

WSUI-AM AND KSUI-FM

A Public Telecommunications Station  
Operated by The State University of Iowa

Audited Financial Statements for  
the Years Ended June 30, 2010 and 2009  
and Independent Auditor's Report

WSUI-AM AND KSUI-FM

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June 30, 2010

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WSUI RADIO GROUP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

WSUI Radio Group ("WSUI") provides this Management's Discussion and Analysis as a narrative overview of the financial performance of WSUI for the three years ended June 30, 2010, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes that follow.

WSUI Radio Group's license is held by the University of Iowa. WSUI's radio group includes the following frequencies: KSUI (91.7 FM), WSUI (910 AM) and K269E12 (101.7 FM).

The Board of Regents of the State of Iowa established Iowa Public Radio, Inc. ("IPR") to manage the day-to-day operations including programming, technical support and administration of the public radio operations at the three Regents' universities. This includes the WSUI Radio Group as well as the WOI Radio Group at Iowa State University and the KUNI Radio Group at the University of Northern Iowa. IPR is governed by a board of directors consisting of five appointees. The Board of Regents appoints two community directors to represent the interests of Iowa's communities. The president at each of the Regents' universities appoints a university director to represent the interests of each respective university.

As Iowa Public Radio, Inc. continues to evolve into a fully integrated organization - blending the best of each station while gaining operational efficiencies - the consistency in financial reporting year-over-year will be impacted. The audited financial statements and footnotes of WSUI should be read in conjunction with the audited financial statements and footnotes of IPR.

Iowa Public Radio's mission is to inform, enrich and engage Iowans through radio programming and other media. IPR enhances civic and cultural connections across the state, strengthening communities and reflecting Iowa's sense of place. One of the top priorities of IPR is to extend our voices to more areas of the state - giving more Iowans the opportunity to experience rich, timeless music and the in-depth perspective of the world we live in that they can only get from public radio.

USING THE AUDITED FINANCIAL STATEMENTS

This analysis is intended to introduce the basic financial statements of WSUI which consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. WSUI reports as a business-type activity as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34").

WSUI RADIO GROUP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

These financial statements have been prepared in conformity with GASB 34 using the economic resources measurement focus and the accrual basis of accounting. GASB 34 also requires that net assets be reported in three categories - invested in capital assets net of related debt, restricted and unrestricted.

THE STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities and net assets of WSUI at the end of each fiscal year. The difference between assets and liabilities - or net assets - is one indicator of the current financial condition. The change in net assets is an indicator of whether the overall financial condition has improved during the fiscal year.

	June 30,		
	2010	2009	2008
<b>Assets:</b>			
Current assets	\$ 637,503	\$ 785,618	\$ 691,816
Capital assets, net	797,549	885,876	952,642
Investment pools	1,437,058	1,345,604	1,395,903
Total assets	<u>\$ 2,872,110</u>	<u>\$ 3,017,098</u>	<u>\$ 3,040,361</u>
<b>Liabilities:</b>			
Current liabilities	\$ 128,120	\$ 155,170	\$ 196,902
Long-term liabilities	17,511	-	-
Total liabilities	<u>\$ 145,631</u>	<u>\$ 155,170</u>	<u>\$ 196,902</u>
<b>Net assets:</b>			
Invested in capital assets	\$ 797,549	\$ 885,876	\$ 952,642
Restricted	523,593	507,007	498,944
Unrestricted	1,405,337	1,469,045	1,391,873
Total net assets	<u>\$ 2,726,479</u>	<u>\$ 2,861,928</u>	<u>\$ 2,843,459</u>
Total liabilities and net assets	<u>\$ 2,872,110</u>	<u>\$ 3,017,098</u>	<u>\$ 3,040,361</u>
Change in net assets	<u>\$ (135,449)</u>	<u>\$ 18,469</u>	<u>\$ (188,480)</u>

WSUI RADIO GROUP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

Total assets at June 30, 2010 decreased 4.8% to \$2,872,110 compared to total assets of \$3,017,098 at the end of the prior fiscal year. This decrease is primarily due to decreases in cash and cash equivalents, capital assets and underwriting receivables offset by increases in investments. In January, 2010, the underwriting function for WSUI was centralized as part of IPR's on-going effort to become a fully integrated organization. Prior to this time, underwriting functions were performed at each of the university stations and therefore were reflected on the financial statements of each of the stations. Total assets at the end of fiscal year 2009 decreased compared to the total assets at the end of fiscal year 2008.

Capital assets at June 30, 2010 decreased 10.0% to \$797,549 compared to capital assets of \$885,876 at the end of the prior fiscal year due to the recording of depreciation. Capital assets decreased at the end of fiscal year 2009 compared to capital assets at the end of fiscal year 2008.

Total liabilities at June 30, 2010 decreased 6.1% to \$145,631 compared to total liabilities of \$155,170 at the end of the prior fiscal year. This decrease is primarily due to decreases in accrued compensation and advance payments on underwriting agreements. Long-term liabilities increased slightly at June 30, 2010 compared to long-term liabilities at the end of the prior fiscal year due to an increase in retirement incentive options payable. Total liabilities at the end of fiscal year 2009 decreased compared to the total liabilities at the end of fiscal year 2008.

Total net assets at June 30, 2010 decreased 4.7% to \$2,726,479 compared to total net assets of \$2,861,928 at the end of the prior fiscal year. Total net assets at the end of fiscal year 2009 increased compared to total net assets at the end of fiscal year 2008. WSUI's net assets are largely comprised of unrestricted net assets which may be used at management's discretion to meet current obligations.

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The change in net assets as presented in the Statement of Net Assets is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets.

WSUI RADIO GROUP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

	For the years ended June 30,		
	2010	2009	2008
Total operating revenues	\$ 2,090,792	\$ 2,348,799	\$ 2,202,933
Total operating expenses	2,294,693	2,298,049	2,411,701
Operating income (loss)	(203,901)	50,750	(208,768)
Non-operating revenues (expenses)	68,452	(32,281)	20,288
Change in net assets	\$ (135,449)	\$ 18,469	\$ (188,480)

Total operating revenues for the year ended June 30, 2010 decreased 11.0% to \$2,090,792 compared to \$2,348,799 for the year ended June 30, 2009. Major components of operating revenues are as follows:

- Underwriting revenue, net of allowances, decreased operating revenues by \$275,222. For fiscal year 2010, underwriting revenue is reported on the financial statements of each of the stations for the 6-month period July 1, 2009 through December 31, 2009. For the 6-month period January 1, 2010 through June 30, 2010, underwriting revenue is reported on the financial statements of IPR.
- Support from the University of Iowa, including general appropriations and institutional, physical plant and occupancy support, decreased operating revenues by \$117,373.
- Major gifts decreased operating revenues by \$80,696.
- Support from IPR, including membership and fund-raising campaign funds as well as donated support, increased operating revenues by \$216,721.

Total operating revenues for the year ended June 30, 2009 increased 6.6% to \$2,348,799 compared to \$2,202,933 for the year ended June 30, 2008. This increase was primarily due to increases in major gifts, support from IPR and institutional, physical plant and occupancy support from the University of Iowa. This increase was offset by decreases in underwriting and membership and fund-raising campaign funds.

Total operating expenses for the year ended June 30, 2010 decreased slightly to \$2,294,693 compared to \$2,298,049 for the year ended June 30, 2009. Major components of operating expenses are as follows:

- Broadcast and engineering expenses decreased operating expenses by \$26,614 primarily due to decreases in professional services and purchases of office and other supplies.

WSUI RADIO GROUP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

- Programming and production expenses decreased operating expenses by \$15,451 primarily due to a decrease in salaries, wages and benefits offset by an increase in professional services.
- Management and general expenses increased operating expenses by \$40,486 primarily due to an increase in professional services.

Total operating expenses for the year ended June 30, 2009 decreased 4.7% to \$2,298,049 compared to \$2,411,701 for the year ended June 30, 2008. This decrease is primarily due to decreases in program information and promotion expenses.

Non-operating revenues (expenses) for the year ended June 30, 2010 increased significantly to \$68,452 compared to (\$32,281) for the year ended June 30, 2009. This increase was primarily due to an increase of \$123,200 in investment returns. Non-operating revenues (expenses) for the year ended June 30, 2009 decreased to (\$32,281) compared to \$20,288 for the year ended June 30, 2008. This decrease was primarily due to a decrease in investment returns.

THE STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash disbursements for WSUI for the fiscal year.

	For the years ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash from operating activities	\$(86,680)	\$ 31,287	\$(99,324)
Cash from capital financing activities	(23,555)	(19,766)	38,900
Cash from investing activities	(45)	18,703	310,519
Net change in cash	<u>(110,280)</u>	<u>30,224</u>	<u>250,095</u>
Cash beginning of year	538,888	508,664	258,569
Cash end of year	<u><u>\$428,608</u></u>	<u><u>\$538,888</u></u>	<u><u>\$508,664</u></u>

Cash from operating activities decreased to (\$86,680) for the year ended June 30, 2010 compared to \$31,287 for the year ended June 30, 2009 primarily due to decreases in cash received for underwriting, major gifts, membership and fund-raising campaign funds and general appropriations. These decreases in cash receipts were offset by decreases in salaries, wages and benefits to employees and payments to suppliers.

WSUI RADIO GROUP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

Cash from capital financing activities decreased to (\$23,555) for the year ended June 30, 2010 compared to (\$19,766) for the year ended June 30, 2009 primarily due to the decrease in cash received from equipment grants offset by a decrease in purchases of equipment during 2010.

Cash from investing activities decreased to (\$45) for the year ended June 30, 2010 compared to \$18,703 for the year ended June 30, 2009 due to cash proceeds from the sale of securities and investment income decreased during 2010.

The net decrease in cash and cash equivalents was (\$110,280) for the year ended June 30, 2010 compared to a net increase of \$30,224 for the year ended June 30, 2009. Cash balances decreased at the end of the fiscal year consistent with the prior fiscal year.

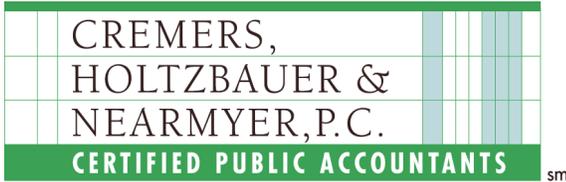
ECONOMIC OUTLOOK

The management of IPR is not aware of any extraordinary items that would impact the viability of WSUI going forward. IPR continues to make major steps toward fully integrating the organization, enhancing operating efficiencies and decreasing its financial dependence on the three Regents' universities.

IPR continues to invest in technology, training and human resources to accommodate the changing economic environment and understands the need to maintain current funding sources as well as cultivating private funding sources. IPR is fully engaged in its effort to assure its sustainability for the coming years.

CONTACTING WSUI RADIO GROUP'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of WSUI's finances and to demonstrate accountability for the funds received. Questions regarding this report or requests for additional information should be directed to the Chief Administrative Officer, Iowa Public Radio, Inc., 2111 Grand Avenue, Suite 100, Des Moines, Iowa, 50312.



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INDEPENDENT AUDITOR'S REPORT

Mr. Douglas True  
Senior Vice President and University Treasurer  
University of Iowa  
Iowa City, Iowa:

We have audited the accompanying financial statements of WSUI-AM/KSUI-FM, a public telecommunications station operated by the State University of Iowa, as of and for the years ended June 30, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of WSUI-AM/KSUI-FM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business type activities of the State University of Iowa that is attributable to the transactions of WSUI-AM/KSUI-FM. They do not purport to, and do not, present fairly the financial position of the State University of Iowa as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Dale E. Cremers, CPA  
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Iowa Society of Certified Public  
Accountants

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Society of North America

In accordance with *Government Auditing Standards*, for the year ended June 30, 2010, we have also issued a report dated May 25, 2011 on our consideration of the Station's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, on pages 1 - 6, is not a required part of the financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

The accompanying supplementary information, on pages 25 - 26 is presented for purposes of additional analysis and is not a required part of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Cremers, Holtzbauer & Nearmyer, P.C.*

CREMERS, HOLTZBAUER & NEARMYER, P.C.  
Certified Public Accountants

May 25, 2011

WSUI-AM AND KSUI-FM

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CASH AND CASH EQUIVALENTS	\$ 428,608	\$ 538,888
UNDERWRITING RECEIVABLES, less allowance for doubtful accounts; \$-0- in 2010 and \$19,250 in 2009	-0-	78,198
DUE FROM IOWA PUBLIC RADIO	161,341	115,350
PLEDGES RECEIVABLE	-0-	535
PREPAID EXPENSES	<u>47,554</u>	<u>52,647</u>
Total current assets	- - <u>637,503</u>	- - <u>785,618</u>
CAPITAL ASSETS, net	797,549	885,876
INVESTMENTS HELD BY THE STATE UNIVERSITY OF IOWA FOUNDATION	1,429,119	1,337,931
INVESTMENTS HELD BY THE STATE UNIVERSITY OF IOWA long-term endowment pool	<u>7,939</u>	<u>7,673</u>
TOTAL	<u>\$ 2,872,110</u>	<u>\$ 3,017,098</u>
<u>LIABILITIES AND NET ASSETS</u>		
ACCOUNTS PAYABLE	\$ 13,238	\$ 15,965
ACCRUED COMPENSATION	62,848	79,657
ADVANCE PAYMENTS ON UNDERWRITING AGREEMENTS	-0-	12,798
DEFERRED GRANT REVENUE	46,750	46,750
CURRENT PORTION - EARLY RETIREMENT BENEFITS PAYABLE	<u>5,284</u>	<u>-0-</u>
Total current liabilities	128,120	155,170
EARLY RETIREMENT BENEFITS PAYABLE - net of current portion	<u>17,511</u>	<u>-0-</u>
Total liabilities	- - <u>145,631</u>	- - <u>155,170</u>
NET ASSETS:		
Invested in capital assets - net of related debt	797,549	885,876
Restricted	523,593	507,007
Unrestricted	<u>1,405,337</u>	<u>1,469,045</u>
Total net assets	<u>2,726,479</u>	<u>2,861,928</u>
TOTAL	<u>\$ 2,872,110</u>	<u>\$ 3,017,098</u>

The accompanying notes are an integral part of these financial statements.

WSUI-AM AND KSUI-FM

STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>OPERATING REVENUES:</u>		
Support from The State University of Iowa:		
General appropriations	\$ 486,545	\$ 584,426
Institutional, physical plant and occupancy	367,722	387,214
Support from Iowa Public Radio:		
Memberships and fund-raising campaigns	550,005	431,603
Program underwriting	161,408	-0-
State appropriations	114,670	164,166
Special events	-0-	13,593
Community service grants	273,267	261,255
Program underwriting	137,060	412,282
Memberships and fund-raising campaigns	-0-	601
Major gifts	-0-	80,696
Special projects	-0-	12,779
Other revenue	<u>115</u>	<u>184</u>
 Total operating revenues	 <u><u>2,090,792</u></u>	 <u><u>2,348,799</u></u>
<u>OPERATING EXPENSES:</u>		
Program services:		
Programming and production	821,325	836,776
Broadcasting and engineering	345,638	372,252
Program information and promotion	86,743	86,964
Support services:		
Management and general	755,904	715,418
Fundraising and membership development	<u>285,083</u>	<u>286,639</u>
 Total operating expenses	 <u><u>2,294,693</u></u>	 <u><u>2,298,049</u></u>
 Operating income (loss)	 <u><u>(203,901)</u></u>	 <u><u>50,750</u></u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>		
Equipment grants	-0-	38,900
Investment return	91,592	(31,608)
Rental income	415	243
Noncapitalized equipment	<u>(23,555)</u>	<u>(39,816)</u>
 Total non-operating revenues (expenses) - net	 <u><u>68,452</u></u>	 <u><u>(32,281)</u></u>
 CHANGE IN NET ASSETS	 (135,449)	 18,469
<u>NET ASSETS:</u>		
Beginning of year	<u>2,861,928</u>	<u>2,843,459</u>
 END OF YEAR	 <u><u>\$ 2,726,479</u></u>	 <u><u>\$ 2,861,928</u></u>

The accompanying notes are an integral part of these financial statements.

WSUI-AM AND KSUI-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from The State University of Iowa general appropriations	\$ 486,545	\$ 584,426
Cash received from community service grants	273,267	261,255
Cash received from program underwriting	201,051	379,834
Cash received from Iowa Public Radio for membership and fund-raising campaigns	155,110	170,773
Cash received from major gifts, memberships and fund-raising campaigns	535	81,911
Cash received from special projects	-0-	12,779
Cash received from other revenue	530	427
Cash payments to employees for salaries, wages and benefits	(791,714)	(941,913)
Cash payments to suppliers for goods and services	<u>(412,004)</u>	<u>(518,205)</u>
Net cash flows provided (used) by operating activities	- - <u>(86,680)</u>	- - <u>31,287</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Cash received from equipment grants	-0-	46,750
Purchase of equipment - noncapitalized	(23,555)	(39,816)
Purchase of equipment - capitalized	<u>-0-</u>	<u>(26,700)</u>
Net cash flows used by capital financing activities	- - <u>(23,555)</u>	- - <u>(19,766)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	490	13,824
Purchases of investments	(535)	-0-
Cash received from investment income	<u>-0-</u>	<u>4,879</u>
Net cash flows provided (used) by investing activities	<u>(45)</u>	<u>18,703</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(110,280)	30,224
CASH AND CASH EQUIVALENTS - beginning of year	<u>538,888</u>	<u>508,664</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 428,608</u>	<u>\$ 538,888</u>

The accompanying notes are an integral part of these financial statements.

WSUI-AM AND KSUI-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>		
<u>NET CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (203,901)	\$ 50,750
Transactions not requiring cash:		
Depreciation	88,327	93,515
Non-operating rental income	415	243
Expense paid from investment account	183	-0-
Increase (decrease) in:		
Underwriting receivables	78,198	(14,497)
Due from Iowa Public Radio	(45,991)	(38,750)
Pledges receivables	535	614
Prepaid expenses	5,093	(10,946)
Increase (decrease) in:		
Accounts payable	(2,727)	(22,304)
Accrued compensation	(16,809)	(11,828)
Advance payments on underwriting agreements	(12,798)	(15,510)
Early retirement benefits payable	<u>22,795</u>	<u>-0-</u>
Net cash flows provided (used) by operating activities	<u>\$ (86,680)</u>	<u>\$ 31,287</u>

The accompanying notes are an integral part of these financial statements.

WSUI - AM AND KSUI - FM

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

WSUI - AM and KSUI - FM ("the Station") is a department of The State University of Iowa ("the University"), under the governance of the Board of Regents, State of Iowa (Board of Regents). Because the Board of Regents holds the corporate powers of the Station, it is not deemed to be legally separate. Accordingly, for financial reporting purposes, the Station is included in the financial report of the University and the University is included in the financial report of the State of Iowa, the primary government, as required by U.S. generally accepted accounting principles. The Station is classified as a state instrumentality under Internal Revenue Code Section 115 and is exempt from federal income taxes. Certain activities of the Station may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The Station applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: *Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins.*

Basis of Accounting

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 35. Accordingly, the financial statements of the Station have been prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Nature of Activities

The Station's programming is entirely devoted to educational, informational, or cultural programs for general audiences. The Station is the licensee of public radio stations located in the State of Iowa. A significant portion of the Station's funding is received from the State University of Iowa and Iowa Public Radio.

Net Assets

The Station's net assets are classified as follows:

*Invested in capital assets, net of related debt* - Capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets - continued

*Restricted, nonexpendable* - Net assets subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.

*Restricted, expendable* - Net assets subject to externally imposed restrictions on use of resources either legally or contractually.

*Unrestricted* - Net assets not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management.

When an expense is incurred in which both unrestricted and restricted net assets are available, the Station's policy is to first apply the expense against the restricted, and then toward the unrestricted asset.

Restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Restricted, expendable:		
Scholarships	\$ 7,939	\$ 7,673
CPB Grant	216,774	229,323
Classical Music Programming	69,473	53,274
KSUI Programming	16,542	14,944
WSUI Programming	10,406	9,401
WSUI/KSUI Programming	<u>23,531</u>	<u>13,464</u>
Total restricted, expendable	_ _ <u>344,665</u>	_ _ <u>328,079</u>
Restricted, nonexpendable:		
Classical Music Programming	98,232	98,232
WSUI/KSUI Programming	<u>80,696</u>	<u>80,696</u>
Total restricted, nonexpendable	<u>178,928</u>	<u>178,928</u>
Total restricted net assets	<u>\$ 523,593</u>	<u>\$ 507,007</u>

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reported period. Actual results could differ from those estimates.

Capital Assets

Capital assets are recorded at cost, or in the case of donated property at the estimated fair value on the date received. All capital asset expenditures in excess of \$5,000 are capitalized. Depreciation is computed using the straight-line method, with useful lives ranging from 5 to 15 years for all capitalized items. Depreciation charged to operations for fiscal years ended 2010 and 2009 was \$88,327 and \$93,515, respectively.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Pledges and Contributions

The Station encourages individuals, businesses and other organizations to provide support for specific and general programming. Iowa Public Radio engages in periodic fundraising campaigns on behalf of the Station using on-air and mail fundraising appeals. A portion of the contributions are made by pledges. Contributions, including unconditional pledges, are recognized in the period received or given, net of an allowance for uncollectible pledges, if appropriate. Contributions are classified as operating revenues unless restricted. Support from Iowa Public Radio is recognized when Iowa Public Radio pledges an allocation of support from its fundraising efforts.

Underwriting Receivables

Underwriting receivables were carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. As of January 1, 2010, Iowa Public Radio, Inc. has assumed the billing for and collection of underwriting activities.

University Support and Grant Revenue

University support is recorded as revenue when expenditures are incurred. Grants and other support to finance capital assets are recognized when the expenditures are incurred. Grants to finance noncapital projects are recorded when awarded by the grantor.

Program Underwriting Support

Underwriting support was treated as conditional contributions, and recognized when the conditions were met based on the terms of the underwriting agreements, and were recognized primarily on a pro rata basis as the underwriters are acknowledged.

In-kind Contributions

As more fully described in Notes 2 and 3, the Station receives various types of in-kind support. The fair value of this support is recognized as revenue and expense on the Statements of Revenues, Expenses and Changes in Net Assets.

Contributed services are recognized as contributions if the services received, create or enhance a long-lived asset or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers provide a variety of tasks that assist the Station throughout the year that have not been recognized as contributions in the financial statements because the criteria for recognition was not met.

Operating and Non-operating Activities

Operating activities generally result from the provision of public broadcasting and from the production of program material for distribution. Revenues associated with, or restricted by donors for use for capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Allocation of Expenses

The costs of providing program services and other activities are summarized on a functional basis in the Statements of Revenues, Expenses and Changes in Net Assets and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services on the basis of benefits received.

Advertising

Advertising costs are charged to operations in the period in which they are incurred. Advertising expense charged to operations for fiscal years ended 2010 and 2009 was \$425 and \$3,673, respectively.

Reclassification

Certain 2009 amounts have been reclassified to conform with the 2010 presentation.

2. TRANSACTIONS WITH THE STATE UNIVERSITY OF IOWA

The Station receives general appropriations from the University to help support its operating cost. General appropriations awarded to the Station for the years ended June 30, 2010 and 2009 were \$486,545 and \$584,426, respectively.

The Station receives indirect support from the University, which consists of allocated institutional support, physical plant and office and studio occupancy costs incurred by the University for which the Station received benefits. The value of the indirect support is computed using the valuation method currently advocated by the Corporation for Public Broadcasting, which approximates fair value. The value of the indirect support was \$367,722 and \$387,214 for the years ended June 30, 2010 and 2009, respectively.

Program underwriting from various departments of the University totaled \$29,884 during the year ended June 30, 2009. The Station recorded underwriting accounts receivable of \$6,234 as of June 30, 2009, related to underwriting transactions.

Financial statements for the University of Iowa can be obtained from the Controller's office at Jessup Hall, University of Iowa, Iowa City, IA 52242 or from the website at [www.uiowa.edu](http://www.uiowa.edu).

3. TRANSACTIONS WITH IOWA PUBLIC RADIO

The Board of Regents of the State of Iowa established Iowa Public Radio, Inc. (IPR) to support, promote and manage the operations of the public radio stations licensed to the State University of Iowa, Iowa State University of Science and Technology and the University of Northern Iowa. IPR is governed by a Board of Directors, with one licensee director appointed by each University President.

3. TRANSACTIONS WITH IOWA PUBLIC RADIO - continued

IPR engages in fund-raising and underwriting campaigns on behalf of the Station through the use of on-air, online and direct mail fund-raising appeals. As a result of its fund-raising efforts, IPR periodically allocates a portion of its revenues to the Station. Contributions due from IPR were \$161,341 and \$115,350 as of June 30, 2010 and 2009, respectively.

IPR receives a state appropriation from the Board of Regents and periodically allocates a portion of the annual appropriation to the Station.

IPR also provides various services that benefit the Station, which would otherwise be purchased, and are recorded at fair value as support from IPR and as an equal amount of expense recorded as professional services provided by IPR. The Station recognized donated services from IPR in the amount of \$624,982 and \$399,840 for the years ended June 30, 2010 and 2009, respectively.

The following is a summary of the cash and noncash transactions with IPR for the year ended June 30, 2010:

	<u>Cash</u>	<u>Noncash</u>	<u>Total</u>
Memberships and fund-raising campaigns	\$ 201,101	\$ 348,904	\$ 550,005
Program underwriting	-0-	161,408	161,408
State appropriation	-0-	114,670	114,670
Special events	-0-	-0-	-0-
	<u>\$ 201,101</u>	<u>\$ 624,982</u>	<u>\$ 826,083</u>

The following is a summary of the cash and noncash transactions with IPR for the year ended June 30, 2009:

	<u>Cash</u>	<u>Noncash</u>	<u>Total</u>
Memberships and fund-raising campaigns	\$ 209,522	\$ 222,081	\$ 431,603
Program underwriting	-0-	-0-	-0-
State appropriation	-0-	164,166	164,166
Special events	-0-	13,593	13,593
	<u>\$ 209,522</u>	<u>\$ 399,840</u>	<u>\$ 609,362</u>

Financial statements for Iowa Public Radio, Inc. can be obtained from Iowa Public Radio at 2111 Grand Avenue, Suite 100, Des Moines, IA 50312 or from the website at [www.iowapublicradio.org](http://www.iowapublicradio.org).

4. THE CORPORATION FOR PUBLIC BROADCASTING COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grantmaking organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

4. THE CORPORATION FOR PUBLIC BROADCASTING COMMUNITY SERVICE GRANTS - Continued

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the financial statements as increases in temporarily restricted net assets when the station receives the grants. Upon satisfaction of the time and purpose restrictions, they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

Community Service Grants received and expended during the reported fiscal years are as follows:

Year of Grant	Grants Received	Expended		Uncommitted Balance at 6/30/10
		2009	2010	
2008	\$ 256,841	\$ 256,841	\$ -0-	\$ -0-
2009	261,255	31,932	229,323	-0-
2010	273,267	-0-	56,493	216,774

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are held by the State University of Iowa Foundation and/or the State University of Iowa and consist of unrestricted cash on hand, in checking, savings, and money market accounts, and highly liquid investments with original maturities of less than three months. Cash equivalents are readily convertible to known amounts of cash.

The State University of Iowa Foundation ("the Foundation") and the State University of Iowa hold the Station's investments. The investments are held by the University or Foundation or its agents and are uninsured and unregistered securities not in the Station's name. The Foundation and the University have various investment pools from which the Station may allocate investments. The Station's investment policy is to invest the majority of Friends of WSUI/KSUI account in the short-maturity pool, which consists of 100% low risk, fixed income instruments, and to invest the balance in the long-term pool, a higher risk, higher return portfolio which consists of 64% global equities, 15% global fixed income, 13% real assets and 8% diversifying strategies. Funds in the account are available to the Station upon demand.

The investment pool is reported at cost plus realized and unrealized earnings, which approximates fair value at June 30, 2010 and 2009. The composition of the investments as of June 30, 2010 and 2009 is as follows:

Investment Type	2010	2009
Money Market	\$ 144,066	\$ 112,381
Short-maturity pool	986,173	955,538
Long-term pool	306,819	277,685
Total investments	<u>\$ 1,437,058</u>	<u>\$ 1,345,604</u>

5. CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

Investment return was comprised of the following balances for the fiscal years 2010 and 2009:

<u>Income</u>	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 38,682	\$ 54,597
Management fees	(52,735)	(49,718)
Net realized and unrealized gains (losses)	<u>105,645</u>	<u>(36,487)</u>
Investment return	<u>\$ 91,592</u>	<u>\$ (31,608)</u>

The Station's cash and cash equivalents and investments are subject to the following risks:

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State University of Iowa Foundation manages credit risk by diversification to multiple counterparties.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of June 30, 2010, the Station's cash and cash equivalents were highly concentrated in University cash accounts and the investments were concentrated in the Foundation's investments.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the Station may not be able to recover deposits or collateral securities. As of June 30, 2010, the carrying amount of deposits with the University totaled \$428,608. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund. The Station's investments held by the Foundation are held by a number of custodians.

Complete financial statements for the Foundation can be obtained from the University of Iowa Foundation at Levitt Center for University Advancement, 1 West Park Road, Iowa City, IA 52244.

6. ENDOWMENT

The Stations's endowment consists of 5 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

6. ENDOWMENT - Continued

Interpretation of Relevant Law: The Board of Directors of the Station interprets the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require consideration of the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The investment policy of the institution

In accordance with the Station's interpretation of UPMIFA, absent explicit donor stipulations to the contrary, the Station shall classify as permanently restricted net assets the original value of the gifts donated to the permanent endowment, but such classification does not limit the expenditures from the endowment fund only to income, interest, dividends, rents, issues or profits. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined, from time to time, by the Station's Board of Directors, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, considering the above relevant factors.

Changes in endowment net assets as of June 30, 2010 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 98,756	\$ 178,928	\$ 277,684
Investment income	224	-0-	224
Net appreciation	47,785	-0-	47,785
Amounts appropriated for expenditure	<u>(18,874)</u>	<u>-0-</u>	<u>(18,874)</u>
Endowment net assets, end of year	<u>\$ 127,891</u>	<u>\$ 178,928</u>	<u>\$ 306,819</u>

The Station has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the investment objective of the endowment is to seek maximum total return consistent with the preservation of principal, diversification, and avoidance of excessive risk. The Station will exercise reasonable care, skill, and caution with regard to the investment of funds in the context of the entire portfolio which incorporates risk and return objectives reasonably suitable to the purposes of the Station. The assets are to be managed in a manner that seeks to meet these investment objectives, while at the same time attempting to reduce volatility in year-to-year spending. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Station relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Station targets a diversified asset allocation.

7. CAPITAL ASSETS

A summary of capital assets at June 30, 2010 and 2009 is as follows:

	June 30, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2010</u>
Depreciable capital assets:				
Towers & transmission equipment	\$1,424,284	\$ -0-	\$ (98,869)	\$1,325,415
Broadcast & production equipment	302,382	-0-	(32,096)	270,286
Office furniture & equipment	139,027	-0-	-0-	139,027
Software	<u>45,987</u>	<u>-0-</u>	<u>(45,987)</u>	<u>-0-</u>
 Total depreciable capital assets	 <u>1,911,680</u>	 <u>- - - -0-</u>	 <u>-(176,952)</u>	 <u>1,734,728</u>
Less accumulated depreciation:				
Towers & transmission equipment	691,451	56,328	(98,869)	648,910
Broadcast & production equipment	176,680	20,582	(32,096)	165,166
Office furniture & equipment	111,686	11,417	-0-	123,103
Software	<u>45,987</u>	<u>-0-</u>	<u>(45,987)</u>	<u>-0-</u>
 Total accumulated depreciation	 <u>1,025,804</u>	 <u>88,327</u>	 <u>(176,952)</u>	 <u>937,179</u>
 Capital assets - net	 <u>\$ 885,876</u>	 <u>\$ (88,327)</u>	 <u>\$ -0-</u>	 <u>\$ 797,549</u>

	June 30, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2009</u>
Depreciable capital assets:				
Towers & transmission equipment	\$1,397,584	\$ 26,700	\$ -0-	\$1,424,284
Broadcast & production equipment	302,382	-0-	-0-	302,382
Office furniture & equipment	139,027	-0-	-0-	139,027
Software	<u>45,987</u>	<u>-0-</u>	<u>-0-</u>	<u>45,987</u>
 Total depreciable capital assets	 <u>1,884,980</u>	 <u>- -26,700</u>	 <u>- - - -0-</u>	 <u>1,911,680</u>
Less accumulated depreciation:				
Towers & transmission equipment	638,142	53,309	-0-	691,451
Broadcast & production equipment	154,988	21,692	-0-	176,680
Office furniture & equipment	95,616	16,070	-0-	111,686
Software	<u>43,543</u>	<u>2,444</u>	<u>-0-</u>	<u>45,987</u>
 Total accumulated depreciation	 <u>932,289</u>	 <u>93,515</u>	 <u>-0-</u>	 <u>1,025,804</u>
 Capital assets - net	 <u>\$ 952,691</u>	 <u>\$ (66,815)</u>	 <u>\$ -0-</u>	 <u>\$ 885,876</u>

8. DEFERRED GRANT REVENUE

Deferred grant revenue as of June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
PTFP Equipment Grant	\$ 46,750	\$ 46,750
Total	<u>\$ 46,750</u>	<u>\$ 46,750</u>

9. EMPLOYEE BENEFIT AND RETIREMENT PLANS

All of the Station's personnel are employees of the University and have entitlements to University fringe benefit programs. The University uses a fringe benefit pool method to allocate expenses to University departments, and to pay fringe benefits. Under this method, the Station is charged a percentage of compensation for each employee based on one of the twelve University-defined employee groups. The University maintains and pays all applicable benefits and the obligation for compensated absences. The fringe benefit rate for the Station for the years ended June 30, 2010 and 2009 was 38.5% and 38.0%, respectively, including the contribution to the retirement programs discussed following.

Teachers Insurance and Annuity Association (TIAA-CREF)

The University contributes to the Teachers Insurance and Annuity Association - College Retirement Equity Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provision and contribution requirements. As required by the Board of Regent's policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF for the years 2010 and 2009, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 5 1/3% and 6 2/3%, respectively, of the first \$4,800 of earnings and 8% and 10%, respectively, on earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 8% and 10%, respectively, on all earnings.

Iowa Public Employees Retirement System

The University contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117. For years ended June 30, 2010 and 2009, plan members are required to contribute 4.3% and 4.1%, respectively, of their annual covered salary and the University is required to contribute 6.65% and 6.35%, respectively, of annual covered payroll.

9. EMPLOYEE BENEFIT AND RETIREMENT PLANS - continued

Iowa Public Employees Retirement System - continued

The Station's share of employer contributions to University TIAA-CREF, IPERS retirement plans, and fringe benefit pool is included in salaries, wages and benefits expense for the years ended June 30, 2010 and 2009.

Early Retirement Incentive

During the fiscal year ended June 30, 2010, the Station had one employee elect participation in the Early Retirement Incentive Program offered by the University of Iowa. Eligible employees were required to be 57 years or older on the date of retirement, and retire by June 30, 2010.

The University of Iowa charges the Station for the retirement incentive portion of the Early Retirement Incentive Program for the Station employee who elected participation. The Station reimburses the University for the employer's retirement contribution to TIAA-CREF for 5 years based on the employee's annual salary at retirement. In the event of the employee's death, the Station's obligation to pay the cost of the TIAA-CREF contribution will cease on the first day of the month following the date of death.

As of June 30, 2010, the present value of future benefits was \$22,795. The interest rate utilized to calculate the present value was 2.43%. All incentive payments are financed on a pay-as-you-go basis.

For the year ended June 30, 2010, the Station included \$26,941 in operating expense for this program.

Early retirement benefits payable activity for the current year is as follows:

	<u>2010</u>
Beginning balance	\$ -0-
Accrual of liability	26,922
Payments	<u>(4,127)</u>
Ending balance	<u>\$ 22,795</u>

10. LEASE COMMITMENTS

The State University of Iowa has entered into the following operating leases on behalf of the Station:

1. A noncancellable lease with Iowa Public Broadcasting Board to affix a radio transmission antenna on their tower, expiring June 30, 2013, with annual rent payments of \$17,200, plus utilities. Utility costs for 2010 and 2009 were \$18,352 and \$16,852, respectively.
2. A year to year lease with KDUB-TV to affix two antennas. Rent was \$2,400 for each of the years ended June 30, 2010 and 2009.

Future minimum lease payments for the noncancellable operating lease for the next three years and in the aggregate are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 17,200
2012	17,200
2013	<u>17,200</u>
Total	<u>\$ 51,600</u>

## 11. RISK MANAGEMENT

The Station is exposed to various risks of loss related to property loss, liability under tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are subject to the same insurance coverage as the University, which includes catastrophic property insurance, self-insured liability losses and limited motor vehicle liability coverage.

## 12. NONFEDERAL FINANCIAL SUPPORT

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on nonfederal financial support (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.

A "contribution" is cash, property or services given to a public broadcasting entity for general operation 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 except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, or 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 program 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 television CSG grant program precipitated by extraordinary infusions of new capital investments in direct television, 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 2010 NFFS. This change excludes all revenues received for any capital purchases.

The "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 broadcasting station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station.

## 13. SUBSEQUENT EVENTS

The Station has evaluated events and transactions for possible adjustment or disclosure through May 25, 2011, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

WSUI - AM AND KSUI - FM  
Schedule of Functional Expenses  
June 30, 2010

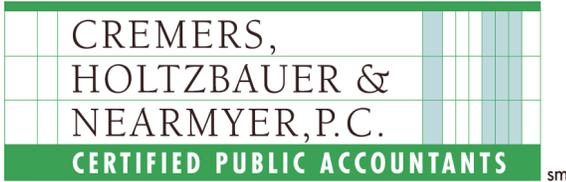
	Program Services				Support Services			Total Operating Expense
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development	Total Support Services	
Salaries, wages and benefits	\$ 452,611	\$ 143,802	\$ -0-	\$ 596,413	\$ 82,613	\$ 118,672	\$ 201,285	\$ 797,698
Professional services provided by IPR Institutional, physical plant and occupancy provided by U of I	-0-	-0-	-0-	-0-	367,722	-0-	367,722	367,722
Programming fees	243,255	-0-	-0-	243,255	-0-	-0-	-0-	243,255
Depreciation	20,582	56,328	-0-	76,910	11,417	-0-	11,417	88,327
Professional services	5,388	5,729	150	11,267	37,044	11,836	48,880	60,147
Facilities	-0-	40,249	-0-	40,249	387	-0-	387	40,636
Telecommunications	1,861	13,760	-0-	15,621	3,362	-0-	3,362	18,983
Office and other supplies	1,389	11,724	-0-	13,113	4,276	540	4,816	17,929
Travel	5,635	5,691	401	11,727	190	5,379	5,569	17,296
Repairs and maintenance	-0-	13,484	-0-	13,484	-0-	-0-	-0-	13,484
Professional development	359	-0-	-0-	359	772	757	1,529	1,888
Recruitment	-0-	-0-	-0-	-0-	1,545	-0-	1,545	1,545
Postage	-0-	-0-	-0-	-0-	631	170	801	801
<b>Total expenses</b>	<b>\$ 821,325</b>	<b>\$ 345,638</b>	<b>\$ 86,743</b>	<b>\$ 1,253,706</b>	<b>\$ 755,904</b>	<b>\$ 285,083</b>	<b>\$ 1,040,987</b>	<b>\$ 2,294,693</b>

The accompanying notes are an integral part of these financial statements.

WSUI - AM AND KSUI - FM  
Schedule of Functional Expenses  
June 30, 2009

	Program Services				Support Services				Total Operating Expense
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development	Total Support Services		
Salaries, wages and benefits	\$ 508,714	\$ 144,318	\$ -0-	\$ -0-	\$ 76,104	\$ 200,948	\$ 277,052	\$ 930,084	
Professional services provided by IPR	39,162	65,206	45,700	150,068	205,454	44,318	249,772	399,840	
Institutional, physical plant and occupancy provided by U of I	-0-	-0-	-0-	-0-	387,214	-0-	387,214	387,214	
Programming fees	238,379	-0-	-0-	238,379	-0-	-0-	-0-	238,379	
Depreciation	21,692	53,309	-0-	75,001	18,514	-0-	18,514	93,515	
Professional services	13,612	18,967	10,068	42,647	16,610	16,222	32,832	75,479	
Office and other supplies	2,589	26,686	1,066	30,341	6,865	4,035	10,900	41,241	
Facilities	362	38,852	-0-	39,214	279	-0-	279	39,493	
Travel	10,586	7,797	2,062	20,445	348	15,393	15,741	36,186	
Postage	95	120	14,360	14,575	1,836	-0-	1,836	16,411	
Telecommunications	1,468	12,145	30	13,643	529	1,277	1,806	15,449	
Printing	-0-	-0-	13,567	13,567	294	-0-	294	13,861	
Repairs and maintenance	-0-	4,720	-0-	4,720	-0-	-0-	-0-	4,720	
Provision for doubtful accounts	-0-	-0-	-0-	-0-	-0-	3,850	3,850	3,850	
Professional development	117	132	111	360	1,321	596	1,917	2,277	
Recruitment	-0-	-0-	-0-	-0-	50	-0-	50	50	
<b>Total expenses</b>	<b>\$ 836,776</b>	<b>\$ 372,252</b>	<b>\$ 86,964</b>	<b>\$ 1,295,992</b>	<b>\$ 715,418</b>	<b>\$ 286,639</b>	<b>\$ 1,002,057</b>	<b>\$ 2,298,049</b>	

The accompanying notes are an integral part of these financial statements.



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

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Mr. Douglas True  
Senior Vice President and University Treasurer  
University of Iowa  
Iowa City, Iowa:

We have audited the financial statements of WSUI - AM and KSUI - FM ("the Station") as of and for the year ended June 30, 2010, and have issued our report thereon dated May 25, 2011. 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.

Dale E. Cremers, CPA  
Robert W. Holtzbauer, CPA  
Roger D. Nearmyer, CPA

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

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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 over financial reporting 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/or material weaknesses.

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.

Members:

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Station'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 Station's financial statements that is more than inconsequential will not be prevented or detected by the Station's internal control.

PCPS Section of the  
American Institute of  
Certified Public Accountants

Iowa Society of Certified Public  
Accountants

Forensic Accountants  
Society of North America

See Independent Auditor's Report.

A *material weakness* is a significant deficiency, or 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 Station's internal control.

We consider the following deficiency to be a material weakness as shown below. The auditee's response to our findings is included for each identified finding:

### Material Weaknesses

#### 10-1 Financial Statements

Management does not possess sufficient skill and accounting knowledge to prepare the Station's financial statements. Management also lacks the expertise necessary to prevent, detect, and correct a potential material misstatement in the financial statements. Under these conditions, the most effective controls lie in the oversight by the Board of Directors in regards to financial reporting.

#### Auditee's Response

The Station acknowledges that they do not possess the resources and professional accounting skills to prepare a complete financial statement and the required disclosures. Subsequent to year end, the governing board of Iowa Public Radio, Inc. and management have hired financial employees capable of preparing the financial statements. It is planned, in future years, that the Station will prepare the annual financial statements. The governing board and management will continue to review internally prepared monthly financial statements and will review the annual financial statements with the auditor.

#### 10-2 Accounting System

The Station uses accounting software that allows the employees responsible for maintaining the general ledger to change an original entry transaction after it has been posted. The Station does not review the audit trail of the software to identify any possible changes made to the original transactions. Under these conditions, the most effective controls lie in the oversight by the governing board in regards to financial reporting.

#### Auditee's Response

The Station is aware of the inherent control weaknesses of the accounting system. The governing board and management will continue to monitor monthly and annual financial statements and accounting records supporting the financial statements on a consistent timely basis.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The Station's response to the findings identified in our audit is shown above and identified as "Auditee's Response." We did not audit the Station's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, others within the Station and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cremers, Holtzbauer & Nearmyer, P.C.*

CREMERS, HOLTZBAUER & NEARMYER, P.C.  
Certified Public Accountants

May 25, 2011