

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

Financial Report
June 30, 2008



Mary Taylor, CPA
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, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 19, 2008

This Page is Intentionally Left Blank.

WKSU Radio Station

Contents

Report Letter	1-2
Management's Discussion and Analysis (Unaudited)	3-7
Financial Statements	
Statement of Net Assets	8
Statement of Revenue, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11-17
Report Letter on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19

Independent Auditor's Report

To the Community Advisory Council
WKSU Radio Station

We have audited the accompanying financial statements of WKSU Radio Station, a public telecommunications entity operated by Kent State University, as of June 30, 2008. The financial statements of WKSU Radio Station as of June 30, 2007 were audited by other auditors, whose report dated November 14, 2007 expressed an unqualified opinion on those statements. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WKSU Radio Station as of June 30, 2008 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 October 15, 2008 on our consideration of WKSU Radio Station'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 audit.

To the Community Advisory Board
WKSU Radio Station

The management's discussion and analysis presented on pages 3 through 7 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 & Moran, PLLC

October 15, 2008

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WKSU Radio Station (the "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 Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These reports begin on page 8 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 increased by \$133,336 due to excess of revenues over expenses incurred by the Station from 2007 to 2008 and increased by \$100,045 due to excess of revenues over expenses incurred by the Station from 2006 to 2007. Net assets invested in capital assets decreased by \$122,778 due to the acquisition of new broadcast equipment, less the ongoing depreciation of existing fixed assets, from 2007 to 2008 and increased by \$38,165 due to ongoing depreciation of existing fixed assets and new purchases from 2006 to 2007. Therefore, total net assets increased by \$572,712 from 2007 to 2008 and increased by \$118,546 from 2006 to 2007.

Total assets increased \$722,974 in 2008 caused primarily by increases in pledge receivables and decreased \$19,319 in 2007 caused primarily by a reduction in the amounts due from the University (pooled cash and investments) and the recognition of the new broadcast equipment.

Total liabilities increased \$150,261 in 2008. This increase was primarily attributable to an increase in accounts payable. Total liabilities decreased \$137,865 in 2007, which was attributable primarily to a decrease in deferred revenue and account payables.

A summarized comparison of the station's assets, liabilities, and net assets at June 30, 2008, 2007, and 2006 is as follows:

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Current Assets	\$ 2,452,553	\$ 1,677,137	\$ 1,822,572
Capital Assets - Net of depreciation	2,938,730	3,061,508	3,023,343
Restricted Cash	<u>1,128,462</u>	<u>1,058,126</u>	<u>970,175</u>
Total assets	<u>\$ 6,519,745</u>	<u>\$ 5,796,771</u>	<u>\$ 5,816,090</u>
Liabilities and Net Assets			
Current Liabilities	\$ 599,122	\$ 448,860	\$ 586,725
Net Assets			
Invested in capital assets	2,938,730	3,061,508	3,023,343
Expendable restricted	804,340	248,515	291,437
Nonexpendable restricted	941,643	935,314	912,056
Unrestricted	<u>1,235,910</u>	<u>1,102,574</u>	<u>1,002,529</u>
Total net assets	<u>5,920,623</u>	<u>5,347,911</u>	<u>5,229,365</u>
Total liabilities and net assets	<u>\$ 6,519,745</u>	<u>\$ 5,796,771</u>	<u>\$ 5,816,090</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the operating results of the Station. The Station's revenues, expenses, and changes in net assets are summarized as follows:

	2008	2007	2006
Operating Revenues			
WKSU pledges and contributions	\$ 1,623,135	\$ 1,506,440	\$ 1,605,861
Folk Alley pledges and contributions	406,537	211,633	171,687
Underwriting contributions	1,049,206	1,232,547	1,050,570
In-kind contributions	753,267	535,370	388,807
Donated administration	1,072,541	999,546	722,226
Grant revenue	477,724	-	-
Other income	556,274	297,763	285,843
Total operating revenue	5,938,684	4,783,299	4,224,994
Nonoperating Revenues			
Restricted gifts	562,154	708,995	868,582
Kent State University appropriations	705,815	455,815	455,815
Total nonoperating revenue	1,267,969	1,164,810	1,324,397
Total Revenues	7,206,653	5,948,109	5,549,391
Operating Expenses			
Programming and production	3,336,342	3,233,589	3,076,504
Public information	634,027	288,203	435,045
Management and general	647,780	616,281	594,093
Depreciation	229,454	202,906	220,612
Fund-raising	1,312,847	1,034,460	751,667
Underwriting	473,491	454,124	379,189
Total operating expenses	6,633,941	5,829,563	5,457,110
Increase in Net Assets	572,712	118,546	92,281
Net Assets - Beginning of year	5,347,911	5,229,365	5,137,084
Net Assets - End of year	<u>\$ 5,920,623</u>	<u>\$ 5,347,911</u>	<u>\$ 5,229,365</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Operating revenues increased by \$1,155,384 or 24 percent, from 2008; Corporation for Public Broadcasting decreased \$71,848; State Network Commission and private grants revenue increased \$1,596, and contributed services increased \$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.

Operating revenues increased by \$558,305, or 13 percent, from 2007; Corporation for Public Broadcasting decreased \$18,633, State Network Commission and private grants revenue increased \$5,588, and contributed services increased \$423,883. 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 \$372,453 or 7 percent.

Operating revenues decreased by \$47,853, or 1 percent, from 2006; Corporation for Public Broadcasting increased \$53,011, State Network Commission and private grants revenue increased \$172, and contributed services increased \$94,812. This increase is due primarily to the timing of expenditures and recognizing revenue when expenditures are incurred as the Station utilized the unexpected grant increases received at the end of 2006. Operating expenses increased by \$322,005, or 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 are summarized as follows:

	2008	2007	2006
Cash Used in Operating Activities	\$ (918,780)	\$ (866,115)	\$ (514,334)
Cash Used in Capital and Related Financing Activities	(106,676)	(241,071)	(73,549)
Cash from Noncapital Financing Activities	1,267,969	1,164,810	664,748
Increase in Cash	242,513	57,624	76,865
Cash - Beginning of year	2,282,486	2,224,862	2,147,997
Cash - End of year	<u>\$ 2,524,999</u>	<u>\$ 2,282,486</u>	<u>\$ 2,224,862</u>

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

The Station consumed \$918,780 and \$866,115 in operating activities in 2008 and 2007, respectively. The primary operating cash receipts consist of contributions, grants and contracts of \$3,813,720 and \$4,533,256 for 2008 and 2007, respectively. Cash outlays include payments for wages and to vendors of \$3,794,794 and \$4,549,475 for 2008 and 2007, respectively. The primary noncapital financing activities consist of support from the University and restricted gifts.

Economic Factors that Will Affect the Future

In the continued economic downturn, the challenge continues to maintain the level of funding sources. Growing deficits at the federal and state government levels could affect the size of future grants.

WKSU Radio Station

Statement of Net Assets

	June 30	
	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,396,537	\$ 1,224,360
Accounts receivable, less allowance for doubtful accounts of \$3,231 and \$5,607, respectively	296,000	173,514
Member pledges receivable, less allowance for uncollectible pledges of \$13,599 and \$31,821, respectively	42,527	40,500
Endowment pledges receivable, less allowance for uncollectible pledges of \$3,250 and \$4,602 and discount of \$0.00 and \$2,485, respectively	29,250	38,932
Major gift pledges receivable, less allowance for uncollectible pledges of \$72,270 and \$11,700 and discount of \$52,914 and \$5,480, respectively	597,513	99,820
Due from Kent State University Foundation, net	-	10,079
Prepaid expense and other assets	90,726	89,932
Total current assets	2,452,553	1,677,137
Property, plant and equipment, at cost:		
Building	2,360,377	2,360,377
Equipment and other	3,068,210	3,064,444
Furniture and fixtures	186,783	183,873
Construction in progress	100,000	-
	5,715,370	5,608,694
Less accumulated depreciation	2,776,640	2,547,186
Property, plant and equipment, net	2,938,730	3,061,508
Temporarily restricted cash	170,880	145,967
Permanently restricted cash	957,582	912,159
Total assets	\$ 6,519,745	\$ 5,796,771
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 200,147	\$ 30,868
Accrued expenses	230,273	264,301
Due to Kent State University, net	-	10,079
Deferred revenue	168,702	143,612
Total liabilities	599,122	448,860
Net Assets		
Invested in capital assets, net of related debt	2,938,730	3,061,508
Unrestricted	1,235,910	1,102,574
Restricted - Expendable	804,340	248,515
Restricted - Nonexpendable	941,643	935,314
Total net assets	5,920,623	5,347,911
Total liabilities and net assets	\$ 6,519,745	\$ 5,796,771

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

WKSU Radio Station

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2008	2007
Operating Revenue		
WKSU pledges and contributions	\$ 1,623,135	\$ 1,506,440
Folk Alley pledges and contributions	406,537	211,633
Underwriting contributions	1,049,206	1,232,547
In-kind contributions	753,267	535,370
Donated administration	1,072,541	999,546
Grant revenue	477,724	-
Other income	556,274	297,763
Total operating revenue	5,938,684	4,783,299
Operating Expenses		
Program and production	2,499,677	2,440,848
Broadcasting	573,219	580,531
Depreciation	229,454	202,906
Public information	634,027	288,203
Management and general	647,780	616,281
Fund-raising	1,312,847	1,034,460
Underwriting	473,491	454,124
Folk Alley expenses	263,446	212,210
Total operating expenses	6,633,941	5,829,563
Operating Loss	(695,257)	(1,046,264)
Nonoperating Revenues		
Restricted gifts	562,154	708,995
Kent State University appropriations	705,815	455,815
Total nonoperating revenues and expenses	1,267,969	1,164,810
Change in Net Assets	572,712	118,546
Net Assets - Beginning of year	5,347,911	5,229,365
Net Assets - End of year	<u>\$ 5,920,623</u>	<u>\$ 5,347,911</u>

WKSU Radio Station

Statement of Cash Flows

	Year Ended June 30	
	2008	2007
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,324,232	1,342,788
Cash received from the community	1,449,610	1,752,814
Cash received from grants	477,724	728,659
Cash from other sources	119,427	397,763
Cash from endowments	128,566	116,944
Payments to employees	(1,798,023)	(1,831,788)
Payments for benefits	(623,545)	(655,608)
Payments to suppliers and vendors	(1,996,771)	(2,717,687)
Net cash used in operating activities	(918,780)	(866,115)
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	(106,676)	(241,071)
Cash Flows from Noncapital Financing Activities		
Restricted Gifts	562,154	708,995
Cash received from Kent State University	705,815	455,815
Net cash provided by noncapital financing activities	1,267,969	1,164,810
Increase in Cash	242,513	57,624
Cash and Cash Equivalents - Beginning of year	2,282,486	2,224,862
Cash and Cash Equivalents - End of year	\$ 2,524,999	\$ 2,282,486
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (695,257)	\$ (1,046,264)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	229,454	202,906
Changes in assets and liabilities:		
Accounts receivable - net	(122,486)	(58,928)
Pledges receivable, net	(490,037)	163,987
Prepaid expenses and other assets	(794)	(14,020)
Accounts payable	169,279	12,761
Accrued expenses and other liabilities	(8,939)	(126,557)
Net cash used in operating activities	\$ (918,780)	\$ (866,115)

WKSU Radio Station

Notes to Financial Statements June 30, 2008 and 2007

Note 1 - Organization and Operation

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

Note 2 - Significant Accounting Policies (Continued)

Operating versus Nonoperating Revenue and Expenses

The Station defines operating activities as reported on the statement of revenues, 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 revenues 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents as presented in the accompanying financial statements are defined as cash held on account with the Foundation and grant funds made available for use by the University Governmental Reporting Department. Some of this cash has been designated as temporarily or permanently restricted based on the wishes of the donor. WKSU recorded \$170,880 and \$957,582 as temporarily and permanently restricted cash, respectively, at June 30, 2008. WKSU recorded \$145,967 and \$912,159 as temporarily and permanently restricted cash, respectively, at June 30, 2007.

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 activities.

Donated personal services of non-professional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributions - Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon WKSU management's judgment including such factors as prior collection history and type of contribution. All member pledges receivable are promises to give within one year of June 30, 2008.

WKSU Radio Station

Notes to Financial Statements June 30, 2008 and 2007

Note 2 - Significant Accounting Policies (Continued)

WKSU conducted an endowment campaign in response to a challenge from the GAR Foundation. The gross pledges receivable for the endowment total \$32,500 and \$43,534 as of June 30, 2008 and 2007, respectively. Amounts outstanding as of June 30, 2008 are promises to give within three years of June 30, 2008.

WKSU has initiated a major gift program. The new 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 \$669,783 and \$111,520 as of June 30, 2008 and 2007, respectively. Gross pledges receivable as of June 30, 2008 are promises to give within five years of June 30, 2008.

Grants - Grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When WKSU is notified as a recipient of these grants, the amounts are included as expendable restricted grant revenue in the accompanying statement of activities.

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

Note 3 - 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</u> (in years)
Buildings	40
Towers	20
Furniture and fixtures	10
Equipment	7-10
Automobiles	5
Computers	3

WKSU Radio Station

Notes to Financial Statements June 30, 2008 and 2007

Note 3 - Capital Assets (Continued)

Capital asset activity for the years ended June 30, 2008 and 2007 is as follows:

	2008			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 183,873	\$ 2,910	\$ -	\$ 186,783
Telecommunications equipment	3,064,444	3,766	-	3,068,210
Building	2,360,377	-	-	2,360,377
Construction in progress	-	100,000	-	100,000
Total	5,608,694	106,676	-	5,715,370
Less accumulated depreciation:				
Office equipment	148,568	14,086	-	162,654
Telecommunications equipment	1,478,750	160,668	-	1,639,418
Building	919,868	54,700	-	974,568
Total accumulated depreciation	2,547,186	229,454	-	2,776,640
Capital assets - Net	\$ 3,061,508	(\$ 122,778)	\$ -	\$ 2,938,730
	2007			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 197,196	\$ 7,647	(\$ 20,970)	\$ 183,873
Telecommunications equipment	2,838,030	241,072	(14,658)	3,064,444
Building	2,360,377	-	-	2,360,377
Total	5,395,603	248,719	(35,628)	5,608,694
Less accumulated depreciation:				
Office equipment	157,136	12,400	(20,968)	148,568
Telecommunications equipment	1,349,956	135,806	(7,012)	1,478,750
Building	865,168	54,700	-	919,868
Total accumulated depreciation	2,372,260	202,906	(27,980)	2,547,186
Capital assets - Net	\$ 3,023,343	\$ 45,813	(\$ 7,648)	\$ 3,061,508

During fiscal years 2006, 2004, 2002 and 1997, WKSU received federal funding from the National Telecommunication and Information Administration for four capital expenditure projects in the amounts of \$67,547, \$147,496, \$37,858 and \$120,415, respectively. As a condition of this funding, the Federal government has a priority reversionary interest on certain equipment. The liens expire(d) on June 29, 2017, July 31, 2014, July 31, 2011 and February 28, 2007, respectively.

WKSU Radio Station

Notes to Financial Statements June 30, 2008 and 2007

Note 4 - 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, 2008 and 2007, lease expense totaled \$26,735 and \$23,084, respectively.

Future minimum operating lease commitments at June 30, 2008 are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2009	\$ 28,197
2010	24,228
2011	24,761
2012	25,301
2013	22,499
2014-2018	21,640

WKSU leases space on the University towers to various third parties using five-year leases with renewal options. During fiscal years 2008 and 2007, WKSU recorded \$122,646 and \$116,540, respectively, as tower rental income that is included in "other income" in the statement of activities. Future minimum rentals due are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2009	\$ 104,403
2010	83,825
2011	84,552
2012	44,955
2013	7,825
2014-2018	27,128

Note 5 - 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, 2008 and 2007

Note 5 - Related Party Transactions (Continued)

The statements of financial position and the statements of activities include the following related party amounts for the years ended June 30, 2008 and 2007:

For the year ended June 30, 2008

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,072,541	\$ 18,160
Appropriations	KSU appropriations	\$ 705,815	

For the year ended June 30, 2007

<u>Related Party Transactions</u>	<u>Statement Line Item</u>	<u>University</u>	<u>Foundation</u>
In-kind contributions	In-kind contributions/ Donated administration	\$ 999,546	\$ 21,785
Expenses in excess of appropriations	Due to KSU, net Due from KSUF, net	\$ 10,079	\$ 10,079
Appropriations	KSU appropriations	\$ 455,815	

Note 6 - 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, 2008 and 2007

Note 7 - Net Assets

Net assets as of June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Invested in capital assets, net of related debt at June 30, 2008 and 2007	\$ 2,938,730	\$ 3,061,508
Unrestricted net assets at June 30, 2008 and 2007 - Current operations	1,235,910	1,102,574
Restricted expendable - net assets principally related to grants and major gifts at June 30, 2008 and 2007 - Specific purpose funds	804,340	248,515
Restricted nonexpendable - net assets principally related to purposes in general support of WKSU at June 30, 2008 and 2007:		
Endowment funds	912,393	896,382
Pledges receivable, net	<u>29,250</u>	<u>38,932</u>
Total	<u>\$ 5,920,623</u>	<u>\$ 5,347,911</u>

Report Letter on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the 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 Radio Station as of and for the year ended June 30, 2008 and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WKSU Radio Station'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 WKSU Radio Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WKSU Radio Station'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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and another that we consider to be a material weakness.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

- During our review of the prior year's audit work papers and adjusting journal entries, we noted the Station did not record a prior year audit adjustment for depreciation expense. Significant time must be invested internally and by the outside auditors to reconcile accounts to the published audit reports. Management should review the internal records upon completion of the annual audit to ensure that the accounting staff have properly recorded all audit adjustments.

To the Board of Trustees
WKSU Radio Station

A material weakness is a significant deficiency, or a combination of significant deficiencies, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe the following deficiency constitutes a material weakness.

- Upon completion of audit procedures for accounts receivable, deferred revenue and revenue related to in-kind contributions and underwriting, we noted that amounts recorded on the general ledger were not reconciled to the receivable aging as of June 30, 2008. We also noted several invoices related to July 2008 were improperly recognized as revenue rather than deferred revenue. As part of year-end closing procedures, management should reconcile receivable balances and deferred revenue balances to the aging as of June 30, 2008. Management should also review for proper cutoff of invoices around year end to ensure proper recognition of revenue in the correct period.

Compliance and Other Matters

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

This report is intended solely for the information and use of the 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 used and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

October 15, 2008



Mary Taylor, CPA
Auditor of State

WKSU RADIO STATION

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 2, 2008**