

**WSUI-AM AND KSUI-FM**

**A Public Telecommunications Station  
Operated by the University of Iowa**

**Audited Financial Statements for  
the Years Ended June 30, 2011 and 2010  
and Independent Auditor's Report**

WSUI-AM AND KSUI-FM

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June 30, 2011

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## WSUI-AM AND KSUI-FM

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

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, 2011, 2010 and 2009. 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, State of Iowa, established Iowa Public Radio, Inc. ("IPR") to manage the day-to-day operations including management, programming and technical support 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 Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements 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"). 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 Statements of Net Assets

The Statements of Net Assets present 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.

WSUI-AM AND KSUI-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

	June 30,		
	2011	2010	2009
<b>Assets:</b>			
Current assets	\$ 633,552	\$ 637,503	\$ 785,618
Capital assets, net	993,353	797,549	885,876
Investment pool	1,524,755	1,437,058	1,345,604
Total assets	<u>\$ 3,151,660</u>	<u>\$ 2,872,110</u>	<u>\$ 3,017,098</u>
<b>Liabilities:</b>			
Current liabilities	\$ 288,729	\$ 128,120	\$ 155,170
Long-term liabilities	12,353	17,511	-
Total liabilities	<u>\$ 301,082</u>	<u>\$ 145,631</u>	<u>\$ 155,170</u>
<b>Net assets:</b>			
Invested in capital assets	\$ 993,353	\$ 797,549	\$ 885,876
Restricted	574,578	523,593	507,007
Unrestricted	1,282,647	1,405,337	1,469,045
Total net assets	<u>\$ 2,850,578</u>	<u>\$ 2,726,479</u>	<u>\$ 2,861,928</u>
Total liabilities and net assets	<u>\$ 3,151,660</u>	<u>\$ 2,872,110</u>	<u>\$ 3,017,098</u>
Change in net assets	<u>\$ 124,099</u>	<u>\$ (135,449)</u>	<u>\$ 18,469</u>

Total assets at June 30, 2011 increased 9.7% to \$3,151,660 compared to total assets of \$2,872,110 at the end of the prior fiscal year. The slight decrease in current assets is primarily due to decreases in cash and cash equivalents and the amount due from IPR offset by an increase in the amount due from a related party. Total current assets at the end of fiscal year 2010 decreased compared to total current assets at the end of fiscal year 2009 due to decreases in cash and cash equivalents and underwriting receivables. 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.

Capital assets at June 30, 2011 increased 24.6% to \$993,353 compared to capital assets of \$797,549 at the end of the prior fiscal year due to purchases of equipment offset by the recording of depreciation. Capital assets decreased at the end of fiscal year 2010 compared to capital assets at the end of fiscal year 2009.

Assets in the investment pool at June 30, 2011 increased 6.1% to \$1,524,755 compared to \$1,437,058 due to improvements in market conditions. Assets in the investment pool increased at the end of fiscal year 2010 compared to the end of fiscal year 2009.

WSJI-AM AND KSUI-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

Total liabilities at June 30, 2011 increased 106.7% to \$301,082 compared to total liabilities of \$145,631 at the end of the prior fiscal year. The increase in current liabilities is primarily due to increases in deferred grant revenue and accounts payable. Long-term liabilities decreased due to a decrease in the early retirement benefits payable. Total liabilities at the end of fiscal year 2010 decreased compared to the total liabilities at the end of fiscal year 2009.

Total net assets at June 30, 2011 increased 4.6% to \$2,850,578 compared to total net assets of \$2,726,479 at the end of the prior fiscal year. Total net assets at the end of fiscal year 2010 decreased compared to total net assets at the end of fiscal year 2009. WSUI's net assets are largely comprised of unrestricted net assets which may be used at management's discretion to meet current obligations.

The Statements of Revenues, Expenses and Changes in Net Assets

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

	<u>For the years ended June 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total operating revenues	\$ 2,255,587	\$ 2,090,792	\$ 2,348,799
Total operating expenses	<u>2,549,654</u>	<u>2,294,693</u>	<u>2,298,049</u>
Operating income (loss)	(294,067)	(203,901)	50,750
Non-operating revenues (expenses) - net	<u>418,166</u>	<u>68,452</u>	<u>(32,281)</u>
Change in net assets	<u>\$ 124,099</u>	<u>\$ (135,449)</u>	<u>\$ 18,469</u>

Total operating revenues for the year ended June 30, 2011 increased 7.9% to \$2,255,587 compared to \$2,090,792 for the year ended June 30, 2010. Major components of operating revenues are as follows:

- Support from IPR including membership and fundraising campaigns, underwriting revenue and state appropriations increased operating revenues by \$252,471. This was offset by decreased operating revenues of \$136,891 due to the centralization of the underwriting function at IPR during 2010.
- Support from the University of Iowa including general appropriations and institutional, physical plant and occupancy support, increased operating revenues by \$41,417.
- Community service grants and other revenue increased operating revenues by \$7,798.

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. This decrease was primarily due to decreases in general appropriations and institutional, physical plant and occupancy support from the University of Iowa and decreases in underwriting revenue with the centralization of the underwriting function at IPR.

Total operating expenses for the year ended June 30, 2011 increased 11.1% to \$2,549,654 compared to \$2,294,693 for the year ended June 30, 2010. Major components of operating expenses are as follows:

WSUI-AM AND KSUI-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

- Broadcasting and engineering related expenses increased operating expenses by \$111,411 primarily due to increases in professional services.
- Fundraising and membership development related expenses increased operating expenses by \$73,997 primarily due to increases in professional services offset by a decrease in salaries, wages and benefits.
- Programming and production related expenses increased operating expenses by \$43,965 primarily due to increases in professional services offset by decreases in salaries, wages and benefits.
- Program information and promotion related expenses increased operating expenses by \$36,744 primarily due to increases in professional services.
- Depreciation expense increased operating expenses by \$13,054.
- Management and general related expenses decreased operating expenses by \$24,210.

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.

Non-operating revenues (expenses) for the year ended June 30, 2011 increased significantly to \$418,166 compared to \$68,452 for the year ended June 30, 2010. This increase was primarily due to an increase in equipment grants of \$367,616.

Non-operating revenues (expenses) for the year ended June 30, 2010 increased 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.

The Statements of Cash Flows

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

	<u>For the years ended June 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash from operating activities	\$ (110,300)	\$ (86,680)	\$ 31,287
Cash from capital financing activities	(188,146)	(23,555)	(19,766)
Cash from investing activities	328	(45)	18,703
Net change in cash	(298,118)	(110,280)	30,224
Cash beginning of year	428,608	538,888	508,664
Cash end of year	<u>\$ 130,490</u>	<u>\$ 428,608</u>	<u>\$ 538,888</u>

Cash from operating activities decreased to (\$110,300) for the year ended June 30, 2011 compared to (\$86,680) for the year ended June 30, 2010 primarily due to decreases in cash received for underwriting and general appropriations offset by decreases in payments to employees for salaries, wages and benefits.

WSUI-AM AND KSUI-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

Cash from capital financing activities decreased to (\$188,146) for the year ended June 30, 2011 compared to (\$23,555) for the year ended June 30, 2010 due to the increase in the purchases of both capitalized and non-capitalized equipment offset by the increase in cash received from equipment grants.

Cash from investing activities increased to \$328 for the year ended June 30, 2011 compared to (\$45) for the year ended June 30, 2010 due to a decrease in the purchase of investments in 2011.

The net decrease in cash and cash equivalents was \$298,118 for the year ended June 30, 2011 compared to a net decrease of \$110,280 for the year ended June 30, 2010.

Capital Assets

At June 30, 2011, WSUI had \$1,999,446 in capital assets, with accumulated depreciation of \$1,006,093, for net capital assets of \$993,353. Depreciation charges for 2011 totaled \$101,381. Capital assets, net of accumulated depreciation, were as follows:

	<u>For the years ended June 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Towers and transmission equipment	\$ 823,071	\$ 676,505	\$ 732,833
Broadcast and production equipment	84,732	105,120	125,702
Office furniture and equipment	14,950	15,924	27,341
Capital assets in progress	70,600		
Total capital assets - net	<u>\$ 993,353</u>	<u>\$ 797,549</u>	<u>\$ 885,876</u>

In June, 2011, Iowa State University on behalf of WOI Radio Group, entered into a letter of intent for the purchase of certain assets used or to be used in the transmission of radio stations KZHZ-FM in Patterson, IA and KZHC-FM in Pleasantville, IA for the purchase price of \$1,750,000. Funding for the purchase price shall be obtained through funding, contributions and financing as follows:

	<u>Amount</u>
Source of funding:	
IJOBS funding awarded to Iowa Public Radio	\$ 500,000
Contribution from WSUI	164,000
Contribution from KUNI Radio Group	75,000
WOI Radio Group investment	434,000
Internal financing from Iowa State University	577,000
	<u>\$ 1,750,000</u>

Iowa State University will serve as the licensee for the stations. WSUI's allocation of the purchase price will be treated as a contribution to WOI Radio Group.

WSUI-AM AND KSUI-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

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. During 2011, IPR completed a 5-year strategic plan which includes a 5-year funding illustration to accomplish this financial dependence.

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, IA 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, 2011 and 2010 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 the 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, 2011 and 2010, 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 material respects, the financial position of the Station as of June 30, 2011 and 2010, and the respective changes in financial position and 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

Forensic Accountants  
Society of North America

In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 2012 on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, on pages 1-6, is not a required part of the basic financial statements, but is supplementary information required by 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of WSUI-AM/KSUI-FM as listed in the table of contents. The accompanying supplementary information, on pages 26 - 27 is presented for purpose of additional analysis and is not a required part of the basic financial statements. The schedules of functional expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Creemers, Holtzbaue & Nearmyer, P.C.*

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

May 31, 2012

WSUI-AM AND KSUI-FM  
STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 130,490	\$ 428,608
Contributions receivable from Iowa Public Radio, Inc.	39,149	161,341
Due from related parties	394,347	-
Prepaid expenses	69,566	47,554
Total current assets	<u>633,552</u>	<u>637,503</u>
Capital assets, net	993,353	797,549
Investments held by the University of Iowa Foundation	1,515,728	1,429,119
Investments held by the University of Iowa long-term endowment pool	9,027	7,939
Total assets	<u>\$ 3,151,660</u>	<u>\$ 2,872,110</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Accounts payable	\$ 53,313	\$ 13,238
Accrued compensation	36,721	62,848
Deferred revenue	193,538	46,750
Current portion - early retirement benefits payable	5,157	5,284
Total current liabilities	<u>288,729</u>	<u>128,120</u>
Early retirement benefits payable - net of current portion	12,353	17,511
Total liabilities	<u>301,082</u>	<u>145,631</u>
Net assets		
Invested in capital assets - net of related debt	993,353	797,549
Restricted	574,578	523,593
Unrestricted	1,282,647	1,405,337
Total net assets	<u>2,850,578</u>	<u>2,726,479</u>
Total liabilities and net assets	<u>\$ 3,151,660</u>	<u>\$ 2,872,110</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

June 30, 2011 and 2010

<u>OPERATING REVENUES</u>	<u>2011</u>	<u>2010</u>
Support from the University of Iowa:		
General appropriations	\$ 434,000	\$ 486,545
Institutional, physical plant and occupancy	461,684	367,722
Support from Iowa Public Radio, Inc.:		
Memberships and fundraising campaigns	652,879	550,005
Program underwriting	312,801	161,408
State appropriations	112,874	114,670
Community service grants	280,889	273,267
Program underwriting	-	137,060
Memberships and fundraising campaigns	169	-
Other revenue	291	115
Total operating revenues	<u>2,255,587</u>	<u>2,090,792</u>
 <u>OPERATING EXPENSES</u> 		
Program services		
Programming and production	844,708	800,743
Broadcasting and engineering	400,721	289,310
Program information and promotion	123,487	86,743
Support services		
Management and general	720,277	744,487
Fundraising and membership development	359,080	285,083
Depreciation	101,381	88,327
Total operating expenses	<u>2,549,654</u>	<u>2,294,693</u>
Operating loss	<u>(294,067)</u>	<u>(203,901)</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u> 		
Equipment grants	367,616	-
Investment return	88,034	91,592
Gain on sale of capital asset	3,000	-
Rental revenue	265	415
Non-capitalized equipment and improvements	(40,749)	(23,555)
Total non-operating revenues (expenses) - net	<u>418,166</u>	<u>68,452</u>
Change in net assets	124,099	(135,449)
Net assets, beginning of year	2,726,479	2,861,928
Net assets, end of year	<u>\$ 2,850,578</u>	<u>\$ 2,726,479</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, 2011 and 2010

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash received from the University of Iowa general appropriations	\$ 434,000	\$ 486,545
Cash received from community service grants	280,889	273,267
Cash received from program underwriting	-	201,051
Cash received from Iowa Public Radio, Inc. for membership and fundraising campaigns	122,192	155,110
Cash received from major gifts, memberships and fundraising campaigns	169	535
Cash received from other revenue	555	530
Cash payments to employees for salaries, wages and benefits	(526,633)	(791,714)
Cash payments to suppliers for goods and services	(421,472)	(412,004)
Net cash flows used by operating activities	<u>(110,300)</u>	<u>(86,680)</u>
 <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Cash received from sale of capital asset	3,000	-
Cash received from equipment grants	146,788	-
Purchase of equipment - non-capitalized	(40,749)	(23,555)
Purchase of equipment - capitalized	(297,185)	-
Net cash flows used by capital financing activities	<u>(188,146)</u>	<u>(23,555)</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sale of investments	497	490
Purchase of investments	(169)	(535)
Net cash flows provided (used) by investing activities	<u>328</u>	<u>(45)</u>
 Net decrease in cash and cash equivalents	 (298,118)	 (110,280)
 Cash and cash equivalents - beginning of year	 <u>428,608</u>	 <u>538,888</u>
Cash and cash equivalents - end of year	<u>\$ 130,490</u>	<u>\$ 428,608</u>

Continued.....

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

WSJI-AM AND KSUI-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET</u></b>		
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating loss	\$ (294,067)	\$ (203,901)
Transactions not requiring cash:		
Depreciation	101,381	88,327
Non-operating rental revenue	265	415
Expense paid from investment account	8	183
(Increase)decrease in:		
Underwriting receivables	-	78,198
Due from Iowa Public Radio, Inc.	122,192	(45,991)
Due from related party	(26,731)	-
Pledges receivables	-	535
Prepaid expenses	(22,012)	5,093
Increase (decrease) in:		
Accounts payable	40,075	(2,727)
Accrued compensation	(26,127)	(16,809)
Advance payments on underwriting agreements	-	(12,798)
Early retirement benefits payable	(5,284)	22,795
Net cash flow used by operating activities	<u>\$ (110,300)</u>	<u>\$ (86,680)</u>

Concluded.

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

WSUI - AM AND KSUI - FM

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

WSUI - AM and KSUI - FM (the "Station") is a department of the University of Iowa (the "University"), under the governance of the Board of Regents, State of Iowa ("Board of Regents"). Since 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 ("GAAP"). 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, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34* ("GASB 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 is dedicated to providing programming devoted to educational, informational and cultural programs suitable for general audiences. A significant portion of the Station's funding is received from Iowa Public Radio, Inc. and the University of Iowa.

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.

*Restricted, non-expendable* - 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>2011</u>	<u>2010</u>
Restricted, expendable:		
Scholarships	\$ 9,027	\$ 7,939
Corporation for Public Broadcasting grant	202,538	216,774
Classical music programming	105,458	69,473
WSUI programming	12,639	10,406
KSUI programming	20,092	16,542
WSUI/KSUI programming	<u>45,896</u>	<u>23,531</u>
Total restricted, expendable	<u>395,650</u>	<u>344,665</u>
Restricted, non-expendable:		
Classical music programming	98,232	98,232
WSUI/KSUI programming	<u>80,696</u>	<u>80,696</u>
Total restricted, non-expendable	<u>178,928</u>	<u>178,928</u>
Total restricted net assets	<u>\$ 574,578</u>	<u>\$ 523,593</u>

### Estimates

The preparation of financial statements in conformity with GAAP 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 expenses during the reporting period. Actual results could differ from those estimates.

### Capital Assets

Capital assets are recorded at cost at the date of acquisition or at estimated fair value at the date of donation. The Station's capitalization policy for furniture and fixtures and equipment includes all items with a unit cost of at least \$5,000 and an estimated useful life of greater than one year. Improvements to leased property are charged to operations in the year in which the expense is incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, with useful lives ranging from 5 to 40 years. Depreciation expense charged to operations for 2011 and 2010 was \$101,381 and \$88,327, respectively.



Leasehold improvements and equipment purchases not meeting the Station's capitalization policy charged to operations for 2011 and 2010 were \$40,749 and \$23,555, respectively.

#### Pledges and Contributions

The Station encourages individuals, businesses and other organizations to provide support for specific and general programming. Iowa Public Radio, Inc. serves as the primary fundraising entity for the Station engaging in periodic on-air, online and direct mail fundraising campaigns on behalf of the Station. A portion of the contributions are made by pledges or unconditional promises to give. Contributions, including unconditional promises to give, are recognized in the period received, net of an allowance for doubtful accounts, if appropriate. Contributions are classified as operating revenues unless restricted. Support from IPR is recognized when an allocation of support from its fundraising efforts is pledged to the Station.

#### 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 as revenue when expenditures are incurred. Grants utilized to finance non-capital equipment and improvements are recorded when awarded by the grantor.

#### Program Underwriting

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.

#### Underwriting Receivables

Underwriting receivables were carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. As of January 2010, IPR assumed all billing and collection activities of program underwriting for the Station.

#### In-Kind Support

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, created or enhanced a long-lived asset or required 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 production of program material suitable for public broadcasting. Revenues associated with, or restricted by donors for use for capital assets, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

### Functional Allocation of Expenses

The cost of providing program services, support services and depreciation 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 program and support services on the basis of benefits received.

### Advertising

Advertising expenses are charged to operations in the period in which they are incurred. Advertising expense charged to operations for the years ended June 30, 2011 and 2010 totaled \$0 and \$425, respectively.

### Reclassification

Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

## 2. TRANSACTIONS WITH THE UNIVERSITY OF IOWA

The Station receives general appropriations from the University to help support the cost of operations. General appropriations awarded to the Station for the years ended June 30, 2011 and 2010 were \$434,000 and \$486,545, 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 \$461,684 and \$367,722 for the years ended June 30, 2011 and 2010, respectively.

The Station has a receivable from the University for equipment expenditures of \$367,616 and \$0 for the years ended June 30, 2011 and 2010, respectively.

Program underwriting from various University departments totaled \$52,155 during the year ended June 30, 2011.

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

## 3. TRANSACTIONS WITH IOWA PUBLIC RADIO, INC.

The Board of Regents established IPR to manage the day-to-day operations including management, programming and technical support of the public radio operations at the three Regents' universities. In addition to the Station, IPR manages the operations of 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 including one licensee director appointed by the president of each university.

IPR engages in fundraising and underwriting campaigns on behalf of the Station through the use of on-air, online and direct mail fundraising campaigns. As a result of its fundraising efforts, IPR periodically allocates a portion of its revenues to the Station. Contributions due from IPR were \$39,149 and \$161,341 as of June 30, 2011 and 2010, respectively.

The Station has a receivable from IPR for salaries and benefits of \$26,731 and \$0 for the years ended June 30,

2011 and 2010, respectively.

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

IPR provides various services that benefit the Station, which would otherwise be purchased, and are recorded at fair value as support from IPR. An equal amount of expense is recorded as professional services provided by IPR. The Station recognized donated services from IPR in the amount of \$1,078,554 and \$624,982 for the years ended June 30, 2011 and 2010, respectively.

The following is a summary of the cash and non-cash transactions with IPR for the year ended June 30, 2011:

	<u>Cash</u>	<u>Non-Cash</u>	<u>Total</u>
Memberships and fundraising campaigns	\$ -	\$ 652,879	\$ 652,879
Program underwriting	-	312,801	312,801
State appropriation	-	112,874	112,874
	<u>\$ -</u>	<u>\$ 1,078,554</u>	<u>\$ 1,078,554</u>

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

	<u>Cash</u>	<u>Non-Cash</u>	<u>Total</u>
Memberships and fundraising campaigns	\$ 201,101	\$ 348,904	\$ 550,005
Program underwriting	-	161,408	161,408
State appropriation	-	114,670	114,670
	<u>\$ 201,101</u>	<u>\$ 624,982</u>	<u>\$ 826,083</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 IPR's website at [www.iowapublicradio.org](http://www.iowapublicradio.org).

#### 4. THE CORPORATION FOR PUBLIC BROADCASTING

The Corporation for Public Broadcasting ("CPB") is a private, not-for-profit corporation created by Congress in 1967. As the steward of the federal government's investment in public broadcasting, the CPB helps to support the operations of more than 1,350 locally owned and locally operated public television and radio stations nationwide.

Annually, qualified public broadcasting entities are eligible to receive a Community Service Grant ("CSG") distributed by the CPB. These grants are used to augment the financial resources of public broadcasting entities and thereby 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 of 1934, 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.

According to the Communications Act of 1934, funds may be used at the discretion of recipients for purposes related primarily to production and acquisition of programming. In addition, recipients may use the funds to sustain programs initiated with CSG awards from prior years.

Certain provisions must be satisfied in connection with application for and use of the funds to maintain

eligibility and meet compliance requirements. These provisions pertain to open meetings, open records, community advisory boards, record keeping and audit requirements, and licensee status with the Federal Communications Commission ("FCC").

The CSG funds are reported on the financial statements as increases in temporarily restricted net assets when the Station receives the grant. Upon satisfaction of the time and purpose restrictions, the funds are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

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

Year of Grant	Grants Received	Expended		Uncommitted Balance at 6/30/2011
		2010	2011	
2009	\$ 261,255	\$ 229,323	\$ -	\$ -
2010	273,267	56,493	216,774	-
2011	280,889	-	78,351	202,538

#### 5. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents of the Station are held by the University and the University of Iowa Foundation (the "Foundation") 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 University, the Foundation, and its agents, hold the Station's investments and are uninsured and unregistered securities not held in the Station's name. The University and the Foundation have various investment pools from which the Station may allocate investments. The Station's investment policy is to invest the majority of the Friends of WSUI/KSUI account in the short-maturity pool, which consists of 100% low risk, fixed income instruments. The balance is invested in the long-term pool, a higher risk, higher return portfolio which consists of 71% global equities, 14% global fixed income, 8% real assets and 7% diversifying strategies. These funds 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, 2011 and 2010. The investment composition as of June 30, 2011 and 2010 is as follows:

	2011	2010
Money market	\$ 174,109	\$ 144,066
Short-term maturity investment pool	978,606	986,173
Long-term maturity investment pool	372,040	306,819
Total Investments	<u>\$ 1,524,755</u>	<u>\$ 1,437,058</u>

Investment return for the years ended June 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 37,128	\$ 38,682
Management fees	(53,667)	(52,735)
Net realized and unrealized gains (losses)	104,573	105,645
Investment return	<u>\$ 88,034</u>	<u>\$ 91,592</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 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, 2011, the Station's cash and cash equivalents were highly concentrated in University cash accounts and the investments were highly 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, 2011, the carrying amount of deposits with the University totaled \$130,490. 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.

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 Station's endowment consists of 5 individual funds established for a variety of purposes. The 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.

**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, 2011 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 127,891	\$ 178,928	\$ 306,819
Investment income	207	-	207
Net appreciation	84,814	-	84,814
Amounts appropriated for expenditure	(19,800)	-	(19,800)
Endowment net assets, end of year	<u>\$ 193,112</u>	<u>\$ 178,928</u>	<u>\$ 372,040</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 the 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, 2011 is as follows:

	June 30, 2010	Additions	Reductions	June 30, 2011
<b>Non-depreciable capital assets:</b>				
Capital assets in progress	\$ -	\$ 70,600	\$ -	\$ 70,600
Total non-depreciable capital assets	<u>-</u>	<u>70,600</u>	<u>-</u>	<u>70,600</u>
<b>Depreciable capital assets:</b>				
Towers and transmission equipment	1,325,415	226,585	7,065	1,544,935
Broadcast and production equipment	270,286	-	17,754	252,532
Office furniture and equipment	139,027	-	7,648	131,379
Software	-	-	-	-
Total depreciable capital assets	<u>1,734,728</u>	<u>226,585</u>	<u>32,467</u>	<u>1,928,846</u>
<b>Less accumulated depreciation:</b>				
Towers and transmission equipment	648,910	80,019	7,065	721,864
Broadcast and production equipment	165,166	20,388	17,754	167,800
Office furniture and equipment	123,103	974	7,648	116,429
Software	-	-	-	-
Total accumulated depreciation	<u>937,179</u>	<u>101,381</u>	<u>32,467</u>	<u>1,006,093</u>
Depreciable assets - net	<u>797,549</u>	<u>125,204</u>	<u>-</u>	<u>922,753</u>
Capital assets - net	<u>\$ 797,549</u>	<u>\$ 195,804</u>	<u>\$ -</u>	<u>\$ 993,353</u>

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

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

## 8. DEFERRED REVENUE

Deferred revenue as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
PTFP equipment grant	\$ 46,750	\$ 46,750
CPB digital conversion grant	86,576	
University of Iowa digital conversion cost-share	20,212	
University of Iowa Oakdale site	40,000	
Total	<u>\$ 193,538</u>	<u>\$ 46,750</u>

## 9. LEASE COMMITMENTS

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

1. A non-cancellable 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 2011 and 2010 were \$17,540 and \$18,352, 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, 2011 and 2010.

Future minimum lease payments under the non-cancellable operating lease for the next two years are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 17,200
2013	17,200
	<u>\$ 34,400</u>

## 10. EMPLOYEE BENEFITS 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 in order 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, 2011 and 2010 was 36.0% and 38.5%, respectively, including the contribution to the retirement programs discussed below.

### Teachers Insurance and Annuity Association

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 years 2011 and 2010, each employee through the fifth year of employment contributed 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, contributed 6 2/3% of the first \$4,800 of earnings and 10% on earnings above the \$4,800. Upon completion of five years of service, the participant



contributed 5% and the University contributed 10% on all earnings. From November, 2009 through June, 2010, the University's contribution for employees with less than five years of employment was temporarily reduced to 5 1/3% of the first \$4,800 of budgeted salary and 8% above \$4,800. For employees with more than five years of employment, the University's contribution was temporarily reduced to 8%.

**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 the years ended June 30, 2011 and 2010, plan members are required to contribute 4.5% and 4.3%, respectively, of their annual covered salary and the University is required to contribute 6.95% and 6.65%, respectively, of annual covered payroll.

The Station's share of employer contributions to TIAA-CREF, IPERS and the fringe benefit pool is included in salaries, wages and benefits expense for the years ended June 30, 2011 and 2010.

**Early Retirement Incentive Program**

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

The University charges the Station for the retirement incentive portion of the Early Retirement Incentive Program for the 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, 2011 and 2010, the present value of future benefits was \$17,510 and \$22,795, respectively. 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 years ended June 30, 2011 and 2010, the Station charged expense of (\$344) and \$26,941, respectively, to operations under this program.

Early retirement benefits payable activity for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 22,795	\$ -
Accruals and adjustments	134	26,922
Payments	(5,419)	(4,127)
Balance, June 30	<u>\$ 17,510</u>	<u>\$ 22,795</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. NON-FEDERAL FINANCIAL SUPPORT

The Corporation for Public Broadcasting allocates a portion of its funds annually to public broadcasting entities, primarily based on non-federal financial support ("NFFS"). NFFS is defined as the total value of direct revenue and the fair market value of property and services received either as a contribution or a payment which meets specific criteria as to recipient, form, source and purpose.

A "contribution" is an unconditional transfer of cash or other assets given to a public broadcasting entity for general operating purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be included as NFFS: (1) the recipient must be a public broadcasting entity on behalf of a public broadcasting station; (2) the contribution must take the form of a gift, grant, bequest, donation or appropriation; (3) the source must be an entity including state and local government agencies, not-for-profit organizations and foundations, for-profit entities or individuals and excluding the Federal government or other public broadcasting entities; and (4) the purpose must be for the construction or operation of a non-commercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational radio programs and related activities. 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 2011 NFFS. This change excludes all revenues received for any capital purchases.

The "payment" is an unconditional transfer of cash or other assets received by a public broadcasting entity for general operating purposes. Support received as a payment by a public broadcasting entity must meet the following criteria to be included as NFFS: (1) the recipient must be a public broadcasting entity on behalf of a public broadcasting station; (2) the payment must take the form of an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the source must be an entity including state and local government agencies and educational institutions or organizations; and (4) the purpose must be for materials and services with respect to the provision of educational or instructional radio programs.

## 13. SUBSEQUENT EVENTS

In June, 2011, Iowa State University on behalf of WOI Radio Group, entered into a letter of intent for the purchase of certain assets used or to be used in the transmission of radio stations KZHZ-FM in Patterson, IA and KZHC-FM in Pleasantville, IA. In August, 2011, the Board of Regents approved Iowa State University's intent to enter into an asset purchase agreement with Connoisseur Media, LLC for the purchase of these stations. On November 1, 2011, the purchase was completed with a purchase price of \$1,750,000. Funding for the purchase price shall be obtained through funding, contributions and financing as follows:

	<u>Amount</u>
Source of funding:	
IJOBS funding awarded to Iowa Public Radio	\$ 500,000
Contribution from WSUI	164,000
Contribution from KUNI Radio Group	75,000
WOI Radio Group investment	434,000
Internal financing from Iowa State University	<u>577,000</u>
	<u>\$ 1,750,000</u>

The purchase of these stations is the responsibility of Iowa State University as licensee. WSUI's allocation of the purchase price will be treated as a contribution to WOI Radio Group.

At the date of this report, the Station does not have any outstanding construction commitments.

The Station has evaluated events and transactions for possible adjustment or disclosure through May 31, 2012, which is the date the financial statements were available to be issued.

Supplemental Information

WSJL-AM AND KSJL-FM

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

	Program Services				Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Total Support Services	
Salaries, wages & benefits	\$ 230,414	\$ 144,241	\$ -	\$ 374,655	\$ 18,017	\$ 75,818	\$ 93,835	\$ 468,490
Professional services provided by Iowa Public Radio	238,097	159,597	123,487	521,181	314,981	242,392	557,373	1,078,554
Institutional, physical plant & occupancy - UofI	-	-	-	-	347,006	-	347,006	347,006
In-kind contribution - UofI	73,722	16,383	-	90,105	8,191	16,383	24,574	114,679
Programming fees	295,169	-	-	295,169	-	-	-	295,169
Depreciation	-	-	-	-	-	101,381	-	101,381
Professional services	899	7,726	-	8,625	25,602	17,940	43,542	52,167
Facilities	-	40,140	-	40,140	345	-	345	40,485
Telecommunications	307	19,871	-	20,178	-	-	-	20,178
Office & other supplies	132	4,775	-	4,907	3,930	-	3,930	8,837
Travel	5,918	6,227	-	12,145	698	6,494	7,192	19,337
Repairs & maintenance	-	1,510	-	1,510	-	-	-	1,510
Prof development	50	100	-	150	947	53	1,000	1,150
Recruitment	-	-	-	-	287	-	287	287
Postage & printing	-	151	-	151	273	-	273	424
Total expenses	\$ 844,708	\$ 400,721	\$ 123,487	\$ 1,368,916	\$ 720,277	\$ 359,080	\$ 1,079,357	\$ 2,549,654

See Independent Auditor's Report.

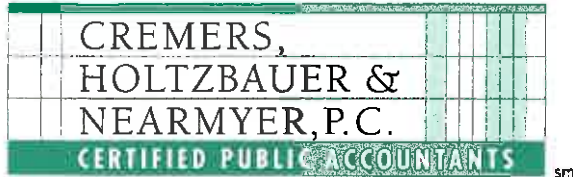
WSUI-AM AND KSUI-FM

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	Program Services				Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Depreciation	
Salaries, wages & benefits	\$ 452,611	\$ 143,802	\$ -	\$ 596,413	\$ 82,613	\$ 118,672	\$ -	\$ 797,698
Professional services provided by Iowa Public Radio	90,245	54,871	86,192	231,308	245,945	147,729	-	624,982
Institutional, physical plant & occupancy - UofI	-	-	-	-	367,722	-	-	367,722
In-kind contribution - UofI	-	-	-	-	-	-	-	-
Programming fees	243,255	-	-	243,255	-	-	-	243,255
Depreciation	-	-	-	-	-	-	88,327	88,327
Professional services	5,388	5,729	150	11,267	37,044	11,836	-	88,327
Facilities	-	40,249	-	40,249	387	-	-	60,147
Telecommunications	1,861	13,760	-	15,621	3,362	-	-	40,636
Office & other supplies	1,389	11,724	-	13,113	4,276	540	-	18,983
Travel	5,635	5,691	401	11,727	190	5,379	-	17,929
Repairs & maintenance	-	13,484	-	13,484	-	-	-	17,296
Prof development	359	-	-	359	772	757	-	13,484
Recruitment	-	-	-	-	1,545	-	-	1,888
Postage & printing	-	-	-	-	631	170	-	1,545
<b>Total expenses</b>	<b>\$ 800,743</b>	<b>\$ 289,310</b>	<b>\$ 86,743</b>	<b>\$ 1,176,796</b>	<b>\$ 744,487</b>	<b>\$ 285,083</b>	<b>\$ 88,327</b>	<b>\$ 2,294,693</b>

See Independent Auditor's 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*

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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/KSUI-FM ("the Station") as of and for the year ended June 30, 2011, and have issued our report thereon dated May 31, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses. The auditee's response to our findings is included for each identified finding.

Members:  
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.

## Material Weaknesses

### 11-1 Financial Statements

For the June 30, 2011 year, management prepared the Station's financial statements. Significant assistance was provided by the auditor in preparation of the financial statements. This assistance was necessary as management required auditor expertise to aid in the prevention, detection and correction of any potential misstatements. Under these conditions, the most effective controls lie in oversight by the Board of Directors in regards to financial reporting.

#### Auditee Response

The Station acknowledges that at June 30, 2011 they did not possess all resources and accounting skills to prepare a complete financial statement and the required disclosures. Management did draft the financial statements for the year ended June 30, 2011 with significant assistance from the auditor. For future periods, management intends to prepare the financial statements and required disclosures.

### 11-2 Accounting

The Station has a "Public Service Operating Agreement" with IPR. As part of the agreement, IPR is responsible to provide monthly financial statements. IPR maintains the monthly information provided by the Station. However, certain transactions that occurred during the year were not recorded properly.

We recommend that IPR work with the Station's management to develop a system to properly summarize the Station's information provided by the University of Iowa to be reported to IPR and provide necessary training to ensure proper monthly reconciliations of such information.

#### Auditee Response

Iowa Public Radio, Inc. (IPR) has a plan in place to correct these procedures and the plan included the employment of a chief financial officer, establishing controls, processes, procedures and protocols that are consistent across the station groups and in compliance with the Public Service Operating Agreement. In addition, IPR will be conducting training and development for the site administrators.

*A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.



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 are 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.

*Creemers, Holtzbaumer & Nearmyer, P.C.*

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

May 31, 2012