

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

Financial Report
June 30, 2013



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, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 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 statement of net position 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, 2013 and 2012 and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, 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 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.

To the Board of Trustees
WKSU Radio Station

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, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains that the financial statements of WKSU Radio Station are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University's business-type activities that are attributable to the transactions of the department. They do not purport to, and do not, present fairly the financial position of Kent State University as of June 30, 2013 and 2012, the changes in its financial position, or the changes in its cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements, effective July 1, 2012, WKSU adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. 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 on pages 4 through 13 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.

To the Board of Trustees
WKSU Radio Station

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 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

December 6, 2013

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, 2013.

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 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.

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 per 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 online 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 position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These reports begin on page 14 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 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 \$731,757 due to a decrease in overall unrestricted revenue and a large increase in expenses from 2012. Programming and production had the largest expense increase of \$691,056, or 19.9 percent. This was primarily due to a 25.9 percent increase in programming fees. Net investment in capital assets decreased by \$313,748 partially due to the decrease of the purchase of large capital assets and depreciation in 2013. Total net position decreased by \$944,547 from 2012 to 2013, decreased by \$191,704 from 2011 to 2012, and increased by \$418,040 from 2010 to 2011.

Total assets decreased by \$336,520 from 2012 to 2013 due to a \$300,000 allowance for a major pledge receivable. Capital assets have decreased by \$313,748 as a result of depreciation expense exceeding the amount of purchases for capital items. Total assets decreased by \$225,239 in 2012 primarily due to the near completion of the capital campaign.

Total liabilities increased by \$608,027 in 2013 primarily due to an increase of funds that are owed to Kent State University. A change in the programming that began in August 2013 is expected to cause a temporary slowing of revenue. It is estimated that WKSU will run at a loss through 2014. The station is expected to begin repayment of the payable due to Kent State University beginning in 2015. Total liabilities decreased by \$33,535 in 2012 due to a reduction of 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 position at June 30, 2013, 2012, and 2011 is as follows:

	2013	2012	2011
Assets			
Current Assets	\$ 885,710	\$ 735,643	\$ 729,352
Temporarily Restricted Cash	392,142	423,750	363,666
Investments	1,157,686	1,081,435	1,190,604
Noncurrent Assets	158,318	375,800	516,243
Capital Assets - Net of depreciation	<u>2,843,961</u>	<u>3,157,709</u>	<u>3,199,711</u>
Total assets	<u>\$ 5,437,817</u>	<u>\$ 5,774,337</u>	<u>\$ 5,999,576</u>
Liabilities and Net Position			
Current Liabilities	\$ 1,421,812	\$ 813,785	\$ 847,320
Net Position			
Invested in capital assets	2,843,961	3,157,709	3,199,711
Unrestricted	(269,629)	462,128	250,289
Restricted - Expendable	1,426,438	1,325,480	1,687,021
Restricted - Nonexpendable	<u>15,235</u>	<u>15,235</u>	<u>15,235</u>
Total net position	<u>4,016,005</u>	<u>4,960,552</u>	<u>5,152,256</u>
Total liabilities and net position	<u>\$ 5,437,817</u>	<u>\$ 5,774,337</u>	<u>\$ 5,999,576</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, 2013, 2012, and 2011 are summarized as follows:

	2013	2012	2011
Operating Revenue			
WKSU pledges and contributions	\$ 1,676,074	\$ 1,575,734	\$ 1,664,037
Folk Alley pledges and contributions	323,047	278,626	450,730
Underwriting contributions	877,977	1,103,414	927,099
In-kind contributions	414,734	445,555	525,904
Donated administration	1,301,683	1,016,035	883,212
Grant revenue	457,545	592,863	639,276
Other income	232,135	269,607	156,989
Total operating revenue	5,283,195	5,281,834	5,247,247
Nonoperating Revenue			
Restricted gifts	128,457	165,614	411,527
Investment income (loss)	132,649	(54,145)	207,327
Kent State University appropriations	455,815	457,218	500,223
Total nonoperating revenue	716,921	568,687	1,119,077
Total revenue	6,000,116	5,850,521	6,366,324
Operating Expenses			
Programming and production	4,164,608	3,473,552	3,623,047
Public information	383,718	373,506	428,359
Management and general	774,881	563,852	250,930
Depreciation	339,501	326,912	306,386
Fundraising	920,424	877,952	878,891
Underwriting	361,531	426,451	460,671
Total operating expenses	6,944,663	6,042,225	5,948,284
(Decrease) Increase in Net Position	(944,547)	(191,704)	418,040
Net Position - Beginning of year	4,960,552	5,152,256	4,734,216
Net Position - End of year	<u>\$ 4,016,005</u>	<u>\$ 4,960,552</u>	<u>\$ 5,152,256</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Overall operating revenue has remained flat over the past two years. Underwriting revenue has decreased by \$225,437, or 20.4 percent, due to a vacancy in that department and grant revenue has decreased by \$135,318, or 22.8 percent, due to the loss of availability of capital grants. Donated administration increased by \$285,648 as a result of University salaries and expenses increasing, causing indirect University support to increase to 28.1 percent in 2013. Folk Alley 2013 revenue increased by \$44,421, or 15.9 percent. In 2012, Folk Alley experienced a large decrease in revenue of \$172,104, or 38.2 percent.

WKSU's nonoperating revenue increased by \$148,234, or 26.1 percent, during 2013; this is primarily due to an increase of \$186,794 in investment income from 2012. In 2012, there was a significant decrease in nonoperating revenue of \$550,390, or 49.2 percent, from 2011 due to a reduction in restricted gifts and a decrease in investment income.

Operating expenses experienced an increase of \$902,438, or 14.9 percent. Management, programming, broadcasting, and Folk Alley all had large increases in expenses. The increases are primarily due to previously vacant positions that were gradually filled in fiscal year 2013. Also, overhead expenses charged by the University increased 28.1 percent from 2012. There was also a small increase in operating expenses in 2012 of \$93,941, or 1.6 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, 2013, 2012, and 2011 are summarized as follows:

	2013	2012	2011
Cash Used in Operating Activities	\$ (645,410)	\$ (429,842)	\$ (819,142)
Cash Used in Capital and Related Financing Activities	(26,867)	(284,910)	(216,014)
Cash Provided by Investing Activities	56,398	55,024	53,558
Cash Provided by Noncapital Financing Activities	584,271	622,832	911,750
Net Decrease in Cash	(31,608)	(36,896)	(69,848)
Cash - Beginning of year	423,750	460,646	530,494
Cash - End of year	<u>\$ 392,142</u>	<u>\$ 423,750</u>	<u>\$ 460,646</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

The Station consumed \$645,410, \$429,842, and \$819,142 in operating activities in 2013, 2012, and 2011, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$3,558,428, \$3,793,022, and \$3,367,115 for 2013, 2012, and 2011, respectively. Cash outlays include payments for wages and to vendors of \$3,827,935, \$3,787,147, and \$3,710,790 for 2013, 2012, and 2011, 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. For example, in fiscal year 2013, the Cleveland Plain Dealer laid off nearly a third of its news staff and announced plans to reduce home delivery of the paper to just three days a week. Meanwhile, news and information programming constitutes more than half of public radio's growing audience in 2013.

During fiscal year 2013, WKSU positioned itself to shift the primetime listening hours from the current mixture of news/classical music to an all news and information format. The program changes will be implemented in fiscal year 2014. 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 plans to expand its capacity to generate underwriting income by adding new underwriting staff members to solicit funds and service clients. WKSU will also make investments in improving the efficiency and productivity of its membership and underwriting programs through updated software tools.

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. 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 has strengthened its position in the region with the official opening of the renovated Akron News Bureau Main Street Studio project in September 2012. This studio 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 new 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 new 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 and north central Ohio.

Grant Awards

During fiscal year 2013, WKSU received three grant awards totaling over \$500,000. Granting institutions included local foundations as well as the Corporation for Public Broadcasting (CPB).

Awards in Fiscal Year 2013

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

National Federation of Press Women - Communications Contest

- First Place - Special Reporting Series, Radio, Vivian Goodman - *Gay in Ohio*
- First Place - Talk Show, Radio, Regina Brett - *The Regina Brett Show*
- First Place - Best Presentation, Radio, Amanda Rabinowitz - *Morning Edition*
- First Place - Single-sheet Poster, Renee Volchko - *The Kent State Folk Festival for Marc's*
- First Place - Newsletter, Electronic, Ann VerWiebe - *E-Notes*
- Third Place - Prepared Report, Radio, Amanda Rabinowitz - *Women Who Rock*
- Honorable Mention - Interview, Radio, Vivian Goodman - *Paul Stankard's Glass Paperweights*

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Society of Professional Journalists-Ohio Chapter - SPJ Awards

- First Place - Best Consumer Reporting, M.L. Schultze - *Farm Co-op*
- First Place - Best Environmental Reporting, Tim Rudell - *Fracking*
- First Place - Best Sports Reporting, Amanda Rabinowitz - *Rabinowitz on Sports*
- Second Place - Best Medical/Science Reporting, Jeff St. Clair - *Exploradio*
- Second Place - Best Anchor, Amanda Rabinowitz - *Morning Edition*
- Second Place - Best Sports Profile, Amanda Rabinowitz - *Terry Pluto and Joe Tait*
- Second Place - Best General Assignment Reporting, M.L. Schultze - *Stark County Ice Storm*
- Second Place - Best News Operation, WKSU News Staff - *WKSU Newsroom*
- Second Place - Best Newscast, Amanda Rabinowitz and Jeff St. Clair - *Morning Edition*
- Second Place - Best Producer, Jim Blum - *FARS: Bill Monroe*
- Second Place - Best Spot News, Kevin Niedermier - *German Wind Turbine*

Press Club of Cleveland - Cleveland Journalism Hall of Fame

- Inductee - Vivian Goodman

Radio-Television News Directors Association - Regional Murrow Awards

- Use of Sound, Vivian Goodman - *El Sistema in Ohio*
- Sports Reporting, Amanda Rabinowitz - *Playing Through the Pain*

Cleveland Advertising Association - Cleveland ADDY Awards

- Bronze Award - Out of Home Campaign, Ann VerWiebe and Marcus Thomas Advertising - *WKSU 46th Kent State Folk Festival*
- Bronze Award - Collateral Material Campaign, Ann VerWiebe and Marcus Thomas Advertising - *WKSU 46th Kent State Folk Festival*

Press Club of Atlantic City - National Headliner Award

- Third Place - Continuing Coverage, WKSU and WCPN news staff - *Public Radio Covers Election Night*

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Ohio Professional Writers, Inc - Communications Contest

- First Place - Prepared Report, Amanda Rabinowitz - *Lesbian Cub Scout Mom*
- First Place - Special Programming, Amanda Rabinowitz - *Mental Health and Ohio Jails*
- First Place - Interview, Romulus Mihalteanu and Jim Blum - *FARS: John McEuen*
- First Place - Talk Show, Regina Brett and Danielle Wiggins - *The Regina Brett Show*
- First Place - News Release - Multiple Releases, Ann VerWiebe - *Wait Wait... Don't Tell Me! in Cleveland*
- Second Place - Prepared Report, Vivian Goodman - *El Sistema in Ohio*
- Second Place - Special Programming, Cleveland Orchestra Youth Orchestra I Europe - *Mental Health and Ohio Jails*
- Second Place - Interview, Vivian Goodman - *Quick Bites: Jeni Britton Bauer*
- Second Place - News Release - Single Release, Ann VerWiebe - *The 46th Kent State Folk Festival*
- Third Place - Prepared Report, Jeff St. Clair - *Exploradio: MS - Cause and Cure Unknown*

Catholic Academy of Communication Professionals - National Gabriel Award

- Short Feature - Local Release, Vivian Goodman - *El Sistema in Ohio*

Ohio Associated Press - Ohio APME Awards

- First Place - Use of Sound, Vivian Goodman - *A Quick Bite at the Sandy Chanty*
- First Place - Best Documentary or Series, Large Market, Vivian Goodman - *Quick Bites*
- Second Place - Outstanding News Operation, WKSU
- Second Place - Best Reporter, Vivian Goodman
- Second Place - Best Anchor, Amanda Rabinowitz
- Second Place - Extraordinary Coverage of a Scheduled Event, Large Market, WKSU and WCPN Staff - *Public Radio Covers Election Night 2012*
- Second Place - Best Enterprise Reporting, Large Market, Amanda Rabinowitz - *Mental Health and Ohio Jails*

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Press Club of Cleveland - Ohio Excellence in Journalism Awards

- First Place - Best Use of Social Media, Ann VerWiebe and staff - *Election Night 2012*
- First Place - Mobile or Tablet App, Chuck Poulton, James Savage, and Renee Volchko - *WKSU iPad App*
- First Place - Radio News Website, Chuck Poulton and staff - *WKSU.org*
- First Place - General News, Tim Rudell - *Second Student Dies in Chardon*
- First Place - Election 2012 Coverage, WKSU and WCPN staff - *Election Night 2012*
- First Place - Documentary, Jim Blum and Mark Urycki - *Old Friends in the Rockies*
- First Place - Radio Show, Regina Brett, Danielle Wiggins, and Jasen Sokol - *The Regina Brett Show*
- Second Place - General News, Kevin Niedermier - *Changing Maple Syrup Business*
- Second Place - Election 2012, WKSU news staff - *General Election Coverage*
- Second Place - In-Depth Coverage, Amanda Rabinowitz - *Mental Health in Ohio Jails*
- Second Place - Human Interest, Amanda Rabinowitz - *Starbucks Mug Maker*
- Third Place - Best Web Site in Ohio, Chuck Poulton and staff - *WKSU.org*
- Third Place - Use of Sound, Vivian Goodman - *Quick Bites: The Sandy Chanty*

WKSU Radio Station

Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets		
Current Assets		
Accounts receivable, less allowance for doubtful accounts of \$ 6,518 and and \$8,124 for June 30, 2013 and 2012, respectively	\$ 130,373	\$ 132,651
Member pledges receivable, less allowance for uncollectible pledges of \$6,749 and \$5,935 for June 30, 2013 and 2012, respectively	133,013	121,279
Current major gift pledges receivable, less allowance for pledges of \$2,582 and \$9,106 June 30, 2013 and June 30, 2012, respectively	23,243	81,959
Due from Kent State University Foundation - Net	552,112	274,080
Prepaid expense and other assets	<u>46,969</u>	<u>125,674</u>
Total current assets	885,710	735,643
Temporarily restricted cash	392,142	423,750
Investments	1,157,686	1,081,435
Major gift pledges receivable, less allowance for uncollectible pledges of \$310,924 and \$41,756 and discounts of \$22,809 and \$12,594 for June 30, 2013 and 2012, respectively	158,318	375,800
Total non - current pledge receivable		
Capital assets - Net	<u>2,843,961</u>	<u>3,157,709</u>
Total assets	<u>\$ 5,437,817</u>	<u>\$ 5,774,337</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	\$ 102,048	\$ 48,922
Accrued expenses	346,328	353,863
Due to Kent State University - Net	862,557	322,773
Deferred revenue	<u>110,879</u>	<u>88,227</u>
Total liabilities	1,421,812	813,785
Net Position		
Net investment in capital assets	2,843,961	3,157,709
Unrestricted	(269,629)	462,128
Restricted - Expendable	1,426,438	1,325,480
Restricted - Nonexpendable	<u>15,235</u>	<u>15,235</u>
Total net position	<u>4,016,005</u>	<u>4,960,552</u>
Total liabilities and net position	<u>\$ 5,437,817</u>	<u>\$ 5,774,337</u>

WKSU Radio Station

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2013	2012
Operating Revenue		
WKSU pledges and contributions	\$ 1,676,074	\$ 1,575,734
Folk Alley pledges and contributions	323,047	278,626
Underwriting contributions	877,977	1,103,414
In-kind contributions	414,734	445,555
Donated administration	1,301,683	1,016,035
Grant revenue	457,545	592,863
Other income	232,135	269,607
Total operating revenue	5,283,195	5,281,834
Operating Expenses		
Program and production	2,748,116	2,463,717
Broadcasting	743,218	598,647
Depreciation	339,501	326,912
Public information	383,718	373,506
Management and general	774,881	563,852
Fundraising	920,424	877,952
Underwriting	361,531	426,451
Folk Alley expenses	673,274	411,188
Total operating expenses	6,944,663	6,042,225
Operating Loss	(1,661,468)	(760,391)
Nonoperating Revenue (Expense)		
Restricted gifts	128,457	165,614
Kent State University appropriations	455,815	457,218
Investment income (loss)	132,649	(54,145)
Total nonoperating revenue	716,921	568,687
Change in Net Position	(944,547)	(191,704)
Net Position - Beginning of year	4,960,552	5,152,256
Net Position - End of year	<u>\$ 4,016,005</u>	<u>\$ 4,960,552</u>

WKSU Radio Station

Statement of Cash Flows

	Year Ended June 30	
	2013	2012
Cash Flows from Operating Activities		
Cash received from donors	\$ 2,066,660	\$ 2,177,680
Cash received from the community	1,005,223	1,022,479
Cash received from grants	486,545	592,863
Cash from other sources	310,726	223,080
Cash from endowments	56,398	52,049
Payments to employees	(1,903,178)	(1,855,734)
Payments for benefits	(743,027)	(710,847)
Payments to suppliers and vendors	(1,924,757)	(1,931,413)
Net cash used in operating activities	(645,410)	(429,842)
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	(26,867)	(284,910)
Cash Flows from Noncapital Financing Activities		
Restricted gifts	128,456	165,614
Cash received from Kent State University	455,815	457,218
Net cash provided by noncapital financing activities	584,271	622,832
Cash Flows from Investing Activities - Interest received	56,398	55,024
Net Decrease in Cash	(31,608)	(36,896)
Cash - Beginning of year	423,750	460,646
Cash - End of year	<u>\$ 392,142</u>	<u>\$ 423,750</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,661,468)	\$ (760,391)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	339,501	326,912
Loss on disposal of asset	1,114	
Changes in assets and liabilities:		
Accounts receivable - Net	2,278	(51,806)
Pledges receivable - Net	264,464	157,763
Prepaid expenses and other assets	(199,327)	(68,785)
Accounts payable	53,126	(66,094)
Accrued expenses and other liabilities	554,902	32,559
Net cash used in operating activities	<u>\$ (645,410)</u>	<u>\$ (429,842)</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2013 and 2012

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 2013, WKSU adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. Amounts required to be reported as deferred outflows of resources are reported separately after assets and amounts required to be reported as deferred inflows of resources are reported separately after liabilities.

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

Notes to Financial Statements June 30, 2013 and 2012

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.

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 Investments - Cash and investments are held by the Kent State University Foundation. The amounts reflected in the accompanying statement of net position 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 \$392,142 and \$423,750 as temporarily restricted cash at June 30, 2013 and 2012, respectively.

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 that are not restricted by the donor as unrestricted revenue in the accompanying statement of revenue, expenses, and changes in net position. Restricted donations of capital assets are recorded as restricted revenue.

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, 2013.

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 \$517,876 and \$521,215 as of June 30, 2013 and 2012, 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. 65 - *Items Previously Reported as Assets and Liabilities*** - Statement No. 65 was issued in March 2012. It 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. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. WKSU will evaluate this statement for implementation in the fiscal year ending June 30, 2014.
- **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 financial statements for the year ending June 30, 2015.
- **GASB Statement 70 - *Accounting and Financial Reporting for Nonexchange Guarantees*** - The provisions for this statement are effective for financial statements for the year ending June 30, 2014.

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 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 2010, 2011, and 2012, the future expected cash flows from pledges receivable 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.

WKSU Radio Station

Notes to Financial Statements June 30, 2013 and 2012

Note 3 - Pledges Receivable (Continued)

Membership pledges are expected to be received within 12 months. Major gift pledges receivable at June 30, 2013 and 2012 are expected to be realized in the following periods:

Years Ending	
June 30	Amount
2014	\$ 230,726
2015	162,150
2016	115,000
2017	8,000
2018	<u>2,000</u>
Total	<u>\$ 517,876</u>

Major gift pledges receivable at June 30, 2013 and 2012 are expected to be realized at the following net amounts:

	2013	2012
Total pledges receivable - Gross	\$ 517,876	\$ 521,215
Less amount estimated to be uncollectible	(313,506)	(50,862)
Less unamortized discount	<u>(22,809)</u>	<u>(12,594)</u>
Total pledged receivable - Net	<u>\$ 181,561</u>	<u>\$ 457,759</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2013 and 2012

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>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, 2013 and 2012 is as follows:

	2013			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
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	\$ 3,157,709	\$ (312,634)	\$ (1,114)	\$ 2,843,961

WKSU Radio Station

Notes to Financial Statements June 30, 2013 and 2012

Note 4 - Capital Assets (Continued)

	2012			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Furniture and fixtures	\$ 158,190	\$ -	\$ (11,942)	\$ 146,248
Equipment	4,107,774	284,910	11,942	4,404,626
Building	2,432,121	-	-	2,432,121
			-	
Total	6,698,085	284,910	-	6,982,995
Less accumulated depreciation:				
Furniture and fixtures	153,640	-	(7,392)	146,248
Equipment	2,203,674	267,429	7,392	2,478,495
Building	1,141,060	59,483	-	1,200,543
Total accumulated depreciation	3,498,374	326,912	-	3,825,286
Capital assets - Net	<u>\$ 3,199,711</u>	<u>\$ (42,002)</u>	<u>\$ -</u>	<u>\$ 3,157,709</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, 2013 and 2012, lease expense totaled \$26,681 and \$28,827, respectively.

WKSU Radio Station

Notes to Financial Statements June 30, 2013 and 2012

Note 5 - Operating Lease Commitments and Contingencies (Continued)

Future minimum operating lease commitments at June 30, 2013 are as follows:

Years Ending June 30	Amount
2014	\$ 31,798
2015	32,225
2016	32,664
2017	27,213
2018	27,772

WKSU leases space on the University towers to various third parties using five-year leases, expiring in 2018, with renewal options thereafter. During fiscal years 2013 and 2012, WKSU recorded \$107,270 and \$127,055, respectively, as tower rental income that is included in "other income" in the statement of revenue, expenses, and changes in net position. Future minimum rentals due are as follows:

Years Ending June 30	Amount
2014	\$ 80,419
2015	60,997
2016	50,004
2017	43,323
2018	42,222

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.

WKSU Radio Station

Notes to Financial Statements June 30, 2013 and 2012

Note 6 - Related Party Transactions (Continued)

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, 2013 and 2012:

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	

Year Ended June 30, 2012

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,016,035	\$ 11,314
Appropriations	KSU appropriations	457,218	

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, 2013 and 2012

Note 8 - Net Position

Net position as of June 30 is as follows:

	<u>2013</u>	<u>2012</u>
Net investments in capital assets at June 30, 2013 and 2012	\$ 2,843,961	\$ 3,157,709
Unrestricted net position at June 30, 2013 and 2012 - Current operations	(269,629)	462,128
Restricted expendable - Net position principally related to grants and major gifts at June 30, 2013 and 2012 - Specific purpose funds	1,426,438	1,325,480
Restricted nonexpendable - Net position principally related to purposes in general support of WKSU at June 30, 2013 and 2012 - Endowment funds	<u>15,235</u>	<u>15,235</u>
Total	<u>\$ 4,016,005</u>	<u>\$ 4,960,552</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. The fair value of the investment funds at June 30, 2013 and 2012 were as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Board-designated	\$ 221,898	\$ 228,761	\$ 267,116	\$ 275,378
Restricted expendable	885,822	913,062	766,641	790,351
Restricted nonexpendable	<u>15,235</u>	<u>15,863</u>	<u>15,235</u>	<u>15,706</u>
Total	<u>\$ 1,122,955</u>	<u>\$ 1,157,686</u>	<u>\$ 1,048,992</u>	<u>\$ 1,081,435</u>

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"), which comprise the statement of net position as of June 30, 2013 and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements and have issued our report thereon dated December 6, 2013.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 as Finding 2013-001 to be a material weakness.

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*.

WKSU Radio Station's Response to Finding

WKSU Radio Station's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. WKSU Radio Station's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

December 6, 2013

WKSU Radio Station

Schedule of Findings and Responses June 30, 2013 and 2012

Reference Number	Findings
2013-001	<p>Finding Type - Material weakness</p> <p>Criteria - Under generally accepted accounting principles, WKSU Radio Station's (WKSU) management is responsible for establishing an accounting and financial reporting process to adequately cut off revenue and accounts receivable related to major gifts and pledges as of the end of the fiscal year.</p> <p>Condition - There is currently no effective control in place to ensure that all major pledges are recorded in the correct period.</p> <p>Context - A major pledge totaling \$60,000 was received in fiscal year 2012 for Folk Alley. At that time, only the amount of cash received with the pledge, \$10,000, was recorded as revenue.</p> <p>Cause - A new individual was responsible for the processing of pledges received specifically for Folk Alley. The process that is in place surrounding letters of intent received for major pledges was not followed; therefore, the letter of intent and related accounting treatment for this pledge was not reviewed by management.</p> <p>Effect - Improper cutoff of revenue causes understatement and overstatement of revenue, receivables, and net assets. The remaining amount of the major pledge, \$50,000, was recorded as revenue in fiscal year 2013.</p> <p>Recommendation - We recommend that WKSU have a written policy/procedure regarding the processing of major gifts that is communicated by management to all staff that are involved in the transaction.</p> <p>Views of Responsible Officials and Planned Corrective Actions - A written policy has been developed with respect to the recording of major donor pledges and the related processing of the supporting documentation. The procedures described will be implemented immediately.</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
JANUARY 30, 2014**