

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

Financial Report
June 30, 2015



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, 2014 through June 30, 2015. 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

January 25, 2016

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WKSU Radio Station

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Independent Auditor's Report

To the Board of Trustees
WKSU Radio Station

Report on the Financial Statements

We have audited the accompanying financial statements of WKSU Radio Station (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, as of and for the years ended June 30, 2015 and 2014 and the related statements of net position; revenue, expenses, and changes in net position; and cash flows and the notes to the financial statements, which collectively comprise the WKSU Radio Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2015 and 2014 and the respective changes in its net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
WKSU Radio Station

Emphasis of Matter

We draw attention to Note 2, which explains that the financial statements of WKSU are intended to present the net position, changes in net 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, 2015 and 2014 or the changes in its net position, or the changes in its cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, effective July 1, 2014, WKSU adopted new accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 is an amendment to statement No. 27. In accordance with statement No. 68, WKSU is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted pension schedules of funding progress and employer contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 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 18, 2015

WKSU Radio Station

Management's Discussion and Analysis - Unaudited

Introduction

The following discussion and analysis provides an overview of the financial position, activities, and cash flows of public radio station WKSU-FM (the "Station"), which is licensed to Kent State University, as of and for the year ended June 30, 2015.

This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

WKSU-FM, which serves all or part of 22 counties in northeast Ohio, has the largest FM radio signal footprint in the region. Notable cities covered by WKSU's signal include Cleveland, Akron, Kent, and Canton, with six transmission sites:

- 89.1 WKSU Thompson
- 89.3 WKRW Wooster
- 89.7 WKSU Kent (main signal)
- 90.7 WNRK Norwalk
- 91.5 WKRJ New Philadelphia
- 95.7 W239AZ Ashland

WKSU went on the air on October 2, 1950 and broadcasts from its main broadcast center, located on the Kent campus of Kent State University in Kent, Ohio.

In August 2013, WKSU's primary program service underwent a strategic program change designed to emphasize news and information programming and reach a wider audience. The WKSU analog broadcast stations provide a primetime of news and information programming, including National Public Radio's (NPR) highly acclaimed news programs *Morning Edition* and *All Things Considered* and other public radio shows, such as *A Prairie Home Companion* and *This American Life*. The stations also offer classical music in the evenings and all through the night. The WKSU stations operate 24 hours a day throughout the year.

The WKSU stations also broadcast multi-channel digital HD Radio services. HD Channel 1 contains WKSU's primary news and music format, HD Channel 2 presents a hosted, all-folk music format from the popular FolkAlley.com, HD Channel 3 presents all classical music, and HD Channel 4 offers news and information exclusively.

In addition, WKSU provides an online streaming audio service. Through www.wksu.org, listeners have access to the programming featured on all four of WKSU's HD Radio channels. WKSU's award-winning website also presents in-depth international news and regional news from WKSU's distinguished news department. The same online services are available via WKSU's app for users of smartphones and tablet computers.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

From FolkAlley.com, an online folk music site created by WKSU and launched in September 2003, listeners can enjoy a hosted stream of folk music and a robust, interactive website. This 24/7 stream reaches a global audience of more than 121,000 registered listeners and is produced and maintained by WKSU-FM in Kent, Ohio. In addition to the main Folk Alley program service, the website offers streams of Irish music, a stream of new releases called *Fresh Cuts*, and seasonal streams related to holidays. The website also contains a significant selection of exclusive on-demand audio and video music content, a blog, and more. A Folk Alley app for users of smartphones and tablet computers provides access to all of the audio streams, plus video and blog content on-demand.

Thanks to WKSU's ongoing *Sound of the Future* fundraising campaign, WKSU has converted all of its transmission sites to digital technology. The *Sound of the Future* fundraising capital campaign is now focused on expanding WKSU's news gathering capacity by upgrading the primary newsroom and replacing outdated analog equipment with equipment that utilizes the latest in digital technologies.

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WKSU Radio Station, which is owned and operated by Kent State University (the "University"). The report consists of three basic financial statements that provide information on the radio station: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements begin on page 13 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion and analysis are intended to provide readers with an overview of the financial statements.

Noteworthy Financial Activity

In fiscal year 2015, the Station implemented GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements require 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 statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with these statements, the Station recorded its allocated share of the University's net pension liability of \$627,769 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. The Station's net pension liability as of June 30, 2015 was \$696,525. June 30, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

The Statement of Net Position

The statement of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 deferred outflows of resources and total liabilities and deferred inflows of resources is net position, which is one way to measure the current financial activities of the Station. Unrestricted net position increased by \$742,338 due primarily to additional support from the University. This was partially offset by a decrease in overall unrestricted revenue partially caused by the format change in August 2013 from classical to news. It is anticipated that revenue will grow over the next three to four years but that the first few years following the program change will experience loss of revenue. Net investment in capital assets decreased by \$135,956. Capital assets will begin to increase fiscal year 2016 because of large capital investments into the Station's new state of the art newsroom. Total net position decreased by \$1,250,851 from 2013 to 2014 and decreased by \$944,547 from 2012 to 2013.

Total assets decreased \$1,864,850 from 2015 to 2014 due mainly to netting of \$1,533,385 in the amount due from Kent State University Foundation, Inc. with a payable of the same amount due to KSU in 2015. Additionally, decreases in investments of \$50,844 or 3.8 percent, temporarily restricted cash of \$99,941 or 20.7 percent, pledge receivables of \$33,844 or 20.0 percent, major gift receivables of \$82,907 or 75.8 percent, and net capital assets of \$103,806 or 4.1 percent contributed to the overall decrease. Net capital assets have decreased \$103,806 as a result of depreciation expense exceeding the amount of purchases for capital items. Total assets increased \$831,310 in 2014 due an increase of \$981,273 in a receivable from Kent State Foundation.

Deferred outflows of resources of \$94,666 as of June 30, 2015 is a result of the implementation of GASB Statement No. 68.

Total liabilities decreased \$2,220,948 in 2015 due mainly to a decrease of funds that are owed to KSU. The decrease was offset by the implementation of GASB Statement No. 68, which required an unfunded net pension liability to be recorded of \$696,525. Total liabilities increased \$2,082,161 in 2014 primarily due to an increase of funds that are owed to KSU.

Deferred inflows of resources of \$12,955 as of June 30, 2015 is a result of the implementation of GASB Statement No. 68.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

A summarized comparison of the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2015, 2014, and 2013 is as follows:

	2015	2014	2013
Assets and Deferred Outflows			
Current Assets	\$ 292,368	\$ 1,824,626	\$ 885,710
Temporarily Restricted Cash	383,034	482,975	392,142
Investments	1,285,315	1,336,159	1,157,686
Noncurrent Assets	7,808	85,809	158,318
Capital Assets - Net of depreciation	<u>2,435,752</u>	<u>2,539,558</u>	<u>2,843,961</u>
Total assets	4,404,277	6,269,127	5,437,817
Deferred Outflows of Resources	<u>94,666</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 4,498,943</u>	<u>\$ 6,269,127</u>	<u>\$ 5,437,817</u>
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities	\$ 561,556	\$ 3,503,973	\$ 1,421,812
Noncurrent Liabilities			
Net pension liability	696,525	-	-
Capital lease obligation	<u>24,944</u>	<u>-</u>	<u>-</u>
Total liabilities	1,283,025	3,503,973	1,421,812
Deferred Inflows of Resources	12,955	-	-
Net Position			
Invested in capital assets	2,403,602	2,539,558	2,843,961
Unrestricted	(648,827)	(1,391,165)	(269,629)
Restricted - Expendable	1,432,953	1,601,526	1,426,438
Restricted - Nonexpendable	<u>15,235</u>	<u>15,235</u>	<u>15,235</u>
Total net position	<u>3,202,963</u>	<u>2,765,154</u>	<u>4,016,005</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 4,498,943</u>	<u>\$ 6,269,127</u>	<u>\$ 5,437,817</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, 2015, 2014, and 2013 are summarized as follows:

	2015	2014	2013
Operating Revenue			
WKSU pledges and contributions	\$ 1,215,672	\$ 1,432,422	\$ 1,676,074
Folk Alley pledges and contributions	280,685	262,118	323,047
Underwriting contributions	922,499	727,986	877,977
In-kind contributions	426,531	362,624	414,734
Donated administration	1,128,865	1,194,606	1,301,683
Grant revenue	430,865	414,158	457,545
Other income	141,133	165,797	232,135
Total operating revenue	4,546,250	4,559,711	5,283,195
Nonoperating Revenue			
Restricted gifts	124,825	30,245	128,457
Investment income	6,267	199,638	132,649
Kent State University appropriations	2,745,169	455,815	455,815
Total nonoperating revenue	2,876,261	685,698	716,921
Total revenue	7,422,511	5,245,409	6,000,116
Operating Expenses			
Programming and production	3,479,518	3,657,535	4,164,608
Public information	609,768	548,346	383,718
Management and general	622,568	687,654	774,881
Depreciation	327,178	338,044	339,501
Fundraising	640,985	715,427	920,424
Underwriting	676,916	549,254	361,531
Total operating expenses	6,356,933	6,496,260	6,944,663
Change in Net Position	1,065,578	(1,250,851)	(944,547)
Net position - Beginning of year	2,765,154	4,016,005	4,960,552
Adjustment to beginning balance - GASB Statement No. 68 (Note 2)	(627,769)	-	-
Net Position - Beginning of year - restated	2,137,385	4,016,005	4,960,552
Net Position - End of year	\$ 3,202,963	\$ 2,765,154	\$ 4,016,005

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Overall operating revenues for 2015 have declined slightly \$13,461 or .3 percent. Underwriting increased \$194,513 or 26.7 percent, in-kind contributions increased \$63,907 or 17.6 percent and grant revenue increased \$16,707 or 4.0 percent. Folk Alley membership contributions increased \$18,567 or 7.1 percent. These increases in operating revenue were offset by decreases in membership contributions \$216,750 or 15.1 percent, other income of \$24,644 or 14.9 percent and donated administration \$65,741 or 5.5 percent, as a result of a continuing increases in the University's total square footage causing administrative costs allocated to WKSU to decrease in 2015. In 2014 and 2013, total operating revenue decreased \$723,485 or 13.7 percent and increased slightly \$1,361 or .03 percent, respectively, due to decreases in 2014 underwriting and membership.

WKSU nonoperating revenue increased \$2,190,563 or 319.46 percent during 2015. The majority of this increase is due to increased support from Kent State University which included current operating support as well as writing off the prior payable due to KSU. This increase was offset by investment loss, which had a significant drop of \$193,371 or 96.9 percent due to the turn in the market stock market from June 2014 to June 2015. Restricted gifts increased \$94,580 or 312.7 percent. This was primarily due to donor gifts for the newsroom project. Nonoperating revenue decreased \$31,223 or 4.4 percent in 2014. The decrease was primarily due to the major gift capital campaign nearing completion. Nonoperating revenue increased in 2013 \$148,234 or 26.1 percent due to an investment income increase of \$186,794.

Operating expenses experienced a decrease of \$139,327 or 2.1 percent in 2015. Public information and underwriting had increases in expenses. This was due to completing 100 percent staffing for those departments. All other departments had decreases in expenses. Programming and production and administration had the largest decreases in expenses because of reductions in salaries due to retirements with no replacements of staff. Fundraising experienced a reduction of expenses that was primarily due to spending less on fund drive premiums (gifts for certain levels of donations). 2014 had a decrease of operating expenses of \$448,403 or 6.5 percent due to attrition and permanent staff reduction. In 2013, operating expenses increased \$902,438 primarily due to previously vacant positions that were filled.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

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, 2015, 2014, and 2013 are summarized as follows:

	2015	2014	2013
Cash Used in Operating Activities	\$ (1,348,814)	\$ (382,751)	\$ (645,410)
Cash Used in Capital and Related Financing Activities	(227,271)	(33,641)	(26,867)
Cash Provided by Investing Activities	57,111	21,165	56,398
Cash Provided by Noncapital Financing Activities	<u>1,419,033</u>	<u>486,060</u>	<u>584,271</u>
(Decrease) Increase in Cash	(99,941)	90,833	(31,608)
Cash - Beginning of year	<u>482,975</u>	<u>392,142</u>	<u>423,750</u>
Cash - End of year	<u>\$ 383,034</u>	<u>\$ 482,975</u>	<u>\$ 392,142</u>

The Station consumed \$1,348,814, \$382,751, and \$645,410 in operating activities in 2015, 2014, and 2013, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$3,118,230, \$3,075,455, and \$3,558,428 for 2015, 2014, and 2013, respectively. Cash outlays include payments for wages and to vendors of \$3,876,585, \$3,618,932, and \$3,827,935 for 2015, 2014, and 2013, respectively. The primary noncapital financing activities consist of support from the University and restricted gifts.

Economic Factors that Will Affect the Future of Public Radio and WKSU

Print news media in the United States continues to struggle, creating an increasing need for public radio to fill the need for quality news and information. As a result, news and information programming is leading the way in growing public radio's audience. WKSU has begun taking action to improve its results from operations. In addition to the format change mentioned previously and the items listed below, a consultant has been retained to analyze the operations of the Station in an effort to improve the financial performance.

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

In August 2013, WKSU's primary program service shifted the prime time listening hours from a mixture of news/classical music to an all news and information format. This shift in program service has already resulted in increased listenership and is anticipated to build financial support for the Station through growth in membership and underwriting income. In fiscal year 2014, WKSU took advantage of its expanded underwriting team to grow revenue from new and established corporate and non-profit clients to lay a foundation for advanced tactical initiatives. WKSU made investments in improving the efficiency and productivity of its membership and underwriting programs through updated software tools and online interface. WKSU has continued to strategically adjust its marketing efforts to promote the new programming format and grow audience.

In response to the growth of digital media, WKSU continues to promote its distribution of programming via high definition digital broadcasts and online streaming, offering listeners multiple channels of programming including folk and classical music. In fiscal year 2015, WKSU launched a new Folk Alley app and is working towards a WKSU app for smartphones and tablet computers. These new apps, offering expanded capabilities for users, putting WKSU and Folk Alley content where an increasing number of listeners are accessing media. As the digital media audience continues to grow, WKSU is well-positioned to serve those audiences and generate additional income from membership and underwriting.

News Bureaus

WKSU maintains a strong presence in Northeast Ohio through multiple news bureaus in addition to the primary news hub located in the WKSU Kent studios. The Akron News Bureau is equipped for live on-air program origination, as well as for program production work, leading to the ability to provide content that is aired both over the WKSU network of stations, as well as the National Public Radio (NPR) network. The studio sits in the shadow of the federal courthouse in downtown Akron and is strategically located very close to the City of Akron and Summit County government offices and courthouse. This studio, coupled with a second studio plus other production facilities located within WKSU's Akron News Bureau, all combine with WKSU's highly skilled staff of news reporters to provide a balanced and informative news source to the region. With the Stark and Wayne County bureau, the Akron bureau, and the Cleveland bureau located in downtown Cleveland, WKSU has positioned itself as the region's best and strongest news organization, reaching all or part of 22 counties in Northeast Ohio.

Grant Awards

During fiscal year 2015, WKSU received two grant awards, totaling over \$400,000. Granting institutions included Ohio Broadcast Educational Media Commission and the Corporation for Public Broadcasting (CPB).

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Awards in Fiscal Year 2015

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-*Prepared Report, Radio*, M.L. Schultze—“Young and Homeless in Cleveland”
- Third Place- *Special Programming, Radio*, M.L. Schultze and Tim Rudell—“Fracking”

Society of Professional Journalists-Ohio Chapter—SPJ Awards

- Best in Show-*Best Reporter*, Kabir Bhatia
- First Place-*Best Continuing Coverage*, Tim Rudell and M.L. Schultze—“Fracking”
- First Place-*Best General Assignment Reporting*, Tim Rudell—“Homegrown Revival of the Rubber Industry”
- First Place-*Best Medical/Health Reporting*, Jeff St. Clair—“Exploradio: Engineering a Chiari breakthrough”
- First Place-*Best Spot News*, M.L. Schultze—“Canton Evacuees Get the All Clear”
- Second Place-*Best News Operation*, WKSU News Staff
- Second Place-*Best Anchor*, Amanda Rabinowitz—“Morning Edition”
- Second Place-*Best Website*, Chuck Poulton—“WKSU.org”
- Second Place-*Best Environment Reporting*, Jeff St. Clair—“Exploradio: Saving America's most endangered animals”
- Second Place-*Best General Assignment Reporting*, Kevin Niedermier—“Cleveland hopes to build on the success of the national Senior Games”
- Second Place-*Best Feature Reporting*, M.L. Schultze—“Grays Armory: A long history in Cleveland”
- Second Place-*Best Consumer Reporting*, Kabir Bhatia—“Ohio theaters make the drive toward digital”
- Second Place-*Best Minority Issues Reporting*, Amanda Rabinowitz—“LGBT Community on Edge in Light of Recent Hate Crimes”

Radio-Television News Directors Association—Regional Murrow Awards

- *Sports Reporting*, Jeff St. Clair—“Sports Training and Knee Injuries in Girls”

WKSU Radio Station

Management's Discussion and Analysis - Unaudited (Continued)

Ohio Professional Writers, Inc.—Communications Contest

- First Place-*Prepared Report*, M.L. Schultze—"Goodyear Christens the Next Generation of Airship"
- First Place-*Special Programming*, Amanda Rabinowitz—"Heroin: Big Trouble in a Small Town"
- First Place- *College Writing, Features*, Lyndsey Schley—"Goodyear Recruits Thousands of Vets"
- Second Place-*Prepared Report*, Amanda Rabinowitz—"Gay Games Rodeo: Changing Stereotypes"
- Third Place-*Prepared Report*, Jeff St. Clair—"Sports Training and Knee Injuries in Girls"

James Beard Foundation—James Beard Award

- Finalist-*Broadcast, Radio*, Vivian Goodman—"Quick Bites"

Ohio Associated Press—Ohio APME Awards

- First Place-*General Excellence*, WKSU Staff
- First Place-*Best Reporter*, Tim Rudell
- First Place-*Best Anchor*, Amanda Rabinowitz
- First Place-*Best Breaking News*, Kevin Niedermier—"Cleveland Lands the 2016 GOP Convention"
- First Place-*Best Documentary or Series*, Amanda Rabinowitz—"Heroin: Big Trouble in a Small Town"
- First Place-*Best Digital Presence*, Chuck Poulton—"WKSU.org"
- Second Place-*Best Reporter*, M.L. Schultze
- Second Place-*Use of Sound*, Jeff St. Clair—"Timken Steel Uses Latest Technology"
- Second Place-*Best Breaking News*, Kabir Bhatia—"United's Hub Closing Could Have Silver Lining"
- Second Place-*Extraordinary Coverage of a Scheduled Event*, Amanda Rabinowitz—"Gay Games 9"

Press Club of Cleveland—Ohio Excellence in Journalism Awards

- Best in Show-*Best Radio Newscast*, Jeff St. Clair and Vivian Goodman—"All Things Considered"
- First Place-*Radio News*, Tim Rudell—"Will the Ohio River Carry Fracking Wastewater?"
- First Place-*Best Ongoing Coverage*, WKSU Staff—"Ebola Visits Ohio"
- First Place-*Public Service*, Amanda Rabinowitz—"Heroin: Big Trouble in a Small Town"
- First Place-*In-Depth Coverage*, Amanda Rabinowitz—"Gay Games 9"
- Second Place-*Best Radio News Web Site*, Chuck Poulton and staff—"WKSU.org"
- Second Place-*Radio News*, M.L. Schultze—"Will Northeast Ohio Host Part of the Missile Defense Shield?"
- Second Place-*Human Interest*, M.L. Schultze—"Ida McKinley's Tiara Comes Home"
- Third Place-*Human Interest*, Kabir Bhatia—"Cleveland's League Park is Alive Again"

WKSU Radio Station

Statement of Net Position

	June 30, 2015	June 30, 2014
Assets and Deferred Outflows		
Current Assets		
Accounts receivable, less allowance for doubtful accounts of \$3,652 and \$1,898 for June 30, 2015 and 2014, respectively	\$ 116,305	\$ 75,915
Member pledges receivable, less allowance for uncollectible pledges of \$6,495 and \$7,516 for June 30, 2015 and 2014, respectively	135,706	169,550
Current major gift pledges receivable, less allowance for pledges of \$2,073 and \$2,617 for June 30, 2015 and June 30, 2014, respectively	18,652	23,558
Due from Kent State University Foundation - Net	-	1,533,385
Prepaid expense and other assets	21,705	22,218
Total current assets	292,368	1,824,626
Temporarily Restricted Cash	383,034	482,975
Investments	1,285,315	1,336,159
Major Gift Pledges Receivable - Less allowance for uncollectible pledges of \$868 and \$9,534 and discounts of \$324 and \$4,657 for June 30, 2015 and 2014, respectively	7,808	85,809
Capital Assets - Net	2,435,752	2,539,558
Total assets	4,404,277	6,269,127
Deferred Outflows of Resources - GASB Statement No. 68	94,666	-
Total assets and deferred outflows	<u>\$ 4,498,943</u>	<u>\$ 6,269,127</u>
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts payable	\$ 61,015	\$ 39,943
Accrued expenses	306,772	365,511
Due to Kent State University - Net	7,206	2,984,346
Unearned revenue	186,563	114,173
Total current liabilities	561,556	3,503,973
Noncurrent Liabilities		
Net pension liability	696,525	-
Capital lease obligation	24,944	-
Total liabilities	1,283,025	3,503,973
Deferred Inflows of Resources - GASB Statement No. 68	12,955	-
Net Position		
Net investment in capital assets	2,403,602	2,539,558
Unrestricted	(648,827)	(1,391,165)
Restricted - Expendable	1,432,953	1,601,526
Restricted - Nonexpendable	15,235	15,235
Total net position	3,202,963	2,765,154
Total liabilities and net position	<u>\$ 4,498,943</u>	<u>\$ 6,269,127</u>

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

WKSU Radio Station

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2015	2014
Operating Revenue		
WKSU pledges and contributions	\$ 1,215,672	\$ 1,432,422
Folk Alley pledges and contributions	280,685	262,118
Underwriting contributions	922,499	727,986
In-kind contributions	426,531	362,624
Donated administration	1,128,865	1,194,606
Grant revenue	430,865	414,158
Other income	141,133	165,797
Total operating revenue	4,546,250	4,559,711
Operating Expenses		
Program and production	2,657,727	2,760,392
Broadcasting	534,478	603,795
Depreciation	327,178	338,044
Public information	609,768	548,346
Management and general	622,568	687,654
Fundraising	640,985	715,427
Underwriting	676,916	549,254
Folk Alley expenses	287,313	293,348
Total operating expenses	6,356,933	6,496,260
Operating Loss	(1,810,683)	(1,936,549)
Nonoperating Revenue		
Restricted gifts	124,825	30,245
Kent State University appropriations	2,745,169	455,815
Investment income	6,267	199,638
Total nonoperating revenue	2,876,261	685,698
Change in Net Position	1,065,578	(1,250,851)
Net Position - Beginning of year	2,765,154	4,016,005
Adjustment GASB Statement No. 68 (Note 2)	(627,769)	-
Net Position - Beginning of year - Restated	2,137,385	4,016,005
Net Position - End of year	<u>\$ 3,202,963</u>	<u>\$ 2,765,154</u>

WKSU Radio Station

Statement of Cash Flows

	Year Ended June 30	
	2015	2014
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,736,935	\$ 1,816,829
Cash received from the community	950,430	844,468
Cash received from grants	430,865	414,158
Cash from other sources	140,297	899,535
Cash from endowments	58,237	57,389
Payments to employees	(1,987,238)	(2,027,573)
Payments for benefits	(788,993)	(796,198)
Payments to suppliers and vendors	(1,889,347)	(1,591,359)
Net cash used in operating activities	(1,348,814)	(382,751)
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	(227,271)	(33,641)
Cash Flows from Noncapital Financing Activities		
Restricted gifts	124,825	30,245
Cash received from Kent State University	1,294,208	455,815
Net cash provided by noncapital financing activities	1,419,033	486,060
Cash Flows from Investing Activities - Interest received	57,111	21,165
(Decrease) Increase in Cash	(99,941)	90,833
Cash - Beginning of year	482,975	392,142
Cash - End of year	\$ 383,034	\$ 482,975
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Adjustments to reconcile operating loss to net cash from operating activities:		
Operating loss	\$ (1,810,683)	\$ (1,936,549)
Depreciation	327,178	338,044
Loss on disposal of assets	3,899	-
Changes in assets and liabilities:		
Accounts receivable - Net	(40,390)	54,458
Pledges receivable - Net	116,751	35,657
Prepaid expenses and other assets	513	(956,522)
Accounts payable	21,072	(62,105)
Net pension liability	(12,955)	-
Accrued expenses and other liabilities	45,801	2,144,266
Net cash used in operating activities	\$ (1,348,814)	\$ (382,751)

WKSU Radio Station

Notes to Financial Statements June 30, 2015 and 2014

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.

Note 2 - Significant Accounting Policies (Continued)

In fiscal year 2015, the Station adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB Statement No. 71 is a clarification of GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). The only government benefit pension plan used by WKSU employees in fiscal year 2015 is the Ohio Public Employee Retirement System (OPERS). Kent State University calculates WKSU's portion of the unfunded liability and related pension expense. The liability and the expense was calculated by using WKSU salaries in direct proportion to Kent State University salaries. There were significant changes to the statements as a result of this adoption. In accordance with the statement, the Station has recorded \$627,769 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. The June 30, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

- **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
- **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

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - Deferred inflows and outflows of resources are consumptions of net position by the Station that is applicable to a future reporting period, and an acquisition of net position by the Station that is applicable to a future reporting period, respectively. The Station has recorded a deferred outflow of resources and a deferred inflow of resources related to GASB Statement No. 68 for pensions. See Note 12 for further discussion.

Pensions – For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Accounts Receivable - Accounts receivable consist primarily of sales of underwriting contracts for spots aired as of June 30, 2015. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts.

Operating Versus Nonoperating Revenue and Expenses - The Station defines operating activities as reported on the statement of revenue, expenses, and changes in net position as those that generally result from exchange transactions, such as payments received for providing goods or services. All of the Station's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenue as required by GASB Statement No. 35.

Note 2 - Significant Accounting Policies (Continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires WKSU's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets - Capital assets are stated at cost at the time of purchase or fair value at the date of gift. Depreciation of plant physical properties is provided on a straight-line basis over the estimated useful lives (3 to 40 years) of the respective assets.

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

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

Contributions - Contributions, including unconditional promises to give and membership receipts, are recognized as revenue when all eligibility requirements, including time requirements, have been met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon WKSU management's judgment including such factors as prior collection history and type of contribution. All member pledges receivable are promises to give within one year of June 30, 2015.

WKSU has a major gift program. The major gift program will serve as the capital campaign umbrella for several initiatives including, but not limited to, equipment, technology, culture, endowment funds, and building expansion. The gross pledges receivable total \$29,725 and \$126,175 as of June 30, 2015 and 2014, 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.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements - The following upcoming GASB pronouncements are currently being evaluated and analyzed by management for future impact on WKSU's financial statements.

- **GASB Statement No. 72** - *Fair Value and Measurement of Application*. The provisions of this statement are effective for the year ending June 30, 2016.
- **GASB Statement No. 75** - *Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions*. The provisions of this statement are effective for the year ending June 30, 2018.

Note 3 - Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded at their approximate present value. For pledges made during fiscal years 2014, 2013, and 2009, the future cash flows from pledges receivable have been discounted using a discount rate of 2.5 percent. For pledges made during fiscal years 2012, 2011, and 2010, the future expected cash flows from 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.

Membership pledges are expected to be received within 12 months. Major gift pledges receivable (less allowance for uncollectible amounts) due in less than one year totaled \$18,652 for fiscal year 2015 and \$23,558 for fiscal year 2014.

Major gift pledges receivable at June 30, 2015 and 2014 are expected to be realized at the following net amounts:

	<u>2015</u>	<u>2014</u>
Less than one year	20,725	26,175
One to five years	<u>9,000</u>	<u>100,000</u>
Total	29,725	126,175
Less amount estimated to be uncollectible	(2,941)	(12,151)
Less unamortized discount	<u>(324)</u>	<u>(4,657)</u>
Total pledges receivable - Net	<u>\$ 26,460</u>	<u>\$ 109,367</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Capital Assets

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

<u>Asset Category</u>	<u>Depreciation Category</u>	<u>Estimated Useful Life</u>
Buildings	Buildings	40 years
Towers	Buildings	30 years
Furniture and fixtures	Furniture and fixtures	10 years
Equipment	Equipment	7-10 years
Automobiles	Equipment	5 years
Computers	Equipment	3 years

Capital asset activity for the years ended June 30, 2015 and 2014 is as follows:

	2015			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Ending Balance</u>
Furniture and fixtures	\$ 146,248	\$ -	\$ (18,850)	\$ 127,398
Equipment	4,302,533	51,300	(114,725)	4,239,108
Building	2,432,121	-	-	2,432,121
Construction in progress	26,000	175,971	-	201,971
Total	6,906,902	227,271	(133,575)	7,000,598
Less accumulated depreciation:				
Furniture and fixtures	146,248	-	(18,850)	127,398
Equipment	2,901,586	267,695	(110,826)	3,058,455
Building	1,319,510	59,483	-	1,378,993
Total accumulated depreciation	4,367,344	327,178	(129,676)	4,564,846
Capital assets - Net	<u>\$ 2,539,558</u>	<u>\$ (99,907)</u>	<u>\$ (3,899)</u>	<u>\$ 2,435,752</u>

WKSU Radio Station

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Capital Assets (Continued)

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

During fiscal years 2011 and 2006, WKSU received federal funding from the National Telecommunication and Information Administration for two capital expenditure projects in the amounts of \$143,095 and \$67,547, 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 and June 29, 2017.

Note 5 - Capital Lease

WKSU has entered into a capital lease with Kent State University for a 2015 Ford Explorer vehicle. The vehicle purchase under the capital lease arrangement has been capitalized and is included in capital assets - net on the statement of net position. Depreciation of this asset under capital leases is included in depreciation expense. The current portion of capital lease obligation is included in due to Kent State University - net on the statement of net position.

WKSU Radio Station

Notes to Financial Statements June 30, 2015 and 2014

Note 5 - Capital Lease (Continued)

At June 30, 2015, the future minimum lease payments, by year and in the aggregate, are summarized as follows:

	Years Ending June 30	Amount
	2016	\$ 8,094
	2017	8,094
	2018	8,094
	2019	8,094
	2020	<u>3,373</u>
Total minimum lease payments		35,749
Less amount representing interest		<u>(3,599)</u>
Present value of net minimum lease payments		32,150
	Less current obligations	<u>(7,206)</u>
Long-term obligations under capital leases		<u>\$ 24,944</u>

Note 6 - 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, 2015 and 2014, lease expense totaled \$32,561 and \$31,707, respectively.

Future minimum operating lease commitments at June 30, 2015 are as follows:

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

WKSU Radio Station

Notes Financial Statements June 30, 2015 and 2014

Note 6 - Operating Lease Commitments and Contingencies (Continued)

WKSU leases space on the University towers to various third parties using five-year leases, expiring in 2019, with renewal options thereafter. During fiscal years 2015 and 2014, WKSU recorded \$97,169 and \$111,796, respectively, as tower rental income that is included in "other income" on the statement of revenue, expenses, and changes in net position. Future minimum rentals due are as follows:

Years Ending June 30	Amount
2016	\$ 90,082
2017	75,442
2018	73,177
2019	74,207

Note 7 - Related Party Transactions

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

The statement of net position and the statement of revenue, expenses, and changes in net position include the following related party amounts for the years ended June 30, 2015 and 2014:

Year Ended June 30, 2015

Related Party Transactions	Statement Line Item	University	Foundation
In-kind contributions	In-kind contributions/ Donated administration	\$ 1,128,865	\$ 20,878
Appropriations	KSU appropriations	2,745,169	

Year Ended June 30, 2014

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

WKSU Radio Station

Notes to Financial Statements June 30, 2015 and 2014

Note 8 - 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.

Note 9 - Investments

Investment funds are either board-designated or restricted as to intended purpose and are invested with and managed by Kent State University Foundation, Inc. (the "Foundation"). These investments are held in the Foundation's name. The fair values of the investment funds at June 30, 2015 and 2014 were as follows:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Board-designated	\$ 279,888	\$ 316,795	\$ 265,988	\$ 329,683
Restricted expendable	839,560	950,266	796,700	987,481
Restricted nonexpendable	15,235	18,254	15,235	18,995
Total	<u>\$1,134,683</u>	<u>\$1,285,315</u>	<u>\$1,077,923</u>	<u>\$1,336,159</u>

Note 10 - Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

Note 11 - Nonfederal Financial Support (NFFS) (Continued)

A “contribution” is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity other than the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio programs and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV Community Service Grant (CSG) program precipitated by extraordinary infusions of new capital investments in digital television (DTV), all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2014 or 2015 NFFS. This change excludes all revenue received for any capital purchases.

A “payment” is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$3,095,631 and \$3,028,268 for the radio fund for 2015 and 2014, respectively.

Note 12 - Retirement Benefits

Basic Retirement Benefits

Plan Description - WKSU participates in the Ohio Public Employees Retirement System (OPERS or the “Plan”), one of the statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of WKSU. OPERS has three retirement plan options available to its members. Each plan provides retirement, survivor, and disability benefits to plan members and their beneficiaries. Each plan also provides postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Note 12 - Retirement Benefits (Continued)

OPERS issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. The report may be obtained by contacting:

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
(800) 222-7377
www.opers.org

Contributions - State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement board of the system (OPERS) individually sets contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plan's 2015 and 2014 contribution rates on covered payroll were as follows:

	Employer Contribution Rate			
	Pension	Post- retirement Healthcare	Death Benefits	Total
OPERS	12.00%	2.00%	0.00%	14.00%

WKSU's required and actual contributions to the plans are as follows:

	For the Years Ended June 30	
	2015	2014
OPERS	\$ 111,087	\$ 107,472

Note 12 - Retirement Benefits (Continued)

Benefits Provided

Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirement to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years), and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, WKSU reported a liability for its proportionate share of the net pension liability of OPERS. The net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. WKSU was allocated a portion of the University's net pension liability based on its percentage of payroll expense.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2015	2014	2015	2014	
OPERS	December 31	\$ 696,525	\$ 682,347	0.68%	0.68%	0.00%

WKSU Radio Station

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - Retirement Benefits (Continued)

For the years ended June 30, 2015 and 2014, WKSU recognized pension expense of \$121,160 and \$129,333, respectively. At June 30, 2015, WKSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,955
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	37,418	-
Changes in proportion and differences between University contributions and proportionate share of contributions	1,387	-
University contributions subsequent to the measurement date	55,861	-
Total	<u>\$ 94,666</u>	<u>\$ 12,955</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	\$ (4,253)
2017	(4,253)
2018	(8,432)
2019	(9,272)
2020	81
Thereafter	279

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next fiscal year (2016).

Note 12 - Retirement Benefits (Continued)

Actuarial Assumptions - The total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPERS - As of December 31, 2014</u>
Valuation date	December 31, 2014
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	4.25 percent - 10.05 percent
Inflation	3.75 percent
Investment rate of return	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent for OPERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

WKSU Radio Station

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - Retirement Benefits (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	OPERS	
	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	23.00%	2.31%
Domestic equities	19.90%	5.84%
Real estate	10.00%	4.25%
Private equity	10.00%	9.25%
International equity	19.10%	7.40%
Other investments	18.00%	4.59%
Total	100.00%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -

The following presents the net pension liability of WKSU, calculated using the discount rate listed below, as well as what WKSU's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
OPERS	7.00%	\$ 1,285,824	8.00%	696,525	9.00%	\$ 200,342

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WKSU Radio Station (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, which comprise the statement of net position as of June 30, 2015, 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 18, 2015.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Station's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2015-001 that we consider to be a significant deficiency.

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 18, 2015

WKSU Radio Station

Schedule of Findings and Responses June 30, 2015 and 2014

Reference Number	Findings
2015-001	<p>Finding Type - Significant deficiency</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 as of the end of the fiscal year.</p> <p>Condition - There is currently not an effective control in place to ensure that all revenue and receivables are recorded in the correct period.</p> <p>Context - Custom invoices were generated for future services and cash was collected prior to June 30, 2015 related to those invoices. This resulted in revenue being recorded in fiscal year 2015 rather than deferred revenue.</p> <p>Cause - A new software was implemented in fiscal year 2015. There was not a process in place to restrict custom invoices from being generated and those invoices were not reviewed by management as of June 30, 2015 to ensure that revenue was recognized in the appropriate period.</p> <p>Effect - Improper cutoff of revenue causes misstatement of revenue, receivables, deferred revenue, and net position</p> <p>Recommendation - The Station should not allow the capability to generate custom invoices. If the Station does allow this, a process should be implemented to ensure that these invoices are recognized as deferred revenue, where appropriate.</p>

WKSU Radio Station

Schedule of Findings and Responses (continued) June 30, 2015 and 2014

Reference Number	Findings
2015-001 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions -</p> <p>The specific receivable area referred to with the finding is related to Underwriting revenue. Allegiance software was purchased to manage underwriting contracts and billing functions. It was implemented November 1, 2014. WKSU Management is meeting with Allegiance software officials to determine areas of weakness with internal controls and financial reporting. These weaknesses will be corrected and/or eliminated as options.</p> <p>Account executives – underwriting (development department) had the ability to set up custom cash scheduling at clients request. Custom cash scheduling allowed account executives to manually enter specific dollar amounts with the monthly invoices over the course of the contract. The finance department was not aware that account executives could have the ability to affect billing functions. It was expected that Allegiance software controls would not allow other departments to have this access. Invoices were only generated when the revenue was earned with no prepaid invoices allowed only with prior proper approvals. This election enabled the development department access to billing functions causing in proper internal controls and creating deferred and accounts receivable revenue that was not reported correctly.</p> <p>The finance department is keeping files of all invoices and statements on each client and contract and will be reconciled on a quarterly basis. Financial reports reviewed monthly for errors. Invoice meetings are held on the fifth of each month with the development department to review all invoices and other potential issues.</p> <p>Updated policies and procedures will be issued giving instruction and clarity to all employees with access to Allegiance Underwriting module.</p>

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Dave Yost • Auditor of State

KENT STATE UNIVERSITY-WKSU RADIO STATION

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2016**