

KUNI-FM/KHKE-FM

A Public Telecommunications Station
Operated by The University of Northern Iowa

Audited Financial Statements
for the Years Ended
June 30, 2009 and 2008 and
Independent Auditor's Report

KUNI-FM/KHKE-FM

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June 30, 2009

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KUNI-FM/KHKE-FM

Management's Discussion and Analysis
(Unaudited)

As financial management of KUNI-FM/KHKE-FM Radio ("the Station"), we offer readers of these financial statements an overview and analysis of financial activities of the Station for the years ended June 30, 2009 and 2008. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Station's financial position, and identify individual issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 8.

The Station is licensed to the University of Northern Iowa and is governed by the State of Iowa Board of Regents and the President of the University.

The Station's primary functions are to promote and establish noncommercial educational, informational, or cultural programs for general audiences within the State of Iowa and to provide transmission facilities for noncommercial educational telecommunications programs throughout the State of Iowa.

According to Arbitron Radio Rating service, Spring 2008, the Weekly CUME (or number of persons over the age of 12 who listened to KUNI at least five consecutive minutes in a week during the measurement period) averaged 64,600.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Station consist of the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows (direct method). These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Colleges and Universities*. Statement 35 requires the classification of net assets into three categories - invested in capital assets, net of related debt, restricted, and unrestricted.

The financial statements, included in this financial report, are designed to be similar to private sector business in that all activities are consolidated into columns, which add to a total for the Station. These statements combine the Station's current financial resources with capital assets and long-term obligations.

KUNI-FM/KHKE-FM

Management's Discussion and Analysis
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The Statements of Net Assets includes assets, liabilities and net assets of the Station as of June 30, 2009 and 2008. Net assets are classified in the categories as noted. The Statements of Revenues, Expenses and Changes in Net Assets depicts the operating revenues and expenses resulting in net operating income (loss), which is then combined with non-operating revenues (expenses) to provide the total change in net assets. The Statements of Cash Flows shows the sources and uses from operations, cash flows from non-capital financing activities, cash flows from capital financing activities and cash flows from investing activities. Included with the financial statements is the Schedule of Functional Expenses presented for the purpose of additional analysis. The financial statements also include notes that explain the information in the financial statements and provide more detailed data.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the Station's financial statements. The notes to the financial statements are a required part of the financial statements and can be found on pages 12 to 21.

FINANCIAL HIGHLIGHTS AND PERFORMANCE

OPERATING REVENUES

- KUNI-FM/KHKE-FM recognized support of \$596,330 from the University of Northern Iowa. This is a 10 percent decrease from \$661,338 for the year ended June 30, 2008.
- KUNI-FM/KHKE-FM recognized support of \$454,623 from the University of Northern Iowa for institutional, physical plan and occupancy support. This is an 11 percent increase from \$408,502 for the year ended June 30, 2008.
- KUNI-FM/KHKE-FM membership and fundraising campaign revenue was \$910 for the period ending June 30, 2009. This is a 98 percent decrease from \$37,758 for the year ended June 30, 2008.
- KUNI-FM/KHKE-FM underwriting revenue was \$163,288 for the period ending June 30, 2009. This is an 18 percent decrease from \$199,529 for the year ended June 30, 2008.
- KUNI-FM/KHKE-FM recognized \$177,303 in community service grants from The Corporation for Public Broadcasting (CPB). This is a 5 percent increase from \$169,393 awarded for the year ended June 30, 2008.
- KUNI-FM/KHKE-FM as part of Iowa Public Radio experienced an increase of total listenership by 18 percent for the period ending June 30, 2009 (source: Arbitron).

KUNI-FM/KHKE-FM

Management's Discussion and Analysis
(Unaudited)

FINANCIAL HIGHLIGHTS AND PERFORMANCE - Continued

OPERATING EXPENSES

- KUNI-FM/KHKE-FM recognized \$784,623 in programming and production expenses. This is a 27 percent decrease from \$1,067,980 for the year ended June 30, 2008.
- KUNI-FM/KHKE-FM recognized \$615,158 in broadcasting and engineering expenses. This is a 13 percent increase from \$546,346 for the year ended June 30, 2008.
- KUNI-FM/KHKE-FM recognized \$147,839 in program information and promotion expenses. This is a 5 percent increase from \$140,806 for the year ended June 30, 2008.
- KUNI-FM/KHKE-FM recognized \$654,596 in management and general expenses. This is a 17 percent increase from \$559,795 for the period ended June 30, 2008.
- KUNI-FM/KHKE-FM recognized \$173,835 in fundraising and membership development expenses. This is a 15 percent decrease from \$204,891 for the period ended June 30, 2008.

THE STATEMENT OF NET ASSETS

Assets of the Station exceed its liabilities at the close of fiscal year ended June 30, 2009 by \$3,311,815 (net assets). Net assets decreased by \$399,948 during the year. At the close of fiscal year June 30, 2008, assets of the Station exceeded its liabilities by \$3,711,763. Net assets increased by \$280,868 during the year ended June 30, 2008. Summarized financial information is as follows:

	<u>2009</u>	<u>June 30 2008</u>	<u>2007</u>
Assets:			
Current assets	\$ 2,626,391	\$ 3,014,296	\$ 3,333,815
Capital assets, net	1,055,298	971,995	346,983
Digital licenses	15,000	-0-	-0-
Total assets	<u>\$ 3,696,689</u>	<u>\$ 3,986,291</u>	<u>\$ 3,680,798</u>
Liabilities:			
Current liabilities	\$ 384,874	\$ 274,528	\$ 249,903
Long-term liabilities	-0-	-0-	-0-
Total liabilities	<u>\$ 384,874</u>	<u>\$ 274,528</u>	<u>\$ 249,903</u>
Net assets:			
Invested in capital assets	\$ 1,055,298	\$ 971,995	\$ 346,983
Restricted	200,184	235,523	244,098
Unrestricted	<u>2,056,333</u>	<u>2,504,245</u>	<u>2,839,814</u>
Total net assets	<u>\$ 3,311,815</u>	<u>\$ 3,711,763</u>	<u>\$ 3,430,895</u>
Total liabilities and net assets	<u>\$ 3,696,689</u>	<u>\$ 3,986,291</u>	<u>\$ 3,680,798</u>
Change in net assets	<u>\$ (399,948)</u>	<u>\$ 280,868</u>	<u>\$ 109,037</u>

KUNI-FM/KHKE-FM

Management's Discussion and Analysis
(Unaudited)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following table summarizes the Station's revenues, expenses and changes in net assets for the years ended June 30, 2009, 2008 and 2007:

	June 30		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total operating revenue	\$ 2,102,898	\$ 2,042,482	\$ 2,005,288
Total operating expenses	<u>2,376,051</u>	<u>2,519,818</u>	<u>2,247,465</u>
Operating income (loss)	(273,153)	(477,336)	(242,177)
Total non-operating revenue (expense)	<u>(126,795)</u>	<u>758,204</u>	<u>351,214</u>
Change in net assets	<u>\$ (399,948)</u>	<u>\$ 280,868</u>	<u>\$ 109,037</u>

Total operating revenue of the Station for the fiscal year ended June 30, 2009 was \$2,102,898. This was an increase of \$60,416 over prior year operating revenue. Total operating revenue of the Station for the fiscal year ended June 30, 2008 was \$2,042,482.

CASH FLOWS

The Station's statements of cash flows for the years ended June 30, 2009, 2008 and 2007 are summarized in the following table:

	June 30		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash from operating activities	\$ (2,890)	\$ (496,112)	\$ (194,063)
Cash from non-capital financing activities	54,573	53,698	-0-
Cash from capital financing activities	(236,526)	46,462	(73,102)
Cash from investing activities	<u>183,327</u>	<u>315,051</u>	<u>309,146</u>
Net change in cash	(1,516)	(80,901)	41,981
Cash beginning of year	<u>633,909</u>	<u>714,810</u>	<u>672,829</u>
Cash end of year	<u>\$ 632,393</u>	<u>\$ 633,909</u>	<u>\$ 714,810</u>

CAPITAL ASSETS

Capital assets net of accumulated depreciation for the Station was \$1,055,298 at June 30, 2009. This was a net increase of \$83,303 during the year. Depreciation expense on capital assets was \$98,684 for the fiscal year ended June 30, 2009.

KUNI-FM/KHKE-FM

Management's Discussion and Analysis
(Unaudited)

DEBT

Total liabilities of the Station at June 30, 2009 were \$384,874. Long-term debt included in total liabilities was \$-0-. Total liabilities increased during the year by \$110,346.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In its 2009 session, the Iowa General Assembly awarded \$1,900,000 to Iowa Public Radio for support of equipment acquisition and deferred maintenance expenses. KUNI-FM/KHKE-FM tower sites, translators and repeaters will benefit from this capital support and avoid the use of operating revenue for equipment and maintenance.

Recent consolidation and budget cuts with the Regents' Universities and at the state level may impact KUNI-FM/KHKE-FM by reducing annual financial support more quickly than anticipated. However, the strength of Iowa Public Radio as a network shows that as of period ending June 30, 2009, over 49 percent of private revenues (non university, state or federal) were generated as a result of fundraising activities.

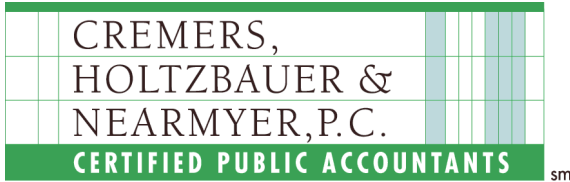
REQUEST FOR INFORMATION

This financial report is designed to provide donors, members, investment managers, foundation, and taxpayers with a general overview of KUNI-FM/KHKE-FM Radio's finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

KUNI-FM/KHKE-FM Radio
Attn: Site Administrator
University of Northern Iowa
Cedar Falls, IA 50614-0359

OR

KUNI-FM/KHKE-FM Radio
Operated by Iowa Public Radio, Inc.
Attn: Chief Executive Officer
Iowa Public Radio, Inc.
2111 Grand Avenue, Suite 100
Des Moines, IA 50312



Phone: 515-274-4804
Fax: 515-274-4807
E-Mail: info@chncpa.com
Website: www.chncpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
KUNI-FM/KHKE-FM
University of Northern Iowa:

We have audited the accompanying statements of net assets of KUNI-FM/KHKE-FM Radio (the Station), a public telecommunications entity operated by the University of Northern Iowa, as of June 30, 2009 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. 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 audited the financial statements of Friends of KHKE/KUNI, Inc., an included entity, which statements reflect total assets and revenues constituting 46 percent and 14 percent, respectively, of the related totals. The financial statements of KUNI-FM/KHKE-FM Radio, as of June 30, 2008, were audited by other auditors whose report dated October 27, 2008, expressed an unqualified opinion on those statements.

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

6200 Aurora Avenue
Suite 600W
Urbandale, IA 50322-2871

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. The financial statements of Friends of KHKE/KUNI, Inc. were not audited in accordance with *Government Auditing Standards*. 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.

Members:

As discussed in Note 1, the financial statements of KUNI-FM/KHKE-FM Radio 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 University of Northern Iowa that is attributable to the transactions of KUNI-FM/KHKE-FM Radio. They do not purport to, and do not present fairly the financial position of the University of Northern Iowa as of June 30, 2009 and the changes in its financial position and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified Public
Accountants

Forensic Accountants
Society of North America

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to on the prior page present fairly, in all material respects, the financial position of KUNI-FM/KHKE-FM Radio as of June 30, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2010 on our consideration of KUNI-FM/KHKE-FM Radio's internal control and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 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 through 5 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying supplementary information, on pages 22 and 23 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

January 26, 2010

KUNI-FM/KHKE-FM

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CASH AND CASH EQUIVALENTS	\$ 632,393	\$ 633,909
CERTIFICATES OF DEPOSIT	154,207	311,641
INVESTMENTS	1,487,607	1,832,776
INTEREST RECEIVABLE	1,323	2,284
UNDERWRITING RECEIVABLE, net of allowance for doubtful accounts of \$2,500 in 2009 and 2008	31,247	26,216
DUE FROM IOWA PUBLIC RADIO	93,359	147,787
GRANTS RECEIVABLE	178,409	1,700
PREPAID EXPENSES	47,846	56,295
INVENTORY	-0-	1,688
Total current assets	<u>2,626,391</u>	<u>3,014,296</u>
CAPITAL ASSETS, net	1,055,298	971,995
DIGITAL LICENSES	15,000	-0-
Total non-current assets	<u>1,070,298</u>	<u>971,995</u>
TOTAL	<u>\$ 3,696,689</u>	<u>\$ 3,986,291</u>
<u>LIABILITIES AND NET ASSETS</u>		
ACCOUNTS PAYABLE	\$ 23,157	\$ 32,054
DUE TO UNIVERSITY OF NORTHERN IOWA	178,409	-0-
ADVANCED PAYMENTS ON UNDERWRITING AGREEMENTS	31,308	24,474
ACCRUED COMPENSATED ABSENCES	152,000	218,000
Total current liabilities	<u>384,874</u>	<u>274,528</u>
NET ASSETS:		
Invested in capital assets	1,055,298	971,995
Restricted	200,184	235,523
Unrestricted	<u>2,056,333</u>	<u>2,504,245</u>
Total net assets	<u>3,311,815</u>	<u>3,711,763</u>
TOTAL	<u>\$ 3,696,689</u>	<u>\$ 3,986,291</u>

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

KUNI-FM/KHKE-FM

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Support from the University of Northern Iowa:		
General appropriation	\$ 596,330	\$ 661,338
Institutional, physical plant and occupancy	454,623	408,502
Support from Iowa Public Radio:		
Membership and fund-raising campaigns	264,599	196,690
Donated services	399,840	317,676
Community service grants	177,303	169,393
Program underwriting	163,288	199,529
Grants from state agencies	1,300	1,700
Contributed support from memberships and fund-raising	910	37,758
Special events and other	<u>44,705</u>	<u>49,896</u>
Total operating revenues	<u>2,102,898</u>	<u>2,042,482</u>
OPERATING EXPENSES:		
Programming and production	784,623	1,067,980
Broadcasting	615,158	546,346
Program information	147,839	140,806
Management and general	654,596	559,795
Fund-raising	<u>173,835</u>	<u>204,891</u>
Total operating expenses	<u>2,376,051</u>	<u>2,519,818</u>
Operating loss income	<u>-(273,153)</u>	<u>-(477,336)</u>
NON-OPERATING REVENUES (EXPENSES):		
Rental income	54,573	53,698
Investment return	(320,239)	(36,130)
University of Northern Iowa appropriations for equipment	-0-	617,619
Equipment grants	184,130	123,017
Noncapitalized equipment	<u>(45,259)</u>	<u>-0-</u>
Total non-operating revenues (expenses) - net	<u>(126,795)</u>	<u>758,204</u>
CHANGE IN NET ASSETS	<u>-(399,948)</u>	<u>280,868</u>
NET ASSETS:		
Beginning of year	<u>3,711,763</u>	<u>3,430,895</u>
END OF YEAR	<u>\$ 3,311,815</u>	<u>\$ 3,711,763</u>

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

KUNI-FM/KHKE-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from University of Northern Iowa general appropriations	\$ 596,330	\$ 661,338
Cash received from community service grants	177,303	169,393
Cash received from program underwriting	182,005	201,566
Cash received from Iowa Public Radio membership and fund-raising campaigns	319,027	514,366
Cash received from memberships and fund-raising	28,627	(82,280)
Cash received from other revenue	3,074	49,896
Cash payments to employees for salaries, wages and benefits	(995,512)	(978,337)
Cash payments to suppliers for goods and services	<u>(313,744)</u>	<u>(1,032,054)</u>
Net cash flows used by operating activities	_ _ _ <u>(2,890)</u>	_ _ _ <u>(496,112)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from tower rental	<u>54,573</u>	<u>53,698</u>
Net cash flows provided by non-capital financing activities	_ _ _ <u>54,573</u>	_ _ _ <u>53,698</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from equipment grants	5,721	123,017
Capital support University of Northern Iowa	-0-	617,619
Purchase of equipment - noncapitalized	(45,259)	-0-
Purchase of equipment - capitalized	(181,988)	(694,174)
Purchase of intangibles	<u>(15,000)</u>	<u>-0-</u>
Net cash flows provided (used) by investing activities	_ _ _ <u>(236,526)</u>	_ _ _ <u>46,462</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	684,517	1,271,803
Cash received from investment income	53,305	94,588
Acquisition of investments	<u>(554,495)</u>	<u>(1,051,340)</u>
Net cash flows provided by investing activities	<u>183,327</u>	<u>315,051</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,516)	(80,901)
CASH AND CASH EQUIVALENTS - beginning of year	<u>633,909</u>	<u>714,810</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 632,393</u>	<u>\$ 633,909</u>

Continued.....

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

KUNI-FM/KHKE-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (273,153)	\$ (477,336)
Transactions not requiring cash:		
Depreciation expense	98,684	64,745
Increase (decrease) in:		
Underwriting receivable	(5,031)	29,786
Non-capital grants receivable	1,700	(1,700)
Due from Iowa Public Radio	54,428	(147,787)
Inventory	1,688	2,526
Prepaid expenses	8,449	9,029
Increase (decrease) in:		
Accounts payable	(8,898)	(13,849)
Due to University of Northern Iowa	178,409	-0-
Advanced payments on underwriting agreements	6,834	24,474
Compensated absences payable	<u>(66,000)</u>	<u>14,000</u>
Net cash flows used by operating activities	<u>\$ (2,890)</u>	<u>\$ (496,112)</u>

Concluded..

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

KUNI-FM/KHKE-FM

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

KUNI-FM/KHKE-FM ("the Station") is not a discrete legal entity and is a part of the University of Northern Iowa ("the University"). The Board of Regents of the State of Iowa is the governing board and the President of the University are responsible for oversight of the Station. The University owns all the assets of the Station and all employees of the Station are employees of the University. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and is exempt from federal income taxes.

The accompanying financial statements of KUNI-FM/KHKE-FM Radio include as a blended component unit, Friends of KHKE/KUNI, Inc. (Friends) a nonprofit Iowa Corporation governed by a self-appointed 18-member board. Intercompany transactions and balances have been eliminated in combination. A copy of the Friend's financial statements may be obtained by contacting the Broadcasting Services department at the University of Northern Iowa.

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 Financial Accounting Standards Board Accounting Standards Codification in accounting and reporting for the Station's operations.

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 University of Northern Iowa and Iowa Public Radio.

Net Assets

The Station's net assets are classified as follows:

Invested in capital assets, net - capital assets, net of accumulated depreciation.

Restricted - 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.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets - continued

Restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Temporarily restricted:		
CPB Community Service Grants	\$ 200,184	\$ 200,523
CPB Digital Conversion Grants	<u>-0-</u>	<u>35,000</u>
Total restricted net assets	<u>\$ 200,184</u>	<u>\$ 235,523</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 2009 and 2008 was \$98,684 and \$64,745, respectively.

Pledges and Contributions

The Station encourages individuals, businesses and other organizations to provide support for specific and general programming. Prior to 2009, Friends engaged in periodic fundraising campaigns on behalf of the Station using on-air, online and mail fundraising appeals. Starting in 2009, Iowa Public Radio took over these functions. 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 are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying past due accounts and by using historical experience applied to an aging of accounts. Underwriting receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The provision for doubtful accounts totaled \$2,500 for the years ended June 30, 2009 and 2008.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

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 non capital projects are recorded when awarded by the grantor.

Program Underwriting Support

Underwriting support is treated as conditional contributions, and recognized when the conditions are met based on the terms of the underwriting agreements, and are 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.

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 Schedule 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 2009 and 2008 was \$3,633 and \$2,438, respectively.

Inventory

The inventory of premiums (finished goods) used in fundraising efforts of Friends was valued at cost using the first-in, first-out method.

Reclassification

Certain 2008 amounts have been reclassified to conform with the 2009 presentation.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Newly Adopted Accounting Pronouncements

The Station adopted FAS 157, *Fair Value Measurements* (FAS 157) effective July 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The adoption of FAS 157 did not have a material impact on the financial position or results of operations of the Station. FAS 157 applies to all assets and liabilities that are measured and reported on a fair value basis.

In May 2009, the FASB issued FAS 165, *Subsequent Events* (FAS 165). This standard sets forth the period after the balance sheet date during which management should evaluate events or transactions for potential recognition or disclosure in the financial statements, the circumstances that would require recognition, and the related disclosures. FAS 165 is effective for fiscal years and interim periods ended after June 15, 2009.

2. TRANSACTIONS WITH THE UNIVERSITY OF NORTHERN 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, 2009 and 2008 were \$596,330 and \$661,338, 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 \$454,623 and \$408,502 for the years ended June 30, 2009 and 2008, respectively.

As of June 30, 2009, the Station received advances from the University of Northern Iowa in the amount of \$178,409. This amount represents disbursements made from Station fund accounts before the funds were received and/or allocated to the fund accounts.

Program underwriting from various departments of the University totaled \$19,298 and \$26,031 during the years ended June 2009 and 2008, respectively. The Station recorded underwriting accounts receivable of \$-0- and \$-0- as of June 30, 2009 and 2008, respectively, related to underwriting transactions.

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 fundraising campaigns on behalf of the Station through the use of on-air, online and direct mail fundraising appeals. As a result of its fundraising efforts, IPR periodically allocates a portion of its revenues to the Station. The Station recognized contributions from IPR in the amount of \$264,599 and \$196,690 for the years ended June 30, 2009 and 2008, respectively. Contributions due from IPR were \$93,359 and \$147,787 as of June 30, 2009 and 2008, respectively.

Services provided by IPR that benefit the Station, and would otherwise be purchased, are recorded as support and an equal amount of expense on the Statements of Revenues, Expenses and Changes in Net Assets. Donated services are recorded at fair value, which is determined by the cost incurred by IPR. The Station recognized donated services from IPR in the amount of \$399,840 and \$317,676 for the years ended June 30, 2009 and 2008, respectively.

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.

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 6/30/09
		2008	2009	
2007	\$ 218,385	\$ 163,497	\$ 31,130	\$ -0-
2008	169,393	-0-	146,512	22,881
2009	177,303	-0-	-0-	177,303

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are held by the University of Northern Iowa Foundation, University of Northern Iowa and Friends and consists 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.

Investments of Friends are in certificates of deposit, mutual funds and stocks and are stated at quoted fair value, and are summarized as follows as of June 30, 2009:

<u>Type</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 154,207	\$ 154,207	\$ -0-
Mutual funds	1,046,809	1,035,388	(11,421)
Stocks	524,035	424,832	(99,203)
Unit investment trust	<u>20,110</u>	<u>27,387</u>	<u>7,277</u>
Total	<u>\$ 1,745,161</u>	<u>\$ 1,641,814</u>	<u>\$ (103,347)</u>

The balances as of June 30, 2008 is summarized as follows:

<u>Type</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 311,641	\$ 311,641	\$ -0-
Mutual funds	640,305	751,537	111,232
Stocks	630,248	609,273	(20,975)
Non-government bond funds	<u>460,649</u>	<u>471,966</u>	<u>11,317</u>
Total	<u>\$ 2,042,843</u>	<u>\$ 2,144,417</u>	<u>\$ 101,574</u>

Investment return was comprised of the following balances for the fiscal years 2009 and 2008:

<u>Description</u>	<u>2009</u>	<u>2008</u>
Dividends and interest	\$ 78,560	\$ 88,734
Net realized and unrealized gains (losses)	<u>(398,799)</u>	<u>(124,864)</u>
Investment return	<u>\$ (320,239)</u>	<u>\$ (36,130)</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 counter party to an investment will not fulfill its obligations. Friends manages credit risk by diversification to multiple counter parties.

5. CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

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, 2009, the Station's cash and cash equivalents were highly concentrated in University and Foundation cash accounts and the investments were concentrated in Friends's brokerage accounts.

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, 2009, the carrying amount of deposits with the University totaled \$575,887. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund. Friends investments are held by a number of custodians.

The Station's investments held by the Foundation are held by a number of custodians. As of June 30, 2009, the carrying amount of deposits with the Foundation totaled \$9,080. The Foundation maintains deposits in financial institutions that consistently exceed the FDIC insured limit. The Foundation has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk.

6. CAPITAL ASSETS

A summary of capital assets at June 30, 2009 and 2008 is as follows:

	<u>June 30,</u> 2008	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> 2009
Towers & transmission equipment	\$1,288,258	\$ 181,988	\$ 38,950	\$1,431,296
Broadcast & production equipment	443,447	-0-	7,005	436,442
Office furniture & equipment	<u>54,825</u>	<u>-0-</u>	<u>-0-</u>	<u>54,825</u>
Total	<u>1,786,530</u>	<u>181,988</u>	<u>45,955</u>	<u>1,922,563</u>
Less accumulated depreciation:				
Towers & transmission equipment	506,796	67,701	38,950	535,547
Broadcast & production equipment	284,737	27,020	7,005	304,752
Office furniture & equipment	<u>23,002</u>	<u>3,964</u>	<u>-0-</u>	<u>26,966</u>
Total	<u>814,535</u>	<u>98,685</u>	<u>45,955</u>	<u>867,265</u>
Capital assets - net	<u>\$ 971,995</u>	<u>\$ 83,303</u>	<u>\$ -0-</u>	<u>\$1,055,298</u>
	<u>June 30,</u> 2007	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> 2008
Towers & transmission equipment	\$ 756,345	\$ 592,846	\$ 60,933	\$1,288,258
Broadcast & production equipment	347,887	95,560	-0-	443,447
Office furniture & equipment	<u>45,545</u>	<u>24,022</u>	<u>14,742</u>	<u>54,825</u>
Total	<u>1,149,777</u>	<u>712,428</u>	<u>75,675</u>	<u>1,786,530</u>
Less accumulated depreciation:				
Towers & transmission equipment	510,710	34,348	38,262	506,796
Broadcast & production equipment	256,302	28,435	-0-	284,737
Office furniture & equipment	<u>35,782</u>	<u>1,962</u>	<u>14,742</u>	<u>23,002</u>
Total	<u>802,794</u>	<u>64,745</u>	<u>53,004</u>	<u>814,535</u>
Capital assets - net	<u>\$ 346,983</u>	<u>\$ 647,683</u>	<u>\$ 22,671</u>	<u>\$ 971,995</u>

7. BROADCAST LICENSE

The Station acquired three IBIQUNITY digital licenses as part of the digital conversion grants awarded by The Corporation for Public Broadcasting. The licenses have a perpetual life and can be renewed indefinitely at little cost to the Station. The Station intends to renew the license indefinitely. The digital licenses are not subject to amortization.

8. EQUIPMENT LIENS

Equipment purchased with National Telecommunications and Information Administration Grants is subject to a ten year lien, during which time the U.S. Department of Commerce retains a priority reversionary interest. The equipment is considered to be owned by the University of Northern Iowa, and is included in the investment in broadcasting equipment at net book value.

9. COMPENSATED ABSENCES

University employees accumulate vacation and sick leave under the provisions of Chapter 79 and 262 of the Code of Iowa, and it is the policy of the State to liquidate these accrued benefits under specific circumstances. Accrued vacation is paid at 100% of the employees' hourly rate upon retirement, death or termination and accrued sick leave is paid at 100% of the hourly rate up to a maximum of \$2,000 upon retirement. As of June 30, 2009 and 2008, the amount to liquidate accrued vacation and sick leave amounts to approximately \$152,000 and \$218,000, respectively.

10. RETIREMENT PLANS

The Station's employees participate in retirement plans through the University of Northern Iowa:

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, 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 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 contributes 5% and the University 10% on all earnings.

10. RETIREMENT PLANS - Continued

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. Plan members are required to contribute 4.1% of their annual covered salary and the University is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009.

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

11. LEASE COMMITMENTS

The University of Northern Iowa has entered into the multiple operating leases to rent tower space with several companies on behalf of the Station. The leases generally begin with a five or ten year term, with five year renewal options. Tower rent included in expense in 2009 and 2008 was \$92,131 and \$89,684, respectively.

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

<u>Year</u>	<u>Amount</u>
2010	\$ 87,833
2011	47,877
2012	14,021
2013	14,441
2014	<u>14,875</u>
Total	<u>\$179,047</u>

The Station is the lessor of transmitters and space on its broadcast towers under operating leases expiring in various years through 2014.

Minimum future rentals to be received on non-cancellable leases as of June 30, 2009 for each of the rent 5 years and in the aggregate are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 40,597
2011	34,955
2012	34,955
2013	34,955
2014	<u>12,879</u>
Total	<u>\$158,341</u>

12. 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.

13. 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 2009 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.

14. SUBSEQUENT EVENTS

The Station has evaluated events and transactions for possible adjustment or disclosure through January 26, 2010, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

KUNI-FM/KHKE-FM

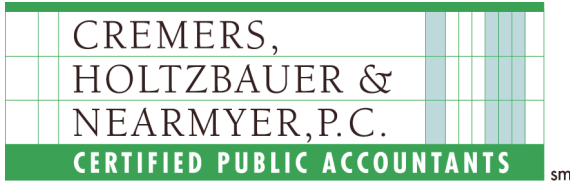
Schedule of Functional Expenses
Year Ended June 30, 2009

	Program Services				Support Services				Total
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	Management and General	Fund-raising and Membership Development	Total Support Services	Total	
Salaries	\$ 410,093	\$ 296,743	\$ 59,576	\$ 766,412	\$ 70,775	\$ 92,325	\$ 163,100	\$ 929,512	
Travel	11,276	5,902	1,531	18,709	544	4,747	5,291	24,000	
Office and other supplies	3,896	10,810	21,185	35,891	1,296	1,677	2,973	38,864	
Professional services provided by IPR	39,162	65,206	45,700	150,068	205,454	44,317	249,771	399,839	
Professional services	5,541	16,069	11,060	32,670	12,872	4,500	17,372	50,042	
Printing	-0-	-0-	6,991	6,991	-0-	3,010	3,010	10,001	
Postage	268	757	397	1,422	236	406	642	2,064	
Repairs and maintenance	356	25,416	276	26,048	276	7,233	7,509	33,557	
Facilities	-0-	141,485	150	141,635	-0-	150	150	141,785	
Programming fees	233,017	1,725	-0-	234,742	-0-	-0-	-0-	234,742	
Meetings and training	3,891	1,458	110	5,459	420	407	827	6,286	
Telecommunications	9,423	22,567	863	32,853	2,002	2,485	4,487	37,340	
Institutional, physical plant and occupancy provided by UNI	-0-	-0-	-0-	-0-	356,757	-0-	356,757	356,757	
Special event expenses	-0-	-0-	-0-	-0-	-0-	12,578	12,578	12,578	
Depreciation	67,700	27,020	-0-	94,720	3,964	-0-	3,964	98,684	
Bad debt	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Total expenses	\$ 784,623	\$ 615,158	\$ 147,839	\$1,547,620	\$ 654,596	\$ 173,835	\$ 828,431	\$2,376,051	

KUNI-FM/KHKE-FM

Schedule of Functional Expenses
Year Ended June 30, 2008

	Program Services				Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	Management and General	Fund-raising and Membership Development	Total Support Services	
Salaries	\$ 601,640	\$ 156,083	\$ 58,942	\$ 816,665	\$ 77,154	\$ 98,518	\$ 175,672	\$ 992,337
Services	310,708	103,180	56,856	470,744	202,669	70,242	272,911	743,655
Institutional support	-0-	-0-	-0-	-0-	255,561	-0-	255,561	255,561
Occupancy	92,726	24,056	9,084	125,866	11,891	15,184	27,075	152,941
Supplies	6,049	85,610	3,300	94,959	4,283	3,179	7,462	102,421
Tower rent and electricity	-0-	128,989	-0-	128,989	-0-	-0-	-0-	128,989
Telephone	13,386	17,359	1,501	32,246	4,222	5,097	9,319	41,565
Travel	8,783	1,982	3,345	14,110	1,154	2,795	3,949	18,059
Printing	96	96	5,108	5,300	640	4,638	5,278	10,578
Postage	244	556	2,670	3,470	259	5,238	5,497	8,967
Depreciation	34,348	28,435	-0-	62,783	1,962	-0-	1,962	64,745
Total expenses	<u>\$1,067,980</u>	<u>\$ 546,346</u>	<u>\$ 140,806</u>	<u>\$1,755,132</u>	<u>\$ 559,795</u>	<u>\$ 204,891</u>	<u>\$ 764,686</u>	<u>\$2,519,818</u>



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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

To the Board of Directors of:
KUNI-FM/KHKE-FM Radio
Cedar Falls, Iowa

We have audited the financial statements of KUNI-FM/KHKE-FM ("the Station"), as of and for the year ended June 30, 2009 and have issued our report thereon dated January 26, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We audited the financial statements of Friends of KHKE/KUNI, Inc. as described in our report on KUNI-FM/KHKE-FM Radio's financial statements. The financial statements of Friends of KHKE/KUNI, Inc. were not audited in accordance with *Government Auditing Standards*.

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

6200 Aurora Avenue
Suite 600W
Urbandale, IA 50322-2871

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.

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:

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 *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.

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 deficiencies to be material weaknesses as shown below. The auditee's response to our findings is included for each identified finding:

Material Weaknesses

09-1 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. The Board of Directors and management believes the cost to employ individuals capable of preparing the financial statements greatly outweighs the benefits to be achieved. The Board of Directors and management will continue to review internally prepared monthly financial statements and will review the annual financial statements with the auditor.

09-2 Accounting

The Station has a "Public Service Operating Agreement" with Iowa Public Radio, Inc. (IPR). As part of the agreement, IPR is responsible to provide monthly financial statements. IPR maintains the monthly information provided by the Station. In performing the audit, the general ledger maintained by IPR for the Station did not include the opening balances of the Station as of July 1, 2008. In addition, certain transactions 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 Northern Iowa to be reported to IPR and provide necessary training to ensure proper monthly reconciliations of such information.

Auditee's Response

Iowa Public Radio, Inc. (IPR) has a plan in place to correct these procedures and the plan includes the recruiting of a senior finance manager, 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.

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

January 26, 2010