

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

Financial Report
June 30, 2014



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, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 5, 2014

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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, 2014 and 2013 and the related notes to the financial statements, which collectively comprise 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 audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WKSU Radio Station as of June 30, 2014 and 2013, and the changes in its financial position and its 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 1, which explains that the financial statements present only WKSU Radio Station and do not purport to, and do not, present fairly the financial position of the Kent State University as of June 30, 2014 and 2013 or the changes in its financial 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.

Other Matters

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 24, 2014 on our consideration of WKSU Radio Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report 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 24, 2014

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"), which is licensed to Kent State University, as of and for the year ended June 30, 2014.

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 primetime 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 (Continued)

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 118,000 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 11 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.

The Statement of Net Position

The statement of net position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. The difference between total assets and total liabilities is net position, which is one way to measure the current financial activities of the Station. Unrestricted net position decreased by \$1,121,536 due to a decrease in overall unrestricted revenue partially caused by the format change in August 2013 from classical to news. It is anticipated that revenues will grow over the next five years but that the first few years following the program change will experience loss of revenue. Net investment in capital assets decreased by \$304,403 due to depreciation on assets and because there were not any large capital purchases in 2014. Total net position decreased by \$1,250,851 from 2013 to 2014, decreased by \$944,547 from 2012 to 2013, and decreased by \$191,704 from 2011 to 2012.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Total assets increased \$831,310 from 2014 to 2013 due to an increase of \$981,273 in the amount due from Kent State University Foundation, Inc., which was offset by a decrease in net capital assets of \$304,403. Net capital assets have decreased as a result of depreciation expense exceeding the amount of purchases for capital items. Total assets decreased \$336,520 in 2013 primarily due to a \$300,000 allowance for a major pledge receivable.

Total liabilities increased \$2,082,161 in 2014 due to an increase of funds that are owed to Kent State University of \$2,121,789. The new format change has caused a slowing of revenue. It is estimated that WKSU will run at a loss through 2019. The Station is expected to turn a profit after 2019 and the payable due to Kent State University will be paid. Total liabilities increased \$608,027 in 2013 primarily due to an increase of funds that are owed to Kent State University.

A summarized comparison of the Station's assets, liabilities, and net position at June 30, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
Assets			
Current Assets	\$ 1,824,626	\$ 885,710	\$ 735,643
Temporarily Restricted Cash	482,975	392,142	423,750
Investments	1,336,159	1,157,686	1,081,435
Noncurrent Assets	85,809	158,318	375,800
Capital Assets - Net of depreciation	<u>2,539,558</u>	<u>2,843,961</u>	<u>3,157,709</u>
Total assets	<u>\$ 6,269,127</u>	<u>\$ 5,437,817</u>	<u>\$ 5,774,337</u>
Liabilities and Net Position			
Current Liabilities	\$ 3,503,973	\$ 1,421,812	\$ 813,785
Net Position			
Invested in capital assets	2,539,558	2,843,961	3,157,709
Unrestricted	(1,391,165)	(269,629)	462,128
Restricted - Expendable	1,601,526	1,426,438	1,325,480
Restricted - Nonexpendable	<u>15,235</u>	<u>15,235</u>	<u>15,235</u>
Total net position	<u>2,765,154</u>	<u>4,016,005</u>	<u>4,960,552</u>
Total liabilities and net position	<u>\$ 6,269,127</u>	<u>\$ 5,437,817</u>	<u>\$ 5,774,337</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

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, 2014, 2013, and 2012 are summarized as follows:

	2014	2013	2012
Operating Revenue			
WKSU pledges and contributions	\$ 1,432,422	\$ 1,676,074	\$ 1,575,734
Folk Alley pledges and contributions	262,118	323,047	278,626
Underwriting contributions	727,986	877,977	1,103,414
In-kind contributions	362,624	414,734	445,555
Donated administration	1,194,606	1,301,683	1,016,035
Grant revenue	414,158	457,545	592,863
Other income	165,797	232,135	269,607
Total operating revenue	4,559,711	5,283,195	5,281,834
Nonoperating Revenue			
Restricted gifts	30,245	128,457	165,614
Investment income (loss)	199,638	132,649	(54,145)
Kent State University appropriations	455,815	455,815	457,218
Total nonoperating revenue	685,698	716,921	568,687
Total revenue	5,245,409	6,000,116	5,850,521
Operating Expenses			
Programming and production	3,657,535	4,164,608	3,473,552
Public information	548,346	383,718	373,506
Management and general	687,654	774,881	563,852
Depreciation	338,044	339,501	326,912
Fundraising	715,427	920,424	877,952
Underwriting	549,254	361,531	426,451
Total operating expenses	6,496,260	6,944,663	6,042,225
Decrease in Net Position	(1,250,851)	(944,547)	(191,704)
Net Position - Beginning of year	4,016,005	4,960,552	5,152,256
Net Position - End of year	<u>\$ 2,765,154</u>	<u>\$ 4,016,005</u>	<u>\$ 4,960,552</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Overall operating revenues for 2014 have declined due to the program format change. Underwriting clients with Classical Music and Arts interests were disappointed with the program change and the Station has experienced a decline in revenues as a result. Underwriting revenue decreased \$149,991, or 17.1 percent. Grant revenue decreased \$43,387, or 9.5 percent, due to the continuing decrease of grant award dollars. Donated administration decreased \$107,077, or 8.2 percent, as a result of an increase in the University's total square footage causing administrative costs allocated to WKSU to decrease in 2014. 2014 Folk Alley revenue decreased \$60,929, or 18.9 percent, as a result of decreased membership and related pledges. In 2013, total operating revenue was consistent with 2012. Increases in pledges and contributions were offset by a decrease in underwriting.

WKSU nonoperating revenue decreased \$31,223, or 4.4 percent, during 2014 due to a decrease in major pledges resulting from the lack of a capital campaign drive during the year (a decrease of \$98,212 or 76.5 percent). The decrease was partially offset by an increase of \$66,989 (or 50.5 percent) of investment income. Nonoperating revenue increased \$148,234, or 26.1 percent, in 2013 due to an increase of \$186,794 in investment income.

Operating expenses experienced a decrease of \$448,403 or 6.5 percent. Public information and underwriting had increases in expenses. This was due to staff being added to those departments. A new marketing strategy with additional costs was implemented in 2014 as a result of programming changes. The other departments had decreases in expenses. Folk Alley had the largest decrease due to a permanent reduction of staff. In 2013 operating expenses increased \$902,438, or 14.9 percent. Management, programming, broadcasting, and Folk Alley all had large increases in expenses primarily due to previously vacant positions that were filled during fiscal year 2013 and increased overhead expenses.

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 ending June 30, 2014, 2013, and 2012 are summarized as follows:

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

	2014	2013	2012
Cash Used in Operating Activities	\$ (382,751)	\$ (645,410)	\$ (429,842)
Cash Used in Capital and Related Financing Activities	(33,641)	(26,867)	(284,910)
Cash Provided by Investing Activities	21,165	56,398	55,024
Cash Provided by Noncapital Financing Activities	<u>486,060</u>	<u>584,271</u>	<u>622,832</u>
Increase (Decrease) in Cash	90,833	(31,608)	(36,896)
Cash - Beginning of year	<u>392,142</u>	<u>423,750</u>	<u>460,646</u>
Cash - End of year	<u><u>\$ 482,975</u></u>	<u><u>\$ 392,142</u></u>	<u><u>\$ 423,750</u></u>

The Station consumed \$382,751, \$645,410, and \$429,842 in operating activities in 2014, 2013, and 2012, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$3,075,455, \$3,558,428, and \$3,793,022 for 2014, 2013, and 2012, respectively. Cash outlays include payments for wages and to vendors of \$3,618,932, \$3,827,935, and \$3,787,147 for 2014, 2013, and 2012, 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.

In August 2013, WKSU's primary program service shifted the prime time listening hours from a mixture of news/classical music to an all news and information format. Over time, this shift in program service is anticipated to increase listenership and result in more financial support for the Station through growth in membership and underwriting income. In fiscal year 2014, WKSU expanded its capacity to generate underwriting income by adding two new underwriting staff members to solicit funds and service clients. WKSU made investments in improving the efficiency and productivity of its membership and underwriting programs through updated software tools. In addition, WKSU significantly increased its marketing efforts to promote the new programming format and grow 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 2014, WKSU started planning for the launch of new apps for smartphones and tablet computers. These new apps, offering expanded capabilities for users, will be launched in fiscal year 2015. As the digital media audience continues to grow, WKSU is well-positioned to serve those audiences and generate additional income from membership and underwriting.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

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 recently renovated Akron News Bureau is equipped for live on-air program origination, as well as for program production work, leading to providing content that is aired both over the WKSU network of stations, as well as the National Public Radio (NPR) network. The studio sits in the shadow of the federal courthouse in downtown Akron and is strategically located very close to the City of Akron and Summit County government offices and courthouse. This studio, coupled with a second studio plus other production facilities located within WKSU's Akron News Bureau, all combine with WKSU's highly skilled staff of news reporters to provide a balanced and informative news source to the region. With the Stark and Wayne County bureau, the 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.

Grant Awards

During fiscal year 2014, WKSU received two grant awards, totaling over \$400,000. Granting institutions included Ohio Broadcast Educational Media Commission and the Corporation for Public Broadcasting (CPB).

Awards in Fiscal Year 2014

WKSU had another great year for awards and achievements. Below are the awards earned by WKSU and staff:

Catholic Academy of Communication Professionals - National Gabriel Award

- Short Feature - Local Release, Vivian Goodman - *Growing Greens and Self-esteem at Hattie's Gardens*

Ohio Associated Press - Ohio APME Awards

- First Place - Best Anchor, Amanda Rabinowitz
- First Place - Best Continuing Coverage, M.L. Schultze and Tim Rudell - *Fracking*
- First Place - Best Enterprise Reporting, Jeff St. Clair - *Exploradio*
- First Place - Best Use of Multimedia, Chuck Poulton - *WKSU.org*
- Second Place - Use of Sound, Jeff St. Clair - *Exploradio: A Tree Falls in the Woods*
- Second Place - Best Breaking News, M.L. Schultze - *Canton Evacuees Get the All Clear*
- Second Place - Outstanding News Operation, WKSU

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Press Club of Cleveland - Ohio Excellence in Journalism Awards

- Best in Show - Best Web Site in Ohio, Chuck Poulton and staff - WKSU.org
- Best in Show - Best Radio Newscast, Amanda Rabinowitz - *Morning Edition*
- First Place - Best Radio News Web Site, Chuck Poulton and staff - WKSU.org
- First Place - Best Ongoing Coverage, M.L. Schultze and Tim Rudell - *Fracking*
- First Place - Best Human Interest, M.L. Schultze - *Young and Homeless in Cleveland*
- Second Place - Best Use of Social Media, Vivian Goodman - *Quick Bites Facebook Page*
- Second Place - Best Public Service, Amanda Rabinowitz - *LGBT Community on Edge in Light of Recent Hate Crimes*
- Second Place - General News, Kevin Niedermier - *Building on the Success of the National Senior Games*
- Second Place - Use of Sound, Jeff St. Clair - *Exploradio: A Tree Falls in the Woods*
- Third Place - Best Public Service, Jeff St. Clair - *Exploradio: Engineering a Chiari Breakthrough*
- Third Place - General News, Tim Rudell - *Homegrown Revival of the Rubber Industry*
- Third Place - Best Human Interest, Mark Urycki - *Punk and New Wave Roots in Northeast Ohio*

Public Radio News Director, Inc - PRNDI Awards

- Second Place - Spot News, Mark Urycki - *The Akron Aeros Become the Rubber Ducks*

WKSU Radio Station

Statement of Net Position

	June 30, 2014	June 30, 2013
Assets		
Current Assets		
Accounts receivable, less allowance for doubtful accounts of \$1,898 and \$6,518 for June 30, 2014 and 2013, respectively	\$ 75,915	\$ 130,373
Member pledges receivable, less allowance for uncollectible pledges of \$7,516 and \$6,749 for June 30, 2014 and 2013, respectively	169,550	133,013
Current major gift pledges receivable, less allowance for pledges of \$2,617 and \$2,582 for June 30, 2014 and June 30, 2013, respectively	23,558	23,243
Due from Kent State University Foundation - Net	1,533,385	552,112
Prepaid expense and other assets	22,218	46,969
Total current assets	1,824,626	885,710
Temporarily Restricted Cash	482,975	392,142
Investments	1,336,159	1,157,686
Major Gift Pledges Receivable - Less allowance for uncollectible pledges of \$9,534 and \$310,923 and discounts of \$4,657 and \$22,809 for June 30, 2014 and 2013, respectively	85,809	158,318
Capital Assets - Net	2,539,558	2,843,961
Total assets	<u><u>\$ 6,269,127</u></u>	<u><u>\$ 5,437,817</u></u>
Liabilities and Net Position		
Liabilities		
Accounts payable	\$ 39,943	\$ 102,048
Accrued expenses	365,511	346,328
Due to Kent State University - Net	2,984,346	862,557
Unearned revenue	114,173	110,879
Total liabilities	3,503,973	1,421,812
Net Position		
Net Investment in capital assets	2,539,558	2,843,961
Unrestricted	(1,391,165)	(269,629)
Restricted - Expendable	1,601,526	1,426,438
Restricted - Nonexpendable	15,235	15,235
Total net position	2,765,154	4,016,005
Total liabilities and net position	<u><u>\$ 6,269,127</u></u>	<u><u>\$ 5,437,817</u></u>

WKSU Radio Station

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2014	2013
Operating Revenue		
WKSU pledges and contributions	\$ 1,432,422	\$ 1,676,074
Folk Alley pledges and contributions	262,118	323,047
Underwriting contributions	727,986	877,977
In-kind contributions	362,624	414,734
Donated administration	1,194,606	1,301,683
Grant revenue	414,158	457,545
Other income	165,797	232,135
Total operating revenue	4,559,711	5,283,195
Operating Expenses		
Program and production	2,760,392	2,748,116
Broadcasting	603,795	743,218
Depreciation	338,044	339,501
Public information	548,346	383,718
Management and general	687,654	774,881
Fundraising	715,427	920,424
Underwriting	549,254	361,531
Folk Alley expenses	293,348	673,274
Total operating expenses	6,496,260	6,944,663
Operating Loss	(1,936,549)	(1,661,468)
Nonoperating Revenue		
Restricted gifts	30,245	128,457
Kent State University appropriations	455,815	455,815
Investment income	199,638	132,649
Total nonoperating revenue	685,698	716,921
Change in Net Position	(1,250,851)	(944,547)
Net Position - Beginning of year	4,016,005	4,960,552
Net Position - End of year	<u>\$ 2,765,154</u>	<u>\$ 4,016,005</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

WKSU Radio Station

Statement of Cash Flows

	Year Ended June 30	
	2014	2013
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,816,829	\$ 2,066,660
Cash received from the community	844,468	1,005,223
Cash received from grants	414,158	486,545
Cash from other sources	899,535	310,726
Cash from endowments	57,389	56,398
Payments to employees	(2,027,573)	(1,903,178)
Payments for benefits	(796,198)	(743,027)
Payments to suppliers and vendors	(1,591,359)	(1,924,757)
Net cash used in operating activities	(382,751)	(645,410)
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	(33,641)	(26,867)
Cash Flows from Noncapital Financing Activities		
Restricted gifts	30,245	128,456
Cash received from Kent State University	455,815	455,815
Net cash provided by noncapital financing activities	486,060	584,271
Cash Flows from Investing Activities - Interest received	21,165	56,398
Increase (Decrease) in Cash	90,833	(31,608)
Cash - Beginning of year	392,142	423,750
Cash - End of year	<u>\$ 482,975</u>	<u>\$ 392,142</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,936,549)	\$ (1,661,468)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	338,044	339,501
Disposal of assets	-	1,114
Changes in assets and liabilities:		
Accounts receivable - Net	54,458	2,278
Pledges receivable - Net	35,657	264,464
Prepaid expenses and other assets	(956,522)	(199,327)
Accounts payable	(62,105)	53,126
Accrued expenses and other liabilities	2,144,266	554,902
Net cash used in operating activities	<u>\$ (382,751)</u>	<u>\$ (645,410)</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2014 and 2013

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.

In fiscal year 2014, the Station adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. There were no significant changes to the statements as a result of this adoption.

As required by the GASB, resources of the Station 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

Note 2 - Significant Accounting Policies (Continued)

- **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 Regents or may otherwise be limited by contractual agreements with outside parties

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.

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 (3 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, 2014.

WKSU has initiated a major gift program. The major gift program will serve as the capital campaign umbrella for several initiatives including, but not limited to, equipment, technology, culture, endowment funds, and building expansion. The gross pledges receivable total \$126,175 and \$517,875 as of June 30, 2014 and 2013, 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 - The following upcoming GASB pronouncements are currently being evaluated and analyzed by management for future impact on WKSU's financial statements.

Note 2 - Significant Accounting Policies (Continued)

- **GASB Statement No. 68 - Accounting and Financial Reporting for Pensions** - In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability, and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.
- **GASB Statement No. 69 - Government Combinations and Disposals of Government Operations** - The provisions of this statement are effective for the year ending June 30, 2015.
- **GASB Statement No. 71 - Pension Transition for Contributions made Subsequent to the Measurement Date, An Amendment of GASB Statement No. 68** - The provisions of this statement are effective for the year ending June 30, 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 2014, 2013, and 2009, the future cash flows from pledges receivable have been discounted using a discount rate of 2.5 percent. For pledges made during fiscal years 2012, 2011, and 2010, the future expected cash flows from pledge receivables have been discounted using a discount rate of 1.5 percent and for 2008, the future expected cash flows from pledges receivable have been discounted 3.5 percent.

Membership pledges are expected to be received within 12 months. Major gift pledge receivable (less allowance for uncollectible amounts) due in less than one year is \$23,558 for fiscal year 2014 and \$23,243 for fiscal year 2013. Major gift pledges receivable at June 30, 2014 and 2013 are expected to be realized in the following periods:

WKSU Radio Station

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Pledges Receivable (Continued)

Years Ending <u>June 30</u>	<u>Amount</u>
2015	\$ 26,175
2016	51,000
2017	45,000
2018	-
2019	<u>4,000</u>
Total	<u>\$ 126,175</u>

Major gift pledges receivable at June 30, 2014 and 2013 are expected to be realized at the following net amounts:

	<u>2014</u>	<u>2013</u>
Less than one year	26,175	25,825
One to five years	<u>100,000</u>	<u>492,050</u>
Total	126,175	517,875
Less amount estimated to be uncollectible	(12,151)	(313,505)
Less unamortized discount	<u>(4,657)</u>	<u>(22,809)</u>
Total pledge receivable - Net	<u>\$ 109,367</u>	<u>\$ 181,561</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2014 and 2013

Note 4 - Capital Assets

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

Capital asset activity for the years ended June 30, 2014 and 2013 is as follows:

	2014			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Ending Balance</u>
Furniture and fixtures	\$ 146,248	\$ -	\$ -	\$ 146,248
Equipment	4,348,488	7,641	(53,596)	4,302,533
Building	2,432,121	-	-	2,432,121
Construction in progress	-	26,000	-	26,000
Total	6,926,857	33,641	(53,596)	6,906,902
Less accumulated depreciation:				
Furniture and fixtures	146,248	-	-	146,248
Equipment	2,676,622	278,560	(53,596)	2,901,586
Building	1,260,026	59,484	-	1,319,510
Total accumulated depreciation	4,082,896	338,044	(53,596)	4,367,344
Capital assets - Net	<u>\$ 2,843,961</u>	<u>(\$ 304,403)</u>	<u>\$ -</u>	<u>\$ 2,539,558</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2014 and 2013

Note 4 - Capital Assets (Continued)

	2013			
	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Furniture and fixtures	\$ 146,248	\$ -	\$ -	\$ 146,248
Equipment	4,404,626	26,867	(83,005)	4,348,488
Building	2,432,121	-	-	2,432,121
Total	6,982,995	26,867	(83,005)	6,926,857
Less accumulated depreciation:				
Furniture and fixtures	146,248	-	-	146,248
Equipment	2,478,495	280,018	(81,891)	2,676,622
Building	1,200,543	59,483	-	1,260,026
Total accumulated depreciation	3,825,286	339,501	(81,891)	4,082,896
Capital assets - Net	<u>\$ 3,157,709</u>	<u>(\$ 312,634)</u>	<u>\$ (1,114)</u>	<u>\$ 2,843,961</u>

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

Note 5 - Operating Lease Commitments and Contingencies

WKSU leases tower space for certain repeater stations from third parties under lease agreements. The leases are accounted for as operating leases and are for various terms ranging from 5 to 10 years, with the last one expiring in 2018. Additional renewal options are available.

For the years ended June 30, 2014 and 2013, lease expense totaled \$31,707 and \$26,681, respectively.

WKSU Radio Station

Notes to Financial Statements June 30, 2014 and 2013

Note 5 - Operating Lease Commitments and Contingencies (Continued)

Future minimum operating lease commitments at June 30, 2014 are as follows:

Years Ending June 30	Amount
2015	\$ 31,968
2016	32,235
2017	27,705
2018	13,826

WKSU leases space on the University towers to various third parties using five-year leases, expiring in 2019, with renewal options thereafter. During fiscal years 2014 and 2013, WKSU recorded \$111,796 and \$107,270, 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:

Years Ending June 30	Amount
2015	\$ 87,337
2016	73,903
2017	73,177
2018	74,207
2019	48,997

WKSU Radio Station

Notes Financial Statements June 30, 2014 and 2013

Note 6 - Related Party Transactions

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

The statement of net position and the statement of revenue, expenses, and changes in net position include the following related party amounts for the years ended June 30, 2014 and 2013:

Year Ended June 30, 2014

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,194,606	\$ 22,726
Appropriations	KSU appropriations	455,815	

Year Ended June 30, 2013

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,301,683	\$ 26,572
Appropriations	KSU appropriations	455,815	

Note 7 - Income Taxes

Under Internal Revenue Code Section 501(c)(3), the operations of the Station are exempt from income taxes as part of the overall operations of the University as a political subdivision of the State of Ohio.

WKSU Radio Station

Notes to Financial Statements June 30, 2014 and 2013

Note 8 - Net Position

Net position as of June 30 is as follows:

	<u>2014</u>	<u>2013</u>
Net investments in capital assets	\$ 2,539,558	\$ 2,843,961
Unrestricted net position - Current operations	(1,391,165)	(269,629)
Restricted expendable - Net position principally related to grants and major gifts - Specific purpose funds	1,601,526	1,426,438
Restricted nonexpendable - Net position principally related to purposes in general support of WKSU - Endowment funds	<u>15,235</u>	<u>15,235</u>
Total	<u>\$ 2,765,154</u>	<u>\$ 4,016,005</u>

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 value of the investment funds at June 30, 2014 and 2013 were as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Board-designated	\$ 265,988	\$ 329,683	\$ 221,898	\$ 228,761
Restricted expendable	796,700	987,481	885,822	913,062
Restricted nonexpendable	<u>15,235</u>	<u>18,995</u>	<u>15,235</u>	<u>15,863</u>
Total	<u>\$ 1,077,923</u>	<u>\$ 1,336,159</u>	<u>\$ 1,122,955</u>	<u>\$ 1,157,686</u>

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 and meeting all of the respective criteria for each.

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

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 purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2014 NFFS. This change excludes all revenues received for any capital purchases.

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 \$3,028,268 and \$3,621,904 for the radio fund for 2014 and 2013, respectively.

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

Independent Auditor's Report

To Management and the Board of Trustees
WKSU Radio Station

We have audited, 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, the financial statements of WKSU Radio Station (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, as of and for the year ended June 30, 2014 and the related notes to the financial statements, and have issued our report thereon dated November 24, 2014.

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 opinions 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 entity'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 24, 2014



Dave Yost • Auditor of State

WKSU RADIO STATION

PORTAGE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2014**