

**WKSU Radio Station
Financial Statements
June 30, 2004 and 2003**



**Auditor of State
Betty Montgomery**

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 WKSU Radio Station, Portage County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2003 through June 30, 2004. 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. WKSU Radio Station is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 11, 2005

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Report of Independent Auditors

To the Board of Trustees of
Kent State University:

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 and Subsidiaries (“WKSU”) at June 30, 2004 and 2003, 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 the Company’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.

PricewaterhouseCoopers LLP

November 18, 2004
Cleveland, Ohio

WKSU Radio Station
Statements of Financial Position
As of June 30, 2004 and 2003

ASSETS	2004	2003
Cash and cash equivalents	\$ 1,763,034	\$ 1,283,223
Accounts receivable, less allowance for doubtful accounts of \$12,948 and \$15,306, respectively	119,171	133,361
Member pledges receivable, less allowance for uncollectible pledges of \$27,190 and \$10,195, respectively	63,442	40,779
Endowment pledges receivable, less allowance for uncollectible pledges of \$25,374 and \$52,706 and discount of \$19,594 and \$29,462, respectively	208,771	444,894
Due from Kent State University Foundation, net	444,443	365,907
Investment in common stock	-	50,000
Prepaid expenses and other assets	73,306	43,078
Property, plant and equipment, at cost		
Building	2,360,377	2,360,377
Equipment and other	2,863,517	2,508,756
Furniture and fixtures	<u>238,950</u>	<u>225,771</u>
	5,462,844	5,094,904
Less accumulated depreciation	<u>2,207,915</u>	<u>1,980,862</u>
Property, plant and equipment, net	<u>3,254,929</u>	<u>3,114,042</u>
Total assets	<u>\$ 5,927,096</u>	<u>\$ 5,475,284</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 29,730	\$ 42,115
Accrued expenses	219,637	224,466
Due to Kent State University, net	444,443	365,907
Deferred revenue	<u>261,250</u>	<u>110,762</u>
Total liabilities	955,060	743,250
Net assets:		
Unrestricted	4,105,388	3,889,551
Temporarily restricted	25,557	119,990
Permanently restricted	<u>841,091</u>	<u>722,493</u>
Total net assets	<u>4,972,036</u>	<u>4,732,034</u>
Total liabilities and net assets	<u>\$ 5,927,096</u>	<u>\$ 5,475,284</u>

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Statements of Activities
For the years ended June 30, 2004 and 2003

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Revenues and other additions:								
Pledges and contributions	\$ 1,562,797	\$ 1,507,832	\$ -	\$ -	\$ 118,598	\$ 312,278	\$ 1,681,395	\$ 1,820,110
Kent State University appropriations	465,815	515,815	-	-	-	-	465,815	515,815
Underwriting contributions	985,230	893,639	-	-	-	-	985,230	893,639
In-kind contributions	366,484	337,107	-	-	-	-	366,484	337,107
Donated administration	563,074	558,212	-	-	-	-	563,074	558,212
Grant revenue	-	-	721,347	528,904	-	-	721,347	528,904
Other income	<u>142,146</u>	<u>233,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,699</u>	<u>233,627</u>
Total revenues and other additions	4,085,546	4,046,232	721,347	528,904	118,598	312,278	4,925,044	4,887,414
Release of restrictions	<u>815,780</u>	<u>615,829</u>	<u>(815,780)</u>	<u>(615,829)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other additions after release of restrictions	4,901,326	4,662,061	(94,433)	(86,925)	118,598	312,278	4,925,491	4,887,414
Expenses and other deductions:								
Program and production	1,917,937	1,941,056	-	-	-	-	1,917,938	1,941,056
Broadcasting	564,762	546,197	-	-	-	-	564,762	546,197
Depreciation	227,053	259,360	-	-	-	-	227,053	259,360
Public information	342,719	383,003	-	-	-	-	342,719	383,003
Management and general	543,866	558,507	-	-	-	-	543,866	558,507
Fundraising	727,970	772,502	-	-	-	-	727,970	772,502
Underwriting	<u>361,182</u>	<u>338,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>361,182</u>	<u>338,204</u>
Total expenses and other deductions	4,685,489	4,798,829	-	-	-	-	4,685,490	4,798,829
Change in accounting estimate for property, plant and equipment	<u>-</u>	<u>308,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,872</u>
Change in net assets	215,837	172,104	(94,433)	(86,925)	118,598	312,278	240,001	397,457
Net assets at beginning of year	<u>3,889,551</u>	<u>3,717,447</u>	<u>119,990</u>	<u>206,915</u>	<u>722,493</u>	<u>410,215</u>	<u>4,732,034</u>	<u>4,334,577</u>
Net assets at end of year	<u>\$ 4,105,388</u>	<u>\$ 3,889,551</u>	<u>\$ 25,557</u>	<u>\$ 119,990</u>	<u>\$ 841,091</u>	<u>\$ 722,493</u>	<u>\$ 4,972,036</u>	<u>\$ 4,732,034</u>

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Statements of Cash Flows
For the years ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Change in net assets	\$ 240,002	\$ 397,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	227,053	259,360
Realized loss on sale of common stock	47,000	-
Change in accounting estimate for property, plant and equipment	-	(308,872)
Changes in assets and liabilities:		
Accounts receivable, net	14,190	(24,853)
Pledges receivable, net	213,460	(148,486)
Prepaid expenses and other assets	(30,228)	(5,776)
Accounts payable	(12,385)	6,645
Accrued expenses	(4,829)	36,837
Deferred revenue	150,488	31,286
Net cash provided by operating activities	<u>844,751</u>	<u>243,598</u>
Cash flows from investing activities:		
Purchase of equipment	(367,941)	(27,424)
Proceeds from sale of investment in common stock	3,000	-
Net cash used in investing activities	<u>(364,941)</u>	<u>(27,424)</u>
Net increase in cash and cash equivalents	479,810	216,174
Cash and cash equivalents, beginning of year	<u>1,283,223</u>	<u>1,067,049</u>
Cash and cash equivalents, end of year	<u>\$ 1,763,034</u>	<u>\$ 1,283,223</u>
Supplemental disclosure of noncash activities:		
Write-off of fully depreciated property, plant and equipment	<u>\$ -</u>	<u>\$ 135,984</u>

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2004 and 2003

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

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2004 and 2003

been fulfilled and/or the stipulated time period has elapsed) are reported as a “release of restrictions” in the accompanying statements of activities.

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 \$148,571 and \$609,038 as temporarily and permanently restricted cash at June 30, 2004. WKSU recorded \$298,090 and \$11,850 as temporarily and permanently restricted cash at June 30, 2003.

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 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, 2004.

WKSU conducted an endowment campaign in response to a challenge from the GAR Foundation. The pledges receivable for the endowment total \$253,739 (before allowances and discounts) and are promises to give within five years of June 30, 2004.

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.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2004 and 2003

3. Investment in Common Stock

On June 7, 1999, WKSU purchased 100,000 shares of common stock at \$.50 a share. At June 30, 2004 the shares of common stock were sold for cash proceeds of \$3,000. The realized loss of \$47,000 is included in other income in the accompanying statements of activities.

4. 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 year 2003, the University revised its estimate for the useful life for towers. The change in estimate resulted in a decrease of \$308,872 in WKSU's accumulated depreciation at June 30, 2003.

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 on July 31, 2014, July 31, 2011 and February 28, 2017, respectively.

5. Operating Lease Commitments and Contingencies

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

For the years ended June 30, 2004 and 2003, lease expense totalled \$49,702 and \$37,377 respectively.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2004 and 2003

Future minimum operating lease commitments at June 30, 2004 are as follows:

<u>Fiscal Year</u>	
2005	26,642
2006	26,953
2007	27,262
2008	21,312
2009	21,481
Thereafter	67,658

WKSU leases space on the University towers to various third parties using five-year leases with renewal options. During fiscal year 2004 and 2003, WKSU recorded \$ 95,548 and \$79,194, respectively, as tower rental income that is included in “other income” in the statements of activities. Future minimum rentals due are as follows:

<u>Fiscal Year</u>	
2005	89,462
2006	90,759
2007	86,626
2008	83,991
2009	57,478
Thereafter	136,354

6. Related Party Transactions

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

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2004 and 2003

The statements of financial position and the statements of activities include the following related party amounts for the years ended June 30, 2004 and 2003:

For the year ended June 30, 2004:

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$563,074	\$ 13,150
Expenses in excess of Appropriations	Due to KSU, net Due from KSUF, net	\$444,443	\$444,443
Appropriations	KSU appropriations		\$465,815

For the year ended June 30, 2003:

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$558,212	\$12,244
Expenses in excess of Appropriations	Due to KSU, net Due from KSUF, net	\$365,907	\$365,907
Appropriations	KSU appropriations		\$515,815

7. 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.

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 Board of Trustees of
Kent State University:

We have audited the financial statements of WKSU Radio Station (the “Radio Station”) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 18, 2004. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 Radio Station's Board of Directors, 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 18, 2004
Cleveland, Ohio



**Auditor of State
Betty Montgomery**

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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
FEBRUARY 10, 2005**