Value Measurements (Continued)

The fair values of debt and equity investments and mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices or by similar securities with similar due dates (Level 2 inputs).

The Foundation invests in alternative investments, which include investments in limited partnerships. Fair value represents the Foundation's proportionate interest in the net assets in these funds. Fair value is supplied to the Foundation by third-party administrators, and audited information about these funds is available annually. Due to current market conditions as well as the limited trading activity of these securities, the market value of these securities is highly sensitive to assumption changes and market volatility (Level 3 inputs).

The object of these alternative investments is to provide returns consistent with the United States consumer price index plus 5.0 percent over the long term by investing in areas that offer strong relative performance in rising inflation environments. In accordance with the terms of the investments, the Foundation is able to redeem its investments in these limited alternative investments by providing prior written notice from one hundred days to one year. As of June 30, 2016 and 2015, the Foundation has no unfunded commitments to either of these alternative investments.

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 Management and the Board of Trustees
WKSU Radio Station

We have audited, in accordance with the 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, the financial statements of WKSU Radio Station (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, which comprise the statement of net position as of June 30, 2016 and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WKSU Radio Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

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 Station's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Trustees
WKSU Radio Station

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WKSU Radio Station's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

November 29, 2016

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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
DECEMBER 22, 2016**