

KUNI-FM/KHKE-FM

A Public Telecommunications Station
Operated by The University of Northern Iowa

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

KUNI-FM/KHKE-FM

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June 30, 2010

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KUNI RADIO GROUP

Management's Discussion and Analysis
(Unaudited)

For the Years Ended June 30, 2010, 2009 and 2008

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

KUNI Radio Group's license is held by the University of Northern Iowa. KUNI's radio group includes the following frequencies: KDMR (88.9 FM), KDUB (89.7 FM), KHKE (89.5 FM), KRNI (1010 AM), KUNI (90.9 FM), KUNY (91.5 FM), KUNZ (91.1 FM), KWNJ (91.1 FM), K214BA (90.7 FM), K233AA (94.5 FM), K269EJ (101.7 FM) and K271AF (102.1 FM).

The Board of Regents of the State of Iowa established Iowa Public Radio, Inc. ("IPR") to manage the day-to-day operations including programming, technical support and administration of the public radio operations at the three Regents' universities. This includes the KUNI Radio Group as well as the WOI Radio Group at Iowa State University and the KSUI Radio Group at the University of 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 KUNI 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.

KUNI RADIO GROUP

Management's Discussion and Analysis
(Unaudited)

For the Years Ended June 30, 2010, 2009 and 2008

USING THE AUDITED FINANCIAL STATEMENTS

This analysis is intended to introduce the basic financial statements of KUNI which consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. KUNI 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 STATEMENT OF NET ASSETS

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

	June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets:			
Current assets	\$ 2,542,809	\$ 2,626,391	\$ 3,014,296
Capital assets, net	1,176,907	1,070,298	971,995
Total assets	<u>\$ 3,719,716</u>	<u>\$ 3,696,689</u>	<u>\$ 3,986,291</u>
Liabilities:			
Current liabilities	\$ 224,951	\$ 384,874	\$ 274,528
Long-term liabilities	28,414	-	-
Total liabilities	<u>\$ 253,365</u>	<u>\$ 384,874</u>	<u>\$ 274,528</u>
Net assets:			
Invested in capital assets	\$ 1,176,907	\$ 1,070,298	\$ 971,995
Restricted	101,816	200,184	235,523
Unrestricted	2,187,628	2,041,333	2,504,245
Total net assets	<u>\$ 3,466,351</u>	<u>\$ 3,311,815</u>	<u>\$ 3,711,763</u>
Total liabilities and net assets	<u>\$ 3,719,716</u>	<u>\$ 3,696,689</u>	<u>\$ 3,986,291</u>
Change in net assets	<u>\$ 154,536</u>	<u>\$ (399,948)</u>	<u>\$ 280,868</u>

KUNI RADIO GROUP

Management's Discussion and Analysis
(Unaudited)

For the Years Ended June 30, 2010, 2009 and 2008

Total assets at June 30, 2010 increased slightly to \$3,719,716 compared to total assets of \$3,696,689 at the end of the prior fiscal year. This increase is primarily due to increases in investments and prepaid expenses offset by decreases in grants receivable and underwriting receivables. In January, 2010, the underwriting function for KUNI was centralized as part of IPR's on-going effort to become a fully integrated organization. Prior to this time, underwriting functions were performed at each of the university stations and therefore were reflected on the financial statements of each of the stations. Total assets at the end of fiscal year 2009 decreased compared to the total assets at the end of fiscal year 2008.

Capital assets at June 30, 2010 increased 10.0% to \$1,176,907 compared to capital assets of \$1,070,298 at the end of the prior fiscal year due to the purchase of equipment. Capital assets increased at the end of fiscal year 2009 compared to capital assets at the end of fiscal year 2008.

Total liabilities at June 30, 2010 decreased 34.2% to \$253,365 compared to total liabilities of \$384,874 at the end of the prior fiscal year. This decrease is primarily due to reduction in the payable to the University of Northern Iowa recorded at June 30, 2009 as well as decreases in compensated absences and advance payments on underwriting agreements. These decreases were offset by an increase in accounts payable. Long-term liabilities increased at June 30, 2010 compared to long-term liabilities at the end of the prior fiscal year due to an increase in retirement incentive options payable. Total liabilities at the end of fiscal year 2009 increased compared to the total liabilities at the end of fiscal year 2008.

Total net assets at June 30, 2010 increased 4.7% to \$3,466,351 compared to total net assets of \$3,311,815 at the end of the prior fiscal year. Total net assets at the end of fiscal year 2009 decreased compared to total net assets at the end of fiscal year 2008. KUNI's net assets are largely comprised of unrestricted net assets which may be used at management's discretion to meet current obligations.

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

KUNI RADIO GROUP

Management's Discussion and Analysis
(Unaudited)

For the Years Ended June 30, 2010, 2009 and 2008

	For the years ended June 30,		
	2010	2009	2008
Total operating revenues	\$ 2,111,530	\$ 2,102,898	\$ 2,042,482
Total operating expenses	<u>2,446,237</u>	<u>2,370,978</u>	<u>2,519,818</u>
Operating income (loss)	(334,707)	(268,080)	(477,336)
Non-operating revenues (expenses) - net	<u>489,243</u>	<u>(131,868)</u>	<u>758,204</u>
Change in net assets	<u>\$ 154,536</u>	<u>\$ (399,948)</u>	<u>\$ 280,868</u>

Total operating revenues for the year ended June 30, 2010 increased slightly to \$2,111,530 compared to \$2,102,898 for the year ended June 30, 2009. Major components of operating revenues are as follows:

- Support from IPR, including membership and fund-raising campaign funds as well as donated support, increased operating revenues by \$149,674.
- Community service grants and special event revenue increased operating revenues by \$60,423.
- Support from the University of Northern Iowa, including general appropriations and institutional, physical plant and occupancy support, decreased operating revenues by \$134,472.
- Underwriting revenue, net of allowances, decreased operating revenues by \$80,687. For fiscal year 2010, underwriting revenue is reported on the financial statements of each of the stations for the 6-month period July 1, 2009 through December 31, 2009. Underwriting revenue is reported on the financial statements of IPR for the 6-month period January 1, 2010 through June 30, 2010 due to the centralization of underwriting.

Total operating revenues for the year ended June 30, 2009 increased 3.0% to \$2,102,898 compared to \$2,042,482 for the year ended June 30, 2008. This increase was primarily due to increased support from IPR.

Total operating expenses for the year ended June 30, 2010 increased 3.2% to \$2,446,237 compared to \$2,370,978 for the year ended June 30, 2009. Major components of operating expenses are as follows:

- Programming and production expenses increased operating expenses by \$83,012 primarily due to increases in professional services and programming fees.

KUNI RADIO GROUP

Management's Discussion and Analysis
(Unaudited)

For the Years Ended June 30, 2010, 2009 and 2008

- Management and general expenses increased operating expenses by \$78,925 primarily due to professional services.
- Broadcast and engineering expenses decreased operating expenses by \$71,259 primarily due to decreases in salaries, wages and benefits due to retirements and the realignment of personnel to IPR.

Total operating expenses for the year ended June 30, 2009 decreased 5.9% to \$2,370,978 compared to \$2,519,818 for the year ended June 30, 2008. This decrease is primarily due to decreases in programming and production expenses.

Non-operating revenues (expenses) for the year ended June 30, 2010 increased significantly to \$489,243 compared to (\$131,868) for the year ended June 30, 2009. This increase was primarily due to an increase of \$517,968 in investment returns and \$81,464 in equipment grants and a decrease in purchases of non-capitalized equipment. Non-operating revenues (expenses) for the year ended June 30, 2009 decreased significantly to (\$131,868) compared to \$758,204 for the year ended June 30, 2008. This decrease was primarily due to a decrease in appropriations from the University of Northern Iowa for equipment and a decrease in investment returns.

THE STATEMENT OF CASH FLOWS

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

	For the years ended June 30,		
	2010	2009	2008
Cash from operating activities	\$ (303,924)	\$ 2,183	\$ (496,112)
Cash from non-capital financing activities	59,398	54,573	53,698
Cash from capital financing activities	111,822	(236,526)	46,462
Cash from investing activities	210,871	178,254	315,051
Net change in cash	<u>78,167</u>	<u>(1,516)</u>	<u>(80,901)</u>
Cash beginning of year	632,393	633,909	714,810
Cash end of year	<u>\$ 710,560</u>	<u>\$ 632,393</u>	<u>\$ 633,909</u>

Cash from operating activities decreased (\$303,924) for the year ended June 30, 2010 compared to an increase of \$2,183 for the year ended June 30, 2009 primarily due to decreases in general appropriations, contributions received from IPR and cash received for underwriting.

KUNI RADIO GROUP

Management's Discussion and Analysis
(Unaudited)

For the Years Ended June 30, 2010, 2009 and 2008

Cash from non-capital financing activities increased to \$59,398 for the year ended June 30, 2010 compared to \$54,573 for the year ended June 30, 2009 due to cash received from tower rentals increased in 2010.

Cash from capital financing activities increased to \$111,822 for the year ended June 30, 2010 compared to (\$236,526) for the year ended June 30, 2009 primarily due to a significant increase in cash received from equipment grants and a decrease in purchases of capitalized equipment during 2010.

Cash from investing activities increased to \$210,871 for the year ended June 30, 2010 compared to \$178,254 for the year ended June 30, 2009 due to cash proceeds from the sale of securities increased during 2010. This increase was offset by an increase in the use of cash for acquisitions of securities in 2010.

The net increase in cash and cash equivalents was \$78,167 for the year ended June 30, 2010 compared to a net decrease in cash of (\$1,516) for the year ended June 30, 2009. Cash balances increased at the end of the fiscal year and were comparable at the end of the two previous fiscal years. The increase in cash is typically considered a positive financial indicator.

ECONOMIC OUTLOOK

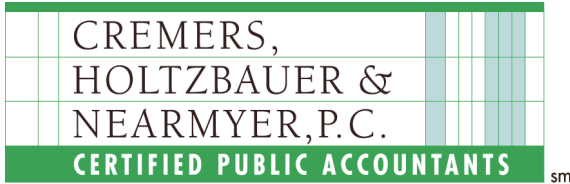
The management of IPR is not aware of any extraordinary items that would impact the viability of KUNI going forward. IPR continues to make major steps toward fully integrating the organization, enhancing operating efficiencies and decreasing its financial dependence on the three Regents' universities.

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

CONTACTING KUNI RADIO GROUP'S FINANCIAL MANAGEMENT

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

Requests for information related to the Friends of KHKE/KUNI, Inc. should be directed to the Chief Administrative Officer, Iowa Public Radio, Inc., 2111 Grand Avenue, Suite 100, Des Moines, Iowa, 50312.



INDEPENDENT AUDITOR'S REPORT

To the Governing Board 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, 2010 and 2009 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years 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 8 percent, respectively, of the related totals.

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.

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, 2010 and 2009 and the changes in its financial position and its cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audits, 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, 2010 and 2009, 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.

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Iowa Society of Certified Public
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Forensic Accountants
Society of North America

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2011 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 6 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 25 and 26 is presented for purposes of additional analysis and is not a required part of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Cremers, Holtzbauer & Nearmyer, P.C.

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

May 25, 2011

KUNI-FM/KHKE-FM

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CASH AND CASH EQUIVALENTS	\$ 710,560	\$ 632,393
CERTIFICATES OF DEPOSIT	51,840	154,207
INVESTMENTS	1,572,655	1,487,607
INTEREST RECEIVABLE	428	1,323
UNDERWRITING RECEIVABLE, net of allowance for doubtful accounts of \$-0- in 2010 and \$2,500 in 2009	-0-	31,247
DUE FROM IOWA PUBLIC RADIO	48,852	93,359
GRANTS RECEIVABLE	78,557	178,409
ACCOUNTS RECEIVABLE - net of allowance for doubtful accounts of \$-0- in 2010 and 2009	1,533	-0-
PREPAID EXPENSES	<u>78,384</u>	<u>47,846</u>
Total current assets	2,542,809	2,626,391
CAPITAL ASSETS, net	<u>1,176,907</u>	<u>1,070,298</u>
TOTAL	<u>\$ 3,719,716</u>	<u>\$ 3,696,689</u>
 <u>LIABILITIES AND NET ASSETS</u>		
ACCOUNTS PAYABLE	\$ 64,669	\$ 23,157
DUE TO UNIVERSITY OF NORTHERN IOWA	50,598	178,409
ADVANCED PAYMENTS ON UNDERWRITING AGREEMENTS	-0-	31,308
ACCRUED COMPENSATED ABSENCES	102,000	152,000
CURRENT PORTION - EARLY RETIREMENT BENEFITS PAYABLE	<u>7,684</u>	<u>-0-</u>
Total current liabilities	224,951	384,874
EARLY RETIREMENT BENEFITS PAYABLE - net of current portion	<u>28,414</u>	<u>-0-</u>
Total liabilities	253,365	384,874
NET ASSETS:		
Invested in capital assets	1,176,907	1,070,298
Restricted	101,816	200,184
Unrestricted	<u>2,187,628</u>	<u>2,041,333</u>
Total net assets	<u>3,466,351</u>	<u>3,311,815</u>
TOTAL	<u>\$ 3,719,716</u>	<u>\$ 3,696,689</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>OPERATING REVENUES:</u>		
Support from the University of Northern Iowa:		
General appropriation	\$ 462,619	\$ 596,330
Institutional, physical plant and occupancy	453,862	454,623
Support from Iowa Public Radio:		
Membership and fund-raising campaigns	538,035	486,680
Program underwriting	161,408	-0-
State appropriations	114,670	164,166
Special events	-0-	13,593
Community service grants	224,514	177,303
Program underwriting	97,105	163,288
Grants from state agencies	-0-	1,300
Contributed support from memberships and fund-raising	1,400	910
Special events and other	<u>57,917</u>	<u>44,705</u>
Total operating revenues	<u><u>2,111,530</u></u>	<u><u>2,102,898</u></u>
<u>OPERATING EXPENSES:</u>		
Programming and production	867,635	784,623
Broadcasting	543,899	615,158
Program information	100,127	142,766
Management and general	733,521	654,596
Fund-raising and membership development	<u>201,055</u>	<u>173,835</u>
Total operating expenses	<u><u>2,446,237</u></u>	<u><u>2,370,978</u></u>
Operating loss income	<u><u>(334,707)</u></u>	<u><u>(268,080)</u></u>
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Rental income	60,931	54,573
Investment return	192,656	(325,312)
Equipment grants	265,594	184,130
Noncapitalized equipment	<u>(29,938)</u>	<u>(45,259)</u>
Total nonoperating revenues (expenses) - net	<u><u>489,243</u></u>	<u><u>(131,868)</u></u>
CHANGE IN NET ASSETS	154,536	(399,948)
NET ASSETS:		
Beginning of year	<u><u>3,311,815</u></u>	<u><u>3,711,763</u></u>
END OF YEAR	<u><u>\$ 3,466,351</u></u>	<u><u>\$ 3,311,815</u></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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from University of Northern Iowa general appropriations	\$ 462,619	\$ 596,330
Cash received from community service grants	224,514	177,303
Cash received from program underwriting	99,543	182,005
Cash received from Iowa Public Radio membership and fund-raising campaigns	233,638	319,027
Cash received from memberships and fund-raising	1,626	28,627
Cash received from other revenue	57,691	3,074
Cash payments to employees for salaries, wages and benefits	(788,800)	(995,512)
Cash payments to suppliers for goods and services	<u>(594,755)</u>	<u>(308,671)</u>
Net cash flows provided (used) by operating activities	-- <u>(303,924)</u>	-- <u>2,183</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from tower rental	<u>59,398</u>	<u>54,573</u>
Net cash flows provided by non-capital financing activities	-- <u>59,398</u>	-- <u>54,573</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from equipment grants	365,445	5,721
Purchase of equipment - noncapitalized	(29,938)	(45,259)
Purchase of equipment - capitalized	(223,685)	(181,988)
Purchase of intangibles	<u>-0-</u>	<u>(15,000)</u>
Net cash flows provided (used) by investing activities	-- <u>111,822</u>	-- <u>(236,526)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	764,138	684,517
Cash received from investment income	39,169	48,232
Acquisition of investments	<u>(592,436)</u>	<u>(554,495)</u>
Net cash flows provided by investing activities	<u>210,871</u>	<u>178,254</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,167	(1,516)
CASH AND CASH EQUIVALENTS - beginning of year	<u>632,393</u>	<u>633,909</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 710,560</u>	<u>\$ 632,393</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (334,707)	\$ (268,080)
Transactions not requiring cash:		
Depreciation expense	117,076	98,684
Increase (decrease) in:		
Underwriting receivable	31,247	(5,031)
Noncapital grants receivable	-0-	1,700
Due from Iowa Public Radio	44,507	54,428
Inventory	-0-	1,688
Prepaid expenses	(30,538)	8,449
Increase (decrease) in:		
Accounts payable	54,619	(8,898)
Due to University of Northern Iowa	(140,918)	178,409
Advanced payments on underwriting agreements	(31,308)	6,834
Compensated absences payable	(50,000)	(66,000)
Early retirement benefits payable	<u>36,098</u>	<u>-0-</u>
Net cash flows provided (used) by operating activities	<u>\$ (303,924)</u>	<u>\$ 2,183</u>

Concluded..

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

KUNI-FM/KHKE-FM

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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 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.*

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

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.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

The Station's net assets are classified as follows:

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

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

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

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

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

Restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Restricted, expendable:		
CPB Community Service Grants	\$ 101,816	\$ 200,184
Total restricted net assets	<u>\$ 101,816</u>	<u>\$ 200,184</u>

Estimates

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

Capital Assets

Capital assets are recorded at cost, or in the case of donated property at the estimated fair value on the date received. All capital asset expenditures in excess of \$5,000 are capitalized. Depreciation is computed using the straight-line method, with useful lives ranging from 5 to 15 years for all capitalized items. Depreciation charged to operations for fiscal years ended 2010 and 2009 was \$117,076 and \$98,684, respectively.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Pledges and Contributions

The Station encourages individuals, businesses and other organizations to provide support for specific and general programming. Prior to 2009, Friends engaged in periodic fund-raising campaigns on behalf of the Station using on-air, online and mail fund-raising 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 fund-raising efforts.

Underwriting Receivables

Underwriting receivables were carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. As of December 1, 2009, Iowa Public Radio, Inc. has assumed the billing for and collection of underwriting activities.

University Support and Grant Revenue

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

Program Underwriting Support

Underwriting support 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 Nonoperating 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 nonoperating revenues.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing program services and other activities are summarized on a functional basis in the Statements of Revenues, Expenses and Changes in Net Assets and in the 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 2010 and 2009 was \$30 and \$3,633, respectively.

Newly Adopted Accounting Pronouncements

The Station adopted *GASB 51 - Accounting and Financial Reporting for Intangible Assets (GASB 51)* effective July 1, 2009. *GASB 51* requires that all intangible assets not specifically excluded be classified as capital assets. The adoption of *GASB 51* did not have a material impact on the financial position or results of operations of the Station.

Reclassification

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

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, 2010 and 2009 were \$462,619 and \$596,330, 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 \$453,862 and \$454,623 for the years ended June 30, 2010 and 2009, respectively.

As of June 30, 2010 and 2009, the Station received advances from the University of Northern Iowa in the amounts of \$50,598 and \$178,409, respectively. These amounts represent disbursements made from Station fund accounts before the funds were received and/or allocated to the fund accounts.

During 2010, Iowa Public Radio, Inc. assumed underwriting functions for the Station. Program underwriting from various departments of the University totaled \$14,014. This amount was allocated to the Station and the other State of Iowa Universities' Radio Stations, based on allocation of airing of the underwriting announcements.

Program underwriting from various departments of the University totaled \$19,298 during the year ended June 30, 2009.

Financial statements for the University of Northern Iowa can be obtained from the University's Financial Accounting and Reporting Services Department at 122 Long Hall, University of Northern Iowa, Cedar Falls, IA 50614 or from the website at www.uni.edu.

3. TRANSACTIONS WITH IOWA PUBLIC RADIO

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

IPR engages in fund-raising and underwriting campaigns on behalf of the Station through the use of on-air, online and direct mail fund-raising appeals. As a result of its fund-raising efforts, IPR periodically allocates a portion of its revenues to the Station. The Station recognized contributions from IPR in the amount of \$189,131 and \$264,599 for the years ended June 30, 2010 and 2009, respectively. Contributions due from IPR were \$48,852 and \$93,359 as of June 30, 2010 and 2009, respectively.

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

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

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

	<u>Cash</u>	<u>Noncash</u>	<u>Total</u>
Memberships and fund-raising campaigns	\$ 189,131	\$ 348,904	\$ 538,035
Program underwriting	-0-	161,408	161,408
State appropriation	-0-	114,670	114,670
Special events	-0-	-0-	-0-
	<u>\$ 189,131</u>	<u>\$ 624,982</u>	<u>\$ 814,113</u>

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

	<u>Cash</u>	<u>Noncash</u>	<u>Total</u>
Memberships and fund-raising campaigns	\$ 264,599	\$ 222,081	\$ 486,680
Program underwriting	-0-	-0-	-0-
State appropriation	-0-	164,166	164,166
Special events	-0-	13,593	13,593
	<u>\$ 264,599</u>	<u>\$ 399,840</u>	<u>\$ 664,439</u>

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

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 6/30/10
		2009	2010	
2008	\$ 169,393	\$ 146,512	\$ 22,881	\$ -0-
2009	177,303	-0-	172,478	4,825
2010	224,514	-0-	127,523	96,991

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, 2010:

Type	Cost	Market Value	Unrealized Gain (Loss)
Certificate of deposit	\$ 51,840	\$ 51,840	\$ -0-
Mutual funds	973,458	1,057,677	84,219
Stocks	525,397	483,768	(41,629)
Unit investment trust	20,093	31,210	11,117
Total	<u>\$ 1,570,788</u>	<u>\$ 1,624,495</u>	<u>\$ 53,707</u>

5. CASH, CASH EQUIVALENTS AND INVESTMENTS - continued

The balances as of June 30, 2009 is summarized as follows:

<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>

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

<u>Description</u>	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 43,408	\$ 78,560
Realized gains (losses)	115	(186,717)
Unrealized gains (losses)	154,266	(212,082)
Investment fees	<u>(5,133)</u>	<u>(5,073)</u>
Investment return	<u>\$ 192,656</u>	<u>\$ (325,312)</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.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of June 30, 2010, the Station's cash and cash equivalents were highly concentrated in University 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, 2010, the carrying amount of deposits with the University totaled \$611,739. 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.

5. CASH, CASH EQUIVALENTS AND INVESTMENTS - continued

The Station's investments held by the Foundation are held by a number of custodians. As of June 30, 2010, the carrying amount of deposits with the Foundation totaled \$8,534. 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, 2010 and 2009 is as follows:

	June 30, 2009	Additions	Reductions	June 30, 2010
Nondepreciable assets:				
Broadcast and Digital License	\$ 15,000	\$ -0-	\$ -0-	\$ 15,000
Total nondepreciable assets	<u>15,000</u>	<u>-0-</u>	<u>-0-</u>	<u>15,000</u>
Towers & transmission equipment	1,431,296	164,598	26,401	1,569,493
Broadcast & production equipment	436,442	51,922	15,920	472,444
Office furniture & equipment	<u>54,825</u>	<u>7,165</u>	<u>19,868</u>	<u>42,122</u>
Total depreciable capital assets	<u>1,922,563</u>	<u>223,685</u>	<u>62,189</u>	<u>2,084,059</u>
Less accumulated depreciation:				
Towers & transmission equipment	535,547	86,441	26,401	595,587
Broadcast & production equipment	304,752	26,312	15,920	315,144
Office furniture & equipment	<u>26,966</u>	<u>4,323</u>	<u>19,868</u>	<u>11,421</u>
Total accumulated depreciation	<u>867,265</u>	<u>117,076</u>	<u>62,189</u>	<u>922,152</u>
Depreciable assets - net	<u>1,055,298</u>	<u>106,609</u>	<u>-0-</u>	<u>1,161,907</u>
Capital assets - net	<u>\$1,070,298</u>	<u>\$ 106,609</u>	<u>\$ -0-</u>	<u>\$1,176,907</u>
	June 30, 2008	Additions	Reductions	June 30, 2009
Nondepreciable assets:				
Broadcast and Digital License	\$ -0-	\$ 15,000	\$ -0-	\$ 15,000
Total nondepreciable assets	<u>-0-</u>	<u>15,000</u>	<u>-0-</u>	<u>15,000</u>
Depreciable capital assets:				
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 depreciable capital assets	<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 accumulated depreciation	<u>814,535</u>	<u>98,685</u>	<u>45,955</u>	<u>867,265</u>
Depreciable assets - net	<u>971,995</u>	<u>83,303</u>	<u>-0-</u>	<u>1,055,298</u>
Capital assets - net	<u>\$ 971,995</u>	<u>\$ 98,303</u>	<u>\$ -0-</u>	<u>\$1,070,298</u>

6. CAPITAL ASSETS - continued

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.

7. 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.

8. 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, 2010 and 2009, the amount to liquidate accrued vacation and sick leave amounts to approximately \$102,000 and \$152,000, respectively.

9. 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 for fiscal year 2010 and 2009, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 5 1/3% and 6 2/3%, respectively of the first \$4,800 of earnings and 8% and 10%, respectively on earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 8% and 10%, respectively on all earnings.

9. RETIREMENT PLANS - continued

Iowa Public Employees Retirement System

Each public 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, 2010 and 2009, plan members are required to contribute 4.3% and 4.1%, respectively, of their annual covered salary and the University is required to contribute 6.65% and 6.35%, respectively, of annual covered payroll.

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 years ended June 30, 2010 and 2009.

Early Retirement Incentive Program

During the fiscal year ended June 30, 2010, the Station had three employees elect participation in the Early Retirement Incentive Program offered by the University of Northern Iowa. Eligible employees were required to have been 57 years or older and their age plus years of service had to equal 70 or more on or before the date of retirement. Employees who met the eligibility requirements and had to apply for the program by July 31, 2009 and retire between June 1, 2009 and December 31, 2009.

The University of Northern Iowa 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 of Northern Iowa for the employer's retirement contribution to TIAA-CREF for 5 years, based on the employee's annual salary as of May 1, 2009. In the event of the employee's death, the Station's obligation to pay the cost of the TIAA-CREF contribution will cease on the first day of the month following the date of death.

As of June 30, 2010, the present value of future benefits was \$36,098. The interest rate utilized to calculate the present value was 2.43%. All incentive payments are on a pay-as-you-go basis.

For the year ended June 30, 2010, the Station included in expense \$39,865 under this program. The current year activity is as follows:

	<u>2010</u>
Beginning balance	\$ -0-
Accrual of liability	39,865
Payments	<u>(3,767)</u>
Ending balance	<u>\$ 36,098</u>

10. 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 2010 and 2009 was \$109,466 and \$92,131, respectively.

10. LEASE COMMITMENTS - continued

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>
2011	\$ 94,207
2012	88,502
2013	90,673
2014	92,358
2015	<u>74,587</u>
Total	<u>\$440,327</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 noncancellable leases as of June 30, 2010 for each of the next 4 years and in the aggregate are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 34,955
2012	34,955
2013	34,955
2014	<u>12,879</u>
Total	<u>\$117,744</u>

11. COMMITMENTS

The Station has started construction of an additional repeater location. This has resulted in the following construction-in-progress and commitments to future expenditures to complete these projects:

<u>Description</u>	<u>Estimated Cost</u>	<u>Costs Incurred</u>	<u>Estimated Cost to Complete</u>
Repeater construction	<u>\$ 621,036</u>	<u>\$ 71,379</u>	<u>\$ 549,157</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.

13. NONFEDERAL FINANCIAL SUPPORT - continued

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 May 25, 2011, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

KUNI-FM/KHKE-FM

Schedule of Functional Expenses
Year Ended June 30, 2010

	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	Support Services	Total	
Salaries	\$ 372,994	\$ 252,366	\$ 13,088	\$ 638,448	\$ 85,914	\$ 50,536	\$ 136,450	\$ 774,898	
Travel	7,220	4,369	442	12,031	418	1,924	2,342	14,373	
Office and other supplies	831	18,949	42	19,822	4,602	35	4,637	24,459	
Professional services provided by IPR	90,245	54,871	86,192	231,308	245,946	147,729	393,675	624,983	
Professional services	4,387	16,035	363	20,785	33,941	476	34,417	55,202	
Recruitment	150	-0-	-0-	150	212	-0-	212	362	
Printing	-0-	-0-	-0-	-0-	265	-0-	265	265	
Postage	-0-	-0-	-0-	-0-	824	-0-	824	824	
Repairs and maintenance	2,171	27,220	-0-	29,391	-0-	-0-	-0-	29,391	
Facilities	-0-	152,968	-0-	152,968	-0-	-0-	-0-	152,968	
Programming fees	272,914	-0-	-0-	272,914	-0-	-0-	-0-	272,914	
Meetings and training	-0-	-0-	-0-	-0-	816	-0-	816	816	
Telecommunications	3,970	17,121	-0-	21,091	7,157	-0-	7,157	28,248	
Institutional, physical plant and occupancy provided by UNI	-0-	-0-	-0-	-0-	349,103	-0-	349,103	349,103	
Special event expenses	-0-	-0-	-0-	-0-	-0-	355	355	355	
Depreciation	112,753	-0-	-0-	112,753	4,323	-0-	4,323	117,076	
Total expenses	\$ 867,635	\$ 543,899	\$ 100,127	\$1,511,661	\$ 733,521	\$ 201,055	\$ 934,576	\$2,446,237	

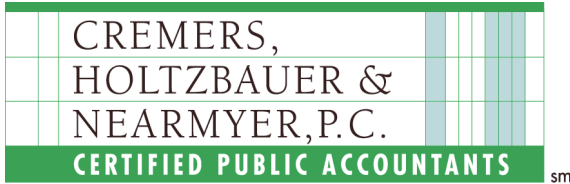
See Independent Auditor's Report.

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	
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	16,112	30,818	1,296	1,677	2,973	33,791
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	<u>\$ 784,623</u>	<u>\$ 615,158</u>	<u>\$ 142,766</u>	<u>\$1,542,547</u>	<u>\$ 654,596</u>	<u>\$ 173,835</u>	<u>\$ 828,431</u>	<u>\$2,370,978</u>

See Independent Auditor's Report.



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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 Governing Board 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, 2010 and have issued our report thereon dated May 25, 2011. 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
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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.

Members:

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.

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

10-1 Financial Statements

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

Auditee's Response

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

10-2 Accounting

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. 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 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 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.

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 governing board, management, others within the Station and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cremers, Holtzbauer & Nearmyer, P.C.

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

May 25, 2011