

WKSU Radio Station

**Financial Statements
June 30, 2005 and 2004**



**Auditor of State
Betty Montgomery**

To the Kent State University Board of Trustees
WKSU Radio Station
Kent, Ohio

We have reviewed the *Report of Independent Auditors* of the WKSU Radio Station, Portage County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2004 through June 30, 2005. 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 28, 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 Radio Station (“WKSU”) at June 30, 2005 and 2004, 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 WKSU’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2005 on our consideration of the WKSU’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2005. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

PricewaterhouseCoopers LLP

November 4, 2005
Cleveland, Ohio

WKSU Radio Station
Statements of Financial Position
As of June 30, 2005 and 2004

ASSETS		
	2005	2004
Cash and cash equivalents	\$ 1,292,555	\$ 1,005,425
Accounts receivable, less allowance for doubtful accounts of \$11,300 and \$12,948, respectively	121,600	119,171
Member pledges receivable, less allowance for uncollectible pledges of \$38,630 and \$27,190, respectively	57,943	63,442
Endowment pledges receivable, less allowance for uncollectible pledges of \$16,431 and \$25,374 and discount of \$10,551 and \$19,594, respectively	137,325	208,771
Due from Kent State University Foundation, net	426,749	444,443
Prepaid expenses and other assets	87,370	73,306
Property, plant and equipment, at cost		
Building	2,360,377	2,360,377
Equipment and other	2,890,346	2,863,517
Furniture and fixtures	258,827	238,950
	<u>5,509,550</u>	<u>5,462,844</u>
Less accumulated depreciation	2,339,144	2,207,915
Property, plant and equipment, net	<u>3,170,406</u>	<u>3,254,929</u>
Temporarily restricted cash	131,799	148,571
Permanently restricted cash	723,643	609,038
Total assets	<u>\$ 6,149,390</u>	<u>\$ 5,927,096</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 42,999	\$ 29,730
Accrued expenses	242,267	219,637
Due to Kent State University, net	426,749	444,443
Deferred revenue	300,291	261,250
Total liabilities	<u>1,012,306</u>	<u>955,060</u>
Net assets:		
Unrestricted	4,250,559	4,105,388
Temporarily restricted	25,557	25,557
Permanently restricted	860,968	841,091
Total net assets	<u>5,137,084</u>	<u>4,972,036</u>
Total liabilities and net assets	<u>\$ 6,149,390</u>	<u>\$ 5,927,096</u>

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Statements of Activities
For the years ended June 30, 2005 and 2004

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Revenues and other additions:								
WKSU pledges and contributions	\$ 1,624,494	\$ 1,524,652	\$ -	\$ -	\$ 19,877	\$ 118,598	\$ 1,644,371	\$ 1,643,250
Folk Alley pledges and contributions	139,815	38,145	-	-	-	-	139,815	38,145
Kent State University appropriations	465,815	465,815	-	-	-	-	465,815	465,815
Underwriting contributions	1,047,658	985,230	-	-	-	-	1,047,658	985,230
In-kind contributions	376,390	366,484	-	-	-	-	376,390	366,484
Donated administration	639,831	563,074	-	-	-	-	639,831	563,074
Grant revenue	-	-	586,984	721,347	-	-	586,984	721,347
Other income	399,289	142,146	-	-	-	-	399,289	142,146
Total revenues and other additions	4,693,292	4,085,546	586,984	721,347	19,877	118,598	5,300,153	4,925,491
Release of restrictions	586,984	815,780	(586,984)	(815,780)	-	-	-	-
Total revenues and other additions after release of restrictions	5,280,276	4,901,326	-	(94,433)	19,877	118,598	5,300,153	4,925,491
Expenses and other deductions:								
Program and production	2,054,955	1,890,625	-	-	-	-	2,054,955	1,890,625
Broadcasting	528,705	556,719	-	-	-	-	528,705	556,719
Depreciation	202,503	227,053	-	-	-	-	202,503	227,053
Public information	382,340	337,838	-	-	-	-	382,340	337,838
Management and general	591,970	536,121	-	-	-	-	591,970	536,121
Fundraising	799,905	717,603	-	-	-	-	799,905	717,603
Underwriting	401,779	356,039	-	-	-	-	401,779	356,039
Folk Alley expenses	172,948	63,491	-	-	-	-	172,948	63,491
Total expenses and other deductions	5,135,105	4,685,489	-	-	-	-	5,135,105	4,685,489
Change in net assets	145,171	215,837	-	(94,433)	19,877	118,598	165,048	240,002
Net assets at beginning of year	4,105,388	3,889,551	25,557	119,990	841,091	722,493	4,972,036	4,732,034
Net assets at end of year	\$ 4,250,559	\$ 4,105,388	\$ 25,557	\$ 25,557	\$ 860,968	\$ 841,091	\$ 5,137,084	\$ 4,972,036

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Statements of Cash Flows
For the years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Change in net assets	\$ 165,048	\$ 240,002
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	202,503	227,053
Loss on disposal of assets	47,515	-
Realized loss on sale of common stock	-	47,000
Changes in assets and liabilities:		
Accounts receivable, net	(2,429)	14,190
Pledges receivable, net	76,945	213,460
Prepaid expenses and other assets	(14,064)	(30,228)
Temporarily restricted assets	16,772	149,520
Permanently restricted assets	(114,605)	(597,188)
Accounts payable	13,269	(12,385)
Accrued expenses	22,630	(4,829)
Deferred revenue	39,041	150,488
Net cash provided by operating activities	<u>452,625</u>	<u>397,083</u>
Cash flows from investing activities:		
Purchase of equipment	(165,495)	(367,941)
Proceeds from sale of investment in common stock	-	3,000
Net cash used in investing activities	<u>(165,495)</u>	<u>(364,941)</u>
Net increase in cash and cash equivalents	287,130	32,142
Cash and cash equivalents, beginning of year	<u>1,005,425</u>	<u>973,283</u>
Cash and cash equivalents, end of year	<u>\$ 1,292,555</u>	<u>\$ 1,005,425</u>

The accompanying notes are integral part of these financial statements.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2005 and 2004

1. Organization and Operation

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

2. Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

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

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2005 and 2004

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 \$131,799 and \$723,643 as temporarily and permanently restricted cash at June 30, 2005. WKSU recorded \$148,571 and \$609,038 as temporarily and permanently restricted cash at June 30, 2004.

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, 2005.

WKSU conducted an endowment campaign in response to a challenge from the GAR Foundation. The gross pledges receivable for the endowment total \$164,307 and are promises to give within four years of June 30, 2005.

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.

Reclassification

Certain reclassifications have been made to the 2004 financial statements to conform them to the current year presentation.

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2005 and 2004

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 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, 2007, 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, 2005 and 2004, lease expense totalled \$46,050 and \$49,702 respectively.

Future minimum operating lease commitments at June 30, 2005 are as follows:

<u>Fiscal Year</u>	
2006	22,774
2007	23,084
2008	17,134
2009	17,305
2010	17,925
Thereafter	50,289

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2005 and 2004

WKSU leases space on the University towers to various third parties using five-year leases with renewal options. During fiscal year 2005 and 2004, WKSU recorded \$109,661 and \$95,548, 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>	
2006	84,380
2007	80,111
2008	77,337
2009	55,900
2010	47,084
Thereafter	93,234

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.

The statements of financial position and the statements of activities include the following related party amounts for the years ended June 30, 2005 and 2004:

For the year ended June 30, 2005:

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 639,831	\$ 18,015
Expenses in excess of Appropriations	Due to KSU, net Due from KSUF, net	\$ 426,749	\$ 426,749
Appropriations	KSU appropriations	\$ 465,815	

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	

WKSU Radio Station
Notes to Financial Statements
For the years ended June 30, 2005 and 2004

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.

8. Net Assets

	2005	2004
Unrestricted net assets at June 30, 2005 are as follows:		
Current Operations	\$ 4,250,559	\$ 4,250,559
Temporarily restricted net assets principally related to grants at June 30, 2005 are as follows:		
Specific purpose funds	\$ 25,557	\$ 25,557
Permanently restricted net assets principally related to purposes in general support of WKSU at June 30, 2005 are as follows:		
Endowment funds	\$ 723,643	\$ 632,320
Pledges receivable, net	137,325	208,771
Total	<u>\$ 860,968</u>	<u>\$ 841,091</u>

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

To the 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, 2005, and have issued our report thereon dated November 4, 2005. 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 Kent State University Board of Trustees, WKSU Community Advisory Council, and management, and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

November 4, 2005
Cleveland, Ohio



**Auditor of State
Betty Montgomery**

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**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 30, 2005**