

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

Financial Report
June 30, 2010



Dave Yost • Auditor of State

Community Advisory Council
WKSU Radio Station
224 Michael Swartz Center
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, 2009 through June 30, 2010. 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

April 1, 2011

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WKSU Radio Station

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Independent Auditor's Report

To the Community Advisory Council
WKSU Radio Station

We have audited the accompanying statement of net assets of WKSU Radio Station (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, as of June 30, 2010 and 2009 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WKSU Radio Station's management. 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 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 basic 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WKSU as of June 30, 2010 and 2009 and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2011 on our consideration of WKSU's internal control over financial reporting and 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 the testing, and not to provide opinions 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* and should be considered in assessing the results of our audits.

To the Community Advisory Council
WKSU Radio Station

The management's discussion and analysis presented on pages 3 through 9 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Morse, PLLC

Toledo, Ohio
February 28, 2011

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, which is licensed to Kent State University, for the year ended June 30, 2010.

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 and North Central Ohio, has the largest FM radio signal footprint in the state. Notable cities covered by WKSU's signal include Cleveland, Akron, and Canton with seven 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
- 107.5 W298BA Boardman

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.

WKSU provides classical and folk music as well as news and information programming, including National Public Radio's (NPR's) highly acclaimed news programs, Morning Edition and All Things Considered. WKSU operates 24 hours a day throughout the year.

The WKSU stations also broadcast a multi-channel high definition (HD) radio signal. 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, and HD Channel 3 presents all classical music. In addition, WKSU provides an online listening service through which listeners can link to www.wksu.org to hear either WKSU's on-air channel, an all-news channel, or an all-classical music channel. From FolkAlley.com, an on-line folk music site created by WKSU and launched in September 2003, listeners can access a hosted live-stream of folk music and a robust, interactive website. This 24/7 stream reaches a global audience of over 100,000 registered listeners and is produced and maintained by WKSU-FM in Kent, Ohio.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Thanks to WKSU's Sound of the Future fundraising campaign, WKSU has converted all of its transmission sites to digital technology (Phase I). The continuing Sound of the Future fundraising capital campaign (Phase II) is now focused on upgrading WKSU's main transmission antenna and replacing outdated analog equipment at WKSU's main broadcast center and regional news bureaus with equipment that utilizes the latest in digital technologies. Funding from grants received from the Corporation for Public Broadcasting (CPB) has largely complemented gifts received from individuals and corporations in support of the Sound of the Future Campaign. The timely completion of Phase I of WKSU's HD radio project would not have been possible without receipt of the CPB grants. Additional grant applications to the public telecommunications funding program (PTFP) are outstanding at this time.

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 assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. These reports begin on page 10 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Assets

The statement of net assets 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 assets, which is one way to measure the current financial activities of the Station. Unrestricted net assets decreased by \$266,522 due to excess of expenses over revenue incurred by the Station from 2009 to 2010 and decreased by \$1,053,490 due to excess of revenue over expenses incurred by the Station from 2008 to 2009. Net assets invested in capital assets decreased by \$165,045 due to ongoing depreciation of existing fixed assets offset by equipment additions from 2009 to 2010. Net assets invested in capital assets increased by \$516,398 due to the acquisition of new broadcast equipment, less ongoing depreciation of existing fixed assets from 2008 to 2009. Total net assets decreased by \$309,846 from 2009 to 2010 and decreased by \$889,727 from 2008 to 2009.

Total assets increased \$249,050 from 2009 to 2010 primarily due to an increase in the receivable from the Kent State University Foundation. Total assets decreased \$717,842 in 2009 caused primarily by a decrease in cash and a decrease in pledge receivables.

Total liabilities increased \$558,896 in 2010. This increase was primarily attributable to an increase in accounts payable due to Kent State University and Minnesota Public Radio (for the Prairie Home companion performance). Total liabilities increased \$171,885 in 2009, which was attributable primarily to an increase in deferred revenue and accounts payable.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

A summarized comparison of the station's assets, liabilities, and net assets at June 30, 2010, 2009, and 2008 is as follows:

	2010	2009 restated	2008 restated
Assets			
Current Assets	\$ 1,475,782	\$ 1,267,345	\$ 2,103,478
Temporarily Restricted Cash	261,419	123,368	170,880
Investments	1,036,835	969,228	1,319,823
Capital Assets - Net of depreciation	<u>3,290,083</u>	<u>3,455,128</u>	<u>2,938,730</u>
Total assets	<u>\$ 6,064,119</u>	<u>\$ 5,815,069</u>	<u>\$ 6,532,911</u>
Liabilities and Net Assets			
Current Liabilities	\$ 1,329,903	\$ 771,007	\$ 599,122
Net Assets			
Invested in capital assets	3,290,083	3,455,128	2,938,730
Expendable restricted	1,513,001	1,391,279	1,743,914
Nonexpendable restricted	15,235	15,235	15,235
Unrestricted	<u>(84,103)</u>	<u>182,420</u>	<u>1,235,910</u>
Total net assets	<u>4,734,216</u>	<u>5,044,062</u>	<u>5,933,789</u>
Total liabilities and net assets	<u>\$ 6,064,119</u>	<u>\$ 5,815,069</u>	<u>\$ 6,532,911</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Revenue, Expenses, and Changes in Net Assets

The statement of revenue, expenses, and changes in net assets presents the operating results of the Station. The Station's revenue, expenses, and changes in net assets for the years ended June 30, 2010, 2009, and 2008 are summarized as follows:

	2010	2009 restated	2008 restated
Operating Revenue			
WKSU pledges and contributions	\$ 1,605,950	\$ 1,550,648	\$ 1,623,135
Folk Alley pledges and contributions	288,070	206,566	406,537
Underwriting contributions	918,443	1,030,875	1,049,206
In-kind contributions	525,053	587,732	753,267
Donated administration	941,075	1,133,910	1,072,541
Grant revenue	612,900	659,079	477,724
Other income	537,794	139,503	556,274
Total operating revenue	<u>5,429,285</u>	<u>5,308,313</u>	<u>5,938,684</u>
Nonoperating Revenue			
Restricted gifts	213,958	345,428	562,154
Investment income (loss)	106,234	(192,913)	13,166
Kent State University appropriations	455,815	455,815	705,815
Total nonoperating revenue	<u>776,007</u>	<u>608,330</u>	<u>1,281,135</u>
Total revenue	6,205,292	5,916,643	7,219,819
Operating Expenses			
Programming and production	3,402,978	3,626,062	3,336,342
Public information	543,720	623,183	634,027
Management and general	636,256	633,174	647,780
Depreciation	257,948	247,922	229,454
Fundraising	1,241,283	1,311,501	1,312,847
Underwriting	432,953	364,528	473,491
Total operating expenses	<u>6,515,138</u>	<u>6,806,370</u>	<u>6,633,941</u>
(Decrease) Increase in Net Assets	(309,846)	(889,727)	585,878
Net Assets - Beginning of year	<u>5,044,062</u>	<u>5,933,789</u>	<u>5,347,911</u>
Net Assets - End of year	<u><u>\$ 4,734,216</u></u>	<u><u>\$ 5,044,062</u></u>	<u><u>\$ 5,933,789</u></u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Operating revenue increased by \$120,972 or 2.3 percent, during 2010. The increase can be attributable to an increase in funding from the Corporation for Public Broadcasting and an increase due to special events Prairie Home Companion and What'd Ya Know performances, which were offset by a decrease from private donor revenue for digital conversion and a decrease in contributed services. Operating expenses decreased by \$291,232 or 4.2 percent.

For 2009, operating revenue decreased by \$630,371 or 10.6 percent. The decrease is mainly due to a decrease in the State Network Commission, private grants revenue, and in contributed services.

For 2008, operating revenue increased by \$1,155,385, or 24 percent, Corporation for Public Broadcasting decreased by \$71,848, State Network Commission and private grants revenue increased \$1,596, and contributed services increased by \$319,803. This increase is due primarily to a funding formula change implemented by the State of Ohio due to the merging of two funding mechanisms. Operating expenses increased by \$804,378 or 14 percent.

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. Cash consists of the Station's share of University pooled cash and investments. The Station's cash flows for the years ended June 30, 2010, 2009, and 2008 are summarized as follows:

	2010	2009 restated	2008 restated
Cash Used in Operating Activities	\$ (607,285)	\$ (912,200)	\$ (918,780)
Cash Used in Capital and Related Financing Activities	(92,903)	(764,320)	(106,676)
Cash from Investing Activities	16,873	157,682	(10,846)
Cash from Noncapital Financing Activities	<u>713,061</u>	<u>801,243</u>	<u>1,267,969</u>
Increase (Decrease) in Cash	29,746	(717,595)	231,667
Cash - Beginning of year	<u>500,748</u>	<u>1,218,343</u>	<u>986,676</u>
Cash - End of year	<u><u>\$ 530,494</u></u>	<u><u>\$ 500,748</u></u>	<u><u>\$ 1,218,343</u></u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

The Station consumed \$607,285 and \$912,200 in operating activities in 2010 and 2009, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$3,880,241 and \$3,646,857 for 2010 and 2009, respectively. Cash outlays include payments for wages and to vendors of \$3,837,845 and \$4,054,923 for 2010 and 2009, 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

As print media outlets in the United States continue to struggle, the need for public radio is increasing. In 2010, Arbitron data indicates that U.S. residents reached by public radio in an average week grew to 190,000, up 9 percent from the previous year. In addition, it is also significant to note that online listening is growing, with recent numbers featuring 17,000 online listeners of WKSU and 600 Folk Alley iPhone application downloads.

WKSU's long-term strategy is to continue to "create a shared civic and cultural life that connects communities through a diverse mix of media and that extends the heritage of Kent State University." In addition to propagating a civic and cultural life that extends the heritage of Kent State University, WKSU strives to continually improve programming. WKSU is currently evaluating through strategic planning new ways and means to improve its service to the community and the region. In addition, partnerships with the University and community organizations remain strong, thus enhancing WKSU's positive status in the community.

In the coming year, WKSU will expand its younger listener base through concerts and events that have a more youthful appeal. With this initiative, WKSU hopes to gain a younger group of listeners to establish and position itself for the future.

News Bureaus

Another way that WKSU is positioning itself for the future is through regional news bureaus, with the most recently opened bureau being strategically located in the United Building at the corner of Main and Market streets in the heart of downtown Akron. WKSU's Stark and Wayne Counties News Bureau is located in the Canton Museum of Art, which is situated within the Canton Cultural Arts Center. The Cleveland News Bureau is located within the WKYC-TV Channel 3 newsroom. These cities contain WKSU's core listening audiences.

Grant Awards

During fiscal year 2009-2010, WKSU received seven grants, some matching, totaling over half a million dollars. Granting institutions included local foundations as well as the Corporation for Public Broadcasting (CPB).

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Awards

Over the last fiscal year, WKSU received 40 regional, state, and national awards from seven different organizations that are respected in the fields of journalism and print and online media. Most significant of the awards won include (but are not limited to) the following:

- Best News Operation in Ohio (Society of Professional Journalists, Ohio Chapter)
- Best Use of Sound (Public Radio News Director, Inc.) for "Insect Orchestra" (Jeff St. Clair)
- Best Radio Web Site Design (Press Club of Cleveland - Ohio Excellence in Journalism Awards) for "NEO Development: Rebuilding Northeast Ohio"
- Best Feature: Hard News (Radio-Television News Directors Association - Regional Murrow Awards) for "A Soldier's Friends" (Amanda Rabinowitz)
- Best Reporter, Large Market (Ohio Associated Press) (Amanda Rabinowitz)

WKSU Radio Station

Statement of Net Assets

	June 30	
	2010	2009
		(As restated - Note 10)
Assets		
Current Assets		
Cash	\$ 269,075	\$ 377,380
Accounts receivable, less allowance for doubtful accounts of \$4,084 and and \$6,526 for June 30, 2010 and 2009, respectively	106,825	132,310
Member pledges receivable, less allowance for uncollectible pledges of \$127,165 and \$25,899 for June 30, 2010 and 2009, respectively	25,227	34,758
Major gift pledges receivable, less allowance for uncollectible pledges of \$52,127 and \$56,678 and discounts of \$37,202 and \$34,869 for June 30, 2010 and 2009, respectively	431,946	475,234
Due from Kent State University Foundation - Net	594,433	193,044
Prepaid expense and other assets	<u>48,276</u>	<u>54,619</u>
Total current assets	1,475,782	1,267,345
Temporarily restricted cash	261,419	123,368
Investments	1,036,835	969,228
Property, plant, and equipment - At cost:		
Building	2,360,377	2,360,377
Equipment and other	3,863,504	3,620,157
Furniture and fixtures	158,190	160,031
Construction in progress	<u>100,000</u>	<u>261,648</u>
Total	6,482,071	6,402,213
Less accumulated depreciation	<u>3,191,988</u>	<u>2,947,085</u>
Property, plant, and equipment - Net	<u>3,290,083</u>	<u>3,455,128</u>
Total assets	<u>\$ 6,064,119</u>	<u>\$ 5,815,069</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 226,354	\$ 105,615
Accrued expenses	323,933	307,039
Due to Kent State University - Net	594,433	193,044
Deferred revenue	<u>185,183</u>	<u>165,309</u>
Total liabilities	1,329,903	771,007
Net Assets		
Invested in capital assets - Net of related debt	3,290,083	3,455,128
Unrestricted	(84,102)	182,420
Restricted - Expendable	1,513,000	1,391,279
Restricted - Nonexpendable	<u>15,235</u>	<u>15,235</u>
Total net assets	<u>4,734,216</u>	<u>5,044,062</u>
Total liabilities and net assets	<u>\$ 6,064,119</u>	<u>\$ 5,815,069</u>

WKSU Radio Station

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2010	2009
		(As restated - Note 10)
Operating Revenue		
WKSU pledges and contributions	\$ 1,605,950	\$ 1,550,648
Folk Alley pledges and contributions	288,070	206,566
Underwriting contributions	918,443	1,030,875
In-kind contributions	525,053	587,732
Donated administration	941,075	1,133,910
Grant revenue	612,900	659,079
Other income	537,794	139,503
Total operating revenue	5,429,285	5,308,313
Operating Expenses		
Program and production	2,481,121	2,399,219
Broadcasting	631,729	930,381
Depreciation	257,948	247,922
Public information	543,720	623,183
Management and general	636,256	633,174
Fundraising	1,241,283	1,311,501
Underwriting	432,953	364,528
Folk Alley expenses	290,128	296,462
Total operating expenses	6,515,138	6,806,370
Operating Loss	(1,085,853)	(1,498,057)
Nonoperating Revenue (Expense)		
Restricted gifts	213,958	345,428
Kent State University appropriations	455,815	455,815
Investment income (loss)	106,234	(192,913)
Total nonoperating revenue	776,007	608,330
Change in Net Assets	(309,846)	(889,727)
Net Assets - Beginning of year - As restated	5,044,062	5,933,789
Net Assets - End of year	\$ 4,734,216	\$ 5,044,062

WKSU Radio Station

Statement of Cash Flows

	Year Ended June 30	
	2010	2009
		(As restated - Note 10)
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,873,660	\$ 1,847,171
Cash received from the community	1,393,681	1,140,607
Cash received from grants	612,900	659,079
Cash from other sources	55,469	210,701
Cash from endowments	58,039	67,044
Payments to employees	(1,885,446)	(1,917,220)
Payments for benefits	(763,180)	(781,879)
Payments to suppliers and vendors	(1,952,408)	(2,137,703)
Net cash used in operating activities	(607,285)	(912,200)
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	(92,905)	(764,320)
Cash Flows from Noncapital Financing Activities		
Restricted gifts	257,246	345,428
Cash received from Kent State University	455,815	455,815
Net cash provided by noncapital financing activities	713,061	801,243
Cash Flows from Investing Activities - Interest received	16,875	157,682
Increase (Decrease) in Cash	29,746	(717,595)
Cash - Beginning of year	500,748	1,218,343
Cash - End of year	<u>\$ 530,494</u>	<u>\$ 500,748</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,085,853)	\$ (1,498,057)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	257,948	247,922
Changes in assets and liabilities:		
Accounts receivable - Net	25,484	163,063
Pledges receivable - Net	9,530	159,925
Prepaid expenses and other assets	6,345	36,106
Accounts payable	120,739	(94,532)
Accrued expenses and other liabilities	58,522	73,373
Net cash used in operating activities	<u>\$ (607,285)</u>	<u>\$ (912,200)</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2010 and 2009

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 assets and related statements of revenue, expenses, and changes in net assets 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. In accordance with GASB No. 35, the funds of the Station are reported in the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows on a consolidated basis. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Pursuant to GASB Statement No. 20, the Station has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, which do not conflict with or contradict GASB pronouncements.

As required by the GASB, resources of the Station are classified into one of four net asset categories, as follows:

- **Invested in Capital Assets, Net of Related Debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- **Restricted, Nonexpendable** - Net assets subject to externally imposed stipulations that the Station maintains such assets permanently
- **Restricted, Expendable** - Net assets 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

Note 2 - Significant Accounting Policies (Continued)

- **Unrestricted** - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

Operating Versus Nonoperating Revenue and Expenses

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

Cash and Cash Equivalents and Investments - Cash and investments are held by the Kent State University Foundation. The amounts reflected in the accompanying statement of net assets represent the net amounts due to WKSU from the Foundation's pooled cash and investments. Investments are stated at fair market value in accordance with GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Some of this cash has been designated as temporarily or permanently restricted based on the wishes of the donor. WKSU recorded \$286,866 and \$123,368 as temporarily restricted cash at June 30, 2010 and 2009, respectively.

In-kind Contributions - In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. WKSU reports gifts of equipment, professional services, materials, and other non-monetary contributions as unrestricted revenue in the accompanying statement of revenue, expenses, and changes in net assets.

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.

Note 2 - Significant Accounting Policies (Continued)

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, 2010.

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, cultural, endowment funds, and building expansion. The gross pledges receivable total \$521,275 and \$566,781 as of June 30, 2010 and 2009, respectively. Gross pledges receivable as of June 30, 2010 are promises to give within five years of June 30, 2010.

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 assets when all applicable financial reimbursement criteria have been met.

Reclassification - Certain amounts from the prior year have been reclassified to conform with the current year's presentation.

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 the year ended June 30, 2010, the future cash flows from pledges receivable have been discounted using a discount rate of 1.5 percent. For pledges made during June 30, 2009, the future expected cash flows from pledge receivables have been discounted using a discount rate of 2.50 percent.

WKSU Radio Station

Notes to Financial Statements June 30, 2010 and 2009

Note 3 - Pledges Receivable (Continued)

Major gift pledges receivable at June 30, 2010 and 2009 are expected to be realized in the following periods:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 102,527	\$ 211,647
One to five years	<u>418,748</u>	<u>355,134</u>
Total	521,275	566,781
Less amount estimated to be uncollectible	(52,127)	(56,678)
Less unamortized discount	<u>(37,202)</u>	<u>(34,869)</u>
Total pledge receivable - Net	<u>\$ 431,946</u>	<u>\$ 475,234</u>

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 asset as follows:

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

WKSU Radio Station

Notes to Financial Statements June 30, 2010 and 2009

Note 4 - Capital Assets (Continued)

Capital asset activity for the years ended June 30, 2010 and 2009 is as follows:

	2010			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 160,031	\$ -	\$ (1,841)	\$ 158,190
Telecommunications equipment	3,620,157	260,158	(16,812)	3,863,503
Building	2,360,377	-	-	2,360,377
Construction in progress	261,648	-	(161,648)	100,000
Total	6,402,213	260,158	(180,301)	6,482,070
Less accumulated depreciation:				
Office equipment	138,492	13,372	-	151,864
Telecommunications equipment	1,779,325	189,876	(13,046)	1,956,155
Building	1,029,268	54,700	-	1,083,968
Total accumulated depreciation	2,947,085	257,948	(13,046)	3,191,987
Capital assets - Net	<u>\$ 3,455,128</u>	<u>\$ 2,210</u>	<u>\$ (167,255)</u>	<u>\$ 3,290,083</u>
	2009			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 186,783	\$ -	\$ (26,752)	\$ 160,031
Telecommunications equipment	3,068,210	602,672	(50,725)	3,620,157
Building	2,360,377	-	-	2,360,377
Construction in progress	100,000	161,648	-	261,648
Total	5,715,370	764,320	(77,477)	6,402,213
Less accumulated depreciation:				
Office equipment	162,654	2,590	(26,752)	138,492
Telecommunications equipment	1,639,418	190,632	(50,725)	1,779,325
Building	974,568	54,700	-	1,029,268
Total accumulated depreciation	2,776,640	247,922	(77,477)	2,947,085
Capital assets - Net	<u>\$ 2,938,730</u>	<u>\$ 516,398</u>	<u>\$ -</u>	<u>\$ 3,455,128</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2010 and 2009

Note 4 - Capital Assets (Continued)

During fiscal years 2006, 2004, and 2002, WKSU received federal funding from the National Telecommunication and Information Administration for four capital expenditure projects in the amounts of \$67,547, \$147,496, and \$37,858, respectively. As a condition of this funding, the federal government has a priority reversionary interest on certain equipment. The liens expire on June 29, 2017, July 31, 2014, and July 31, 2011, 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 additional renewal options.

For the years ended June 30, 2010 and 2009, lease expense totaled \$28,728 and \$28,295, respectively.

Future minimum operating lease commitments at June 30, 2010 are as follows:

Years Ending June 30	Amount
2011	\$ 24,246
2012	24,791
2013	20,336
2014	11,626
2015	7,369
Thereafter	1,923

WKSU Radio Station

Notes to Financial Statements June 30, 2010 and 2009

Note 5 - Operating Lease Commitments and Contingencies (Continued)

WKSU leases space on the University towers to various third parties using five-year leases with renewal options. During fiscal years 2010 and 2009, WKSU recorded \$115,409 and \$115,152, respectively, as tower rental income that is included in "other income" in the statement of revenue, expenses, and changes in net assets. Future minimum rentals due are as follows:

Years Ending <u>June 30</u>	<u>Amount</u>
2011	\$ 106,676
2012	66,175
2013	40,559
2014	30,727
2015	15,293
Thereafter	18,905

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 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 June 30, 2010 and 2009

Note 6 - Related Party Transactions (Continued)

The statement of financial position and the statement of revenue, expenses, and changes in net assets include the following related party amounts for the years ended June 30, 2010 and 2009:

Year Ended June 30, 2010

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 941,075	\$ 11,411
Appropriations	KSU appropriations	455,815	

Year Ended June 30, 2009

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,133,910	\$ 15,718
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, 2010 and 2009

Note 8 - Net Assets

Net assets as of June 30, 2010 and 2009 are as follows:

	2010	2009 as restated
Invested in capital assets - Net of related debt at at June 30, 2010 and 2009	\$ 3,290,083	\$ 3,455,128
Unrestricted net assets at June 30, 2010 and 2009 - Current operations	(84,102)	182,420
Restricted expendable - Net assets principally related to grants and major gifts at June 30, 2010 and 2009 - Specific purpose funds	1,513,000	1,391,279
Restricted nonexpendable - Net assets principally related to purposes in general support of WKSU at June 30, 2010 and 2009 - Endowment funds	15,235	15,235
Total	<u>\$ 4,734,216</u>	<u>\$ 5,044,062</u>

Note 9 - Investments

Investment funds are either board-designated or temporarily restricted as to intent purpose and are invested with and managed by the Kent State University Foundation. The fair value of the investments funds at June 30, 2010 and 2009 were as follows:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Board-designated	\$ 275,380	\$ 265,653	\$ 288,305	\$ 250,998
Temporarily restricted	818,689	755,947	843,851	704,014
Permanently restricted	16,279	15,235	16,819	14,216
Total	<u>\$ 1,110,348</u>	<u>\$ 1,036,835</u>	<u>\$ 1,148,975</u>	<u>\$ 969,228</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2010 and 2009

Note 10 - Prior Period Adjustment

The accompanying financial statements have been restated to correct errors made in 2008 and 2009. The errors related to the reclassification of restricted cash as investments and the capitalization of equipment which was previously expensed. The following financial statement line items for fiscal years 2008 and 2009 were affected by the change:

Statement of Changes in Net Assets for the Year Ended June 30, 2008

	As Previously Reported	Revised	Effect of Change
Investment income	\$ -	\$ 13,166	\$ 13,166

Statement of Net Assets as of June 30, 2008

	As Previously Reported	Revised	Effect of Change
Cash	\$ 1,396,537	\$ 1,047,462	\$ (349,075)
Permanently restricted cash	957,582	-	(957,582)
Investments	-	1,319,823	1,319,823

Statement of Changes in Net Assets for the Year Ended June 30, 2009

	As Previously Reported	Revised	Effect of Change
Operating expenses	\$ 6,861,050	\$ 6,806,370	\$ (54,680)
Investment loss	-	(192,913)	(192,913)

Statement of Net Assets as of June 30, 2009

	As Previously Reported	Revised	Effect of Change
Temporarily restricted cash	\$ 411,674	\$ 123,368	\$ (288,306)
Construction in progress	206,968	261,648	54,680
Investments	-	969,228	969,228
Permanently restricted cash	860,670	-	(860,670)

WKSU Radio Station

Notes to Financial Statements June 30, 2010 and 2009

Note 10 - Prior Period Adjustment (Continued)

As a result of the prior period adjustments, total net assets for 2008 increased from \$5,920,623, as originally reported, to \$5,933,789 and for 2009 decreased from \$5,169,129, as originally reported, to \$5,044,063. Change in net assets for the year ended June 30, 2008 increased from \$572,712, as previously reported, to \$585,878 and decreased from (\$751,494), as previously reported, to (\$889,727) for the year ended June 30, 2009.

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

To the Board of Trustees
WKSU Radio Station

We have audited the financial statements of WKSU as of and for the years ended June 30, 2010 and 2009 and have issued our report thereon dated February 28, 2011. We conducted our audits 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 audits, we considered WKSU's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness - 2010-2.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency - 2010-1.

To the Board of Trustees
WKSU Radio Station

Compliance and Other Matters

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

This report is intended solely for the information and use of the University's board of trustees, management of WKSU Radio Station, Kent State University, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 28, 2011

WKSU Radio Station

Schedule of Findings and Responses June 30, 2010 and 2009

Reference Number	Findings
2010-1	<p>Finding Type - Significant deficiency</p> <p>An entity should have appropriate segregation of duties as part of the processes and controls for employees who complete account reconciliations, prepare journal entries, and are involved in financial reporting. Employees involved in the account reconciliation process and maintaining support for general ledger balances should not have the ability to post journal entries in the general ledger without an appropriate review process.</p> <p>We observed a lack of segregation of duties with respect to WKSU's financial reporting. There is no review or approval of recording of manual journal entries or account reconciliations supporting the general ledger. This resulted in several errors on reconciliation schedules such as the allowance for doubtful accounts and pledges receivable which were corrected before the issuance of the report.</p>
2010-2	<p>Finding Type - Material weakness</p> <p>During the preparation of the financial statements for June 30, 2010, management concluded certain transactions should have been included in previously issued financial statements. These transactions related to reclassification of cash to investments, recording of investment income (loss) related to those investments, and certain property and equipment transactions. The result of these errors was to restate July 1, 2009 net assets by \$13,166 and decreased changes in net assets for the year ended June 30, 2009 by \$171,963. Financial statements that contain a material error are required to be restated by generally accepted accounting principles and the nature of the error disclosed. A material weakness is a significant deficiency that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Since this adjustment was not prevented and it is deemed to be a material adjustment, the finding is considered a material weakness.</p>



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
APRIL 14, 2011**