

WOI - AM/FM RADIO

A Public Telecommunications Station  
Operated by Iowa State University  
of Science and Technology

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

WOI - AM/FM RADIO

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June 30, 2009

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WOI - AM/FM RADIO

Management's Discussion and Analysis  
(Unaudited)

As financial management of WOI-AM/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 6.

The Station is licensed to Iowa State University of Science and Technology and is governed by the State of Iowa Board of Regents, the President of the University and the University's Vice President of Business and Finance.

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 WOI AM at least five consecutive minutes in a week during the measurement period) averaged 40,000. Similarly the weekly CUME for WOI FM averaged 39,400.

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.

WOI - AM/FM RADIO

Management's Discussion and Analysis  
(Unaudited)

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 of cash 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 basic financial statements and can be found on pages 12 to 24.

FINANCIAL HIGHLIGHTS AND PERFORMANCE

OPERATING REVENUES

- WOI - AM/FM recognized general appropriation support of \$500,000 from Iowa State University. This is a 9 percent decrease from \$550,000 for the year ended June 30, 2008.
- WOI-AM/FM recognized support of \$218,190 from Iowa State University for institutional, physical plant and occupancy support. This is a 9 percent increase from \$199,739 for the year ended June 30, 2008.
- WOI - AM/FM membership and fundraising revenue was \$1,210,188 for the period ending June 30, 2009. This is a 19 percent increase from \$1,019,125 for the year ended June 30, 2008.
- WOI - AM/FM underwriting revenue was \$237,953 for the period ending June 30, 2009. This is a 39 percent decrease from \$388,643 for the year ended June 30, 2008.
- WOI - AM/FM recognized \$329,042 in community service grants from the Corporation for Public Broadcasting (CPB). This is a 5 percent increase from \$313,904 awarded for the year ended June 30, 2008.
- WOI-AM/FM recognized \$399,840 in donated services. This is a 25 percent increase from \$321,138 for the year ended June 30, 2008.
- WOI - AM/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).

WOI - AM/FM RADIO

Management's Discussion and Analysis  
(Unaudited)

OPERATING EXPENSES

- WOI-AM/FM recognized \$1,242,393 in programming and production expenses. This is a 2 percent decrease from \$1,264,439 for the year ended June 30, 2008.
- WOI-AM/FM recognized \$674,318 in broadcasting and engineering expenses. This is an 18 percent increase from \$570,814 for the year ended June 30, 2008.
- WOI-AM/FM recognized \$45,700 in program information and promotion expenses. This is an 856 percent increase from \$4,778 for the year ended June 30, 2008.
- WOI-AM/FM recognized \$652,926 in management and general expenses. This is a 6 percent decrease from \$691,952 for the period ended June 30, 2008.
- WOI-AM/FM recognized \$650,697 in fundraising and membership development expenses. This is a 1 percent increase from \$646,193 for the period ended June 30, 2008.

THE STATEMENTS OF NET ASSETS

Assets of the Station exceed its liabilities at the close of fiscal year ended June 30, 2009 by \$2,306,757 (net assets). Net assets decreased by \$486,680 during the year. At the close of fiscal year June 30, 2008, assets of the Station exceeded its liabilities by \$2,793,437. Net assets decreased by \$293,820 during the year ended June 30, 2008. Summarized financial information is as follows:

	<u>June 30</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Current assets	\$ 922,841	\$ 1,601,258	\$ 1,073,304
Capital assets, net	706,962	779,610	842,556
Licenses	292,159	292,159	292,159
Investment Pool (managed by ISU FDTN)	<u>719,176</u>	<u>1,092,904</u>	<u>1,516,258</u>
Total assets	<u>\$ 2,641,138</u>	<u>\$ 3,765,931</u>	<u>\$ 3,724,277</u>
Liabilities:			
Current liabilities	\$ 323,339	\$ 958,952	\$ 562,569
Long-term liabilities	<u>11,042</u>	<u>13,542</u>	<u>74,451</u>
Total liabilities	<u>\$ 334,381</u>	<u>\$ 972,494</u>	<u>\$ 637,020</u>
Net assets:			
Invested in capital assets	\$ 706,962	\$ 721,201	\$ 728,121
Restricted	222,669	357,635	443,250
Unrestricted	<u>1,377,126</u>	<u>1,714,601</u>	<u>1,915,886</u>
Total net assets	<u>\$ 2,306,757</u>	<u>\$ 2,793,437</u>	<u>\$ 3,087,257</u>
Total liabilities and net assets	<u>\$ 2,641,138</u>	<u>\$ 3,765,931</u>	<u>\$ 3,724,277</u>
Change in net assets	<u>\$ (486,680)</u>	<u>\$ (293,820)</u>	<u>\$ 50,853</u>

WOI - AM/FM RADIO

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	\$ 2,897,362	\$ 2,812,759	\$ 2,862,887
Total operating expenses	<u>3,266,034</u>	<u>3,178,176</u>	<u>3,169,918</u>
Total operating income (loss)	(368,672)	(365,417)	(307,031)
Total non-operating revenue (expense)	<u>(118,008)</u>	<u>71,597</u>	<u>357,884</u>
Change in net assets	<u>\$ (486,680)</u>	<u>\$ (293,820)</u>	<u>\$ 50,853</u>

Total operating revenue of the Station for the fiscal year ended June 30, 2009 was \$2,897,362. This was an increase of \$84,603 over prior year operating revenue. Total operating revenue of the Station for the fiscal year ended June 30, 2008 was \$2,812,759.

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	\$ (244,160)	\$ (492,555)	\$ 188,119
Cash from non-capital financing activities	44,400	44,400	8,400
Cash from capital financing activities	(14,496)	(307,674)	(168,686)
Cash from investing activities	<u>262,071</u>	<u>416,007</u>	<u>9,333</u>
Net change in cash	47,815	(339,822)	37,166
Cash beginning of year	<u>583,829</u>	<u>923,651</u>	<u>886,486</u>
Cash end of year	<u>\$ 631,644</u>	<u>\$ 583,829</u>	<u>\$ 923,652</u>

CAPITAL ASSETS

Capital assets net of accumulated depreciation for the Station was \$706,962 at June 30, 2009. This was a net decrease of \$72,648 during the year. Depreciation expense on capital assets was \$121,905 for the fiscal year ended June 30, 2009.

WOI - AM/FM RADIO

Management's Discussion and Analysis  
(Unaudited)

DEBT

Total liabilities of the Station at June 30, 2009 were \$334,381. Long-term debt included in total liabilities was \$0. Total liabilities decreased during the year by \$638,113 and long-term debt decreased \$58,409 during the current year.

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. WOI - AM/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 WOI - AM/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.

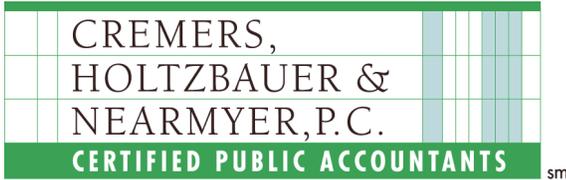
REQUEST FOR INFORMATION

This financial report is designed to provide donors, members, investment managers, foundation, and taxpayers with a general overview of WOI - AM/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:

WOI - AM/FM Radio  
Attn: Site Administrator  
Iowa State University  
2022 Communications Building  
Ames, Iowa 50011

OR

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



Phone: 515-274-4804  
Fax: 515-274-4807  
E-Mail: [info@chncpa.com](mailto:info@chncpa.com)  
Website: [www.chncpa.com](http://www.chncpa.com)

INDEPENDENT AUDITOR'S REPORT

Ms. Pam Elliott Cain  
Associate Vice-President of Business and Finance  
Iowa State University of Science and Technology  
Ames, Iowa

We have audited the accompanying financial statements of WOI - AM/FM Radio, a public telecommunications station operated by Iowa State University of Science and Technology, as of and for the years ended June 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of WOI - AM/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 Iowa State University of Science and Technology that is attributable to the transactions of WOI - AM/FM Radio. They do not purport to, and do not, present fairly the financial position of Iowa State University of Science and Technology as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all materials respects, the financial position of the Station as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Members:

PCPS Section of the  
American Institute of  
Certified Public Accountants

Iowa Society of Certified Public  
Accountants

Forensic Accountants  
Society of North America

In accordance with *Government Auditing Standards*, for the year ended June 30, 2009, we have also issued a report dated January 26, 2010 on our consideration of the Station's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, on pages 1 - 5, is not a required part of the financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

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

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

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

January 26, 2010

WOI - AM/FM RADIO

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u> <u>As corrected</u>
CASH AND CASH EQUIVALENTS	\$ 631,644	\$ 583,830
ACCOUNTS RECEIVABLE	107,826	91,105
UNDERWRITING RECEIVABLES	12,315	49,569
DUE FROM IOWA STATE UNIVERSITY	-0-	550,000
DUE FROM IOWA PUBLIC RADIO, INC.	106,319	172,494
GRANTS RECEIVABLE	-0-	76,250
PREPAID EXPENSES	<u>64,737</u>	<u>78,010</u>
Total current assets	_ _ <u>922,841</u>	_ <u>1,601,258</u>
CAPITAL ASSETS, net	706,962	779,610
BROADCAST AND DIGITAL LICENSES	292,159	292,159
INVESTMENT POOL - Iowa State University Foundation	<u>719,176</u>	<u>1,092,904</u>
TOTAL	<u>\$ 2,641,138</u>	<u>\$ 3,765,931</u>
<u>LIABILITIES AND NET ASSETS</u>		
DUE TO IOWA STATE UNIVERSITY	\$ 94,769	\$ 670,321
ACCOUNTS PAYABLE	55,617	32,828
ACCRUED COMPENSATED ABSENCES	158,000	166,000
ACCRUED INTEREST	-0-	410
ADVANCE PAYMENTS ON UNDERWRITING AGREEMENTS	9,453	25,484
LEASE - PURCHASE OBLIGATION	-0-	58,409
CURRENT PORTION OF DEFERRED RENTAL INCOME	<u>5,500</u>	<u>5,500</u>
Total current liabilities	323,339	958,952
DEFERRED RENTAL INCOME - net of current portion	<u>11,042</u>	<u>13,542</u>
Total liabilities	_ _ <u>334,381</u>	_ _ <u>972,494</u>
NET ASSETS:		
Invested in capital assets - net of related debt	706,962	721,201
Restricted	222,669	357,635
Unrestricted	<u>1,377,126</u>	<u>1,714,601</u>
Total net assets	<u>2,306,757</u>	<u>2,793,437</u>
TOTAL	<u>\$ 2,641,138</u>	<u>\$ 3,765,931</u>

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

WOI - AM/FM RADIO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u> <u>As corrected</u>
<u>OPERATING REVENUES:</u>		
Support from Iowa State University of Science and Technology:		
General appropriations	\$ 500,000	\$ 550,000
Institutional, physical plant and occupancy	218,190	199,739
Support from Iowa Public Radio:		
Memberships and fund-raising campaigns	1,210,188	1,019,125
Donated services	399,840	321,138
Community service grants	329,042	313,904
Program underwriting	237,953	388,643
Memberships and fund-raising campaigns	-0-	16,395
Other revenue	<u>2,149</u>	<u>3,815</u>
 Total operating revenues	 <u>- 2,897,362</u>	 <u>- 2,812,759</u>
<u>OPERATING EXPENSES:</u>		
Program Services:		
Programming and production	1,242,393	1,264,439
Broadcasting and engineering	674,318	570,814
Program information and promotion	45,700	4,778
Support Services:		
Management and general	652,926	691,952
Fund-raising and membership development	<u>650,697</u>	<u>646,193</u>
 Total operating expenses	 <u>3,266,034</u>	 <u>3,178,176</u>
 Operating loss	 <u>- (368,672)</u>	 <u>- (365,417)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>		
Equipment grants	207,893	984,379
Investment return	(111,658)	(7,346)
Rental income	46,900	43,900
Interest expense	(1,456)	(8,344)
Noncapitalized equipment	<u>(259,687)</u>	<u>(940,992)</u>
 Total non-operating revenues (expenses) - net	 <u>(118,008)</u>	 <u>71,597</u>
 CHANGE IN NET ASSETS	 <u>- (486,680)</u>	 <u>- (293,820)</u>
NET ASSETS, beginning of the year as previously reported	2,793,437	3,014,104
Cumulative effect on prior years of correction of error	<u>-0-</u>	<u>73,153</u>
NET ASSETS, beginning of the year as restated	<u>2,793,437</u>	<u>3,087,257</u>
NET ASSETS, end of the year	<u>\$ 2,306,757</u>	<u>\$ 2,793,437</u>

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

WOI - AM/FM RADIO

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u> <u>As corrected</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from Iowa State University general appropriations	\$ 1,050,000	\$ -0-
Cash received from community service grants	329,042	313,904
Cash received from program underwriting	288,685	437,239
Cash received from Iowa Public Radio membership and fund-raising campaigns	1,183,013	1,031,776
Cash received from other revenue	2,403	3,696
Cash payments to employees for salaries, wages and benefits	(1,450,104)	(1,440,861)
Cash payments to suppliers for goods and services	<u>(1,647,199)</u>	<u>(838,309)</u>
Net cash flows used by operating activities	_ _ (244,160)	_ _ (492,555)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from tower rental	<u>44,400</u>	<u>44,400</u>
Net cash flows provided by non-capital financing activities	_ _ 44,400	_ _ 44,400
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from equipment grants	380,275	700,300
Proceeds from notes and lease obligations	-0-	300,000
Purchase of equipment - noncapitalized	(285,239)	(869,423)
Purchase of equipment - capitalized	(49,257)	(73,788)
Principal paid on notes and lease obligations	(58,409)	(356,026)
Interest paid on notes and lease obligations	<u>(1,866)</u>	<u>(8,737)</u>
Net cash flows used by capital financing activities	_ _ (14,496)	_ _ (307,674)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	245,659	397,952
Cash received from investment income	<u>16,412</u>	<u>18,055</u>
Net cash flows provided by investing activities	<u>262,071</u>	<u>416,007</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,815	(339,822)
CASH AND CASH EQUIVALENTS - beginning of year	<u>583,829</u>	<u>923,651</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 631,644</u>	<u>\$ 583,829</u>

Continued...

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

WOI - AM/FM RADIO

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u> <u>As corrected</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>		
<u>NET CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (368,672)	\$ (365,417)
Transactions not requiring cash:		
Depreciation	121,905	136,734
(Increase) decrease in:		
Accounts receivable	(12,851)	(119)
Underwriting receivables	37,254	18,930
Due from Iowa Public Radio	(33,825)	(3,744)
Due from Iowa State University	550,000	(550,000)
Prepaid expenses	13,273	(12)
Increase (decrease) in:		
Due to Iowa State University	(550,000)	550,000
Accounts payable	22,788	(311,411)
Accrued compensated absences	(8,000)	7,000
Advance payments on underwriting agreements	<u>(16,032)</u>	<u>25,484</u>
Net cash flows used by operating activities	<u>\$ (244,160)</u>	<u>\$ (492,555)</u>

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

WOI - AM/FM RADIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

WOI-AM/FM Radio ("the Station") is not a discrete legal entity and is a part of Iowa State University of Science and Technology ("the University"). The Board of Regents of the State of Iowa is the governing board and the President and Vice President of Business and Finance 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.

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 six public radio stations located in the State of Iowa. A significant portion of the Station's funding is received from Iowa State University of Science and Technology and Iowa Public Radio.

Net Assets

The Station's net assets are classified as follows:

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

*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

Restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Temporarily restricted:		
CPB Community Service Grant	\$ 222,670	\$ 191,008
Programming Grant	-0-	66,627
Des Moines Studio	<u>-0-</u>	<u>100,000</u>
Total restricted net assets	<u>\$ 222,670</u>	<u>\$ 357,635</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 \$121,905 and \$136,734, respectively.

Temporarily restricted capital assets are related to the radio broadcast stations in Carroll, Lamoni, Fort Dodge, and Ottumwa, Iowa, which were funded by the federal government. The federal funding requires that the Station maintain and operate the public radio stations for a period of ten years. Restrictions on the Carroll, Iowa radio station will expire in the fiscal years 2013 and 2014. Restrictions on the Lamoni, Iowa radio station will expire in the year 2015. Restrictions on the Fort Dodge, Iowa radio station will expire in the year 2018. Restrictions on the Ottumwa, Iowa radio station will expire in the year 2019.

Pledges and Contributions

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

Underwriting Receivables

Underwriting receivables are carried at the original invoice amount. Underwriting receivables are written off when deemed uncollectible using the direct write-off method. Recoveries of underwriting receivables previously written off are recorded when received.

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 Statement 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.

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 IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY

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 \$500,000 and \$550,000, respectively. Appropriations due from the University as of June 30, 2009 and 2008 were \$-0- and \$550,000, respectively.

As of June 30, 2009 and 2008, the Station received advances from Iowa State University in the amounts of \$94,769 and \$670,321, respectively. These amounts represent disbursements made from Station fund accounts before the funds were received and/or allocated to the fund accounts.

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.

Indirect support provided to the Station by the University is as follows:

	<u>2009</u>	<u>2008</u>
Support activities	\$ 154,931	\$ 141,451
Utilities	35,241	30,072
Building repairs	14,402	18,544
Physical plant costs	<u>13,616</u>	<u>9,672</u>
Total indirect support	<u>\$ 218,190</u>	<u>\$ 199,739</u>

Program underwriting from various departments of the University totaled \$21,813 and \$24,756 during the years ended June 2009 and 2008, respectively.

### 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 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 \$1,210,188 and \$1,019,125 for the years ended June 30, 2009 and 2008, respectively. Contributions due from IPR were \$106,319 and \$172,494 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 \$321,138 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.

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

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

Year of <u>Grant</u>	Grants <u>Received</u>	<u>Expended</u>			Uncommitted Balance at <u>6/30/09</u>
		<u>2007</u>	<u>2008</u>	<u>2009</u>	
2007	\$ 345,208	\$ 65,722	\$ 279,486	\$ -0-	\$ -0-
2008	313,904	-0-	122,896	191,008	-0-
2009	329,042	-0-	-0-	106,372	222,670

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Iowa State University Foundation (Foundation) holds the Station's investments. The investments are held by the Foundation or its agents and are uninsured and unregistered securities not in the Station's name. The Foundation has various investment pools from which the Station may allocate investments. The Station's investment policy is to invest the building funds in 100% low risk, fixed income instruments, and to invest the balance in the long term pool, a higher risk, higher return portfolio, which consists of 82% equities and 18% fixed income instruments. Funds in the account are available to the Station upon demand.

The investment pool is reported at cost plus realized and unrealized earnings, which approximates market value at June 30, 2009 and 2008. The composition of the investments as of June 30, 2009 and 2008 is as follows:

<u>Investment Type</u>	<u>2009</u>	<u>2008</u>
Bonds and notes	\$ 448,463	\$ 693,323
Equities	<u>270,713</u>	<u>399,581</u>
Total	<u>\$ 719,176</u>	<u>\$ 1,092,904</u>

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

<u>Income</u>	<u>2009</u>	<u>2008</u>
Dividends and interest	\$ 16,411	\$ 38,234
Net realized and unrealized gains (losses)	<u>(128,069)</u>	<u>(45,580)</u>
Investment return	<u>\$ (111,658)</u>	<u>\$ (7,346)</u>

5. CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

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

*Interest Rate Risk*

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

*Credit Risk*

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

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of June 30, 2009, the Station's cash and cash equivalents were highly concentrated in University and Foundation cash accounts and the investments were concentrated in the Foundation's investments.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the Station may not be able to recover deposits or collateral securities. As of June 30, 2009, the carrying amount of deposits with the University totaled \$277,281. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund.

The Station's investments held by the Foundation are held by a number of custodians. As of June 30, 2009, the carrying amount of deposits with the Foundation totaled \$354,363. 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>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Transmitter, Antenna and Tower	\$2,313,588	\$ 43,124	\$ -0-	\$2,356,712
Studio	498,385	6,133	(29,952)	474,566
Furniture and Fixtures	<u>92,161</u>	<u>-0-</u>	<u>(10,886)</u>	<u>81,275</u>
Total	<u>2,904,134</u>	<u>- 49,257</u>	<u>- (40,838)</u>	<u>2,912,553</u>
Less accumulated depreciation:				
Transmitter, Antenna and Tower	(1,637,650)	(83,809)	-0-	(1,721,459)
Studio	(411,156)	(28,079)	29,952	(409,283)
Furniture and Fixtures	<u>(75,718)</u>	<u>(10,017)</u>	<u>10,886</u>	<u>(74,849)</u>
Total	<u>(2,124,524)</u>	<u>(121,905)</u>	<u>40,838</u>	<u>(2,205,591)</u>
Capital assets, net	<u>\$ 779,610</u>	<u>\$ (72,648)</u>	<u>\$ -0-</u>	<u>\$ 706,962</u>
<u>2008</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Transmitter, Antenna and Tower	\$2,437,481	\$ 73,788	\$ (197,681)	\$2,313,588
Studio	498,385	-0-	-0-	498,385
Furniture and Fixtures	<u>92,161</u>	<u>-0-</u>	<u>-0-</u>	<u>92,161</u>
Total	<u>3,028,027</u>	<u>- 73,788</u>	<u>-(197,681)</u>	<u>2,904,134</u>
Less accumulated depreciation:				
Transmitter, Antenna and Tower	(1,744,524)	(90,807)	197,681	(1,637,650)
Studio	(375,246)	(35,910)	-0-	(411,156)
Furniture and Fixtures	<u>(65,701)</u>	<u>(10,017)</u>	<u>-0-</u>	<u>(75,718)</u>
Total	<u>(2,185,471)</u>	<u>(136,734)</u>	<u>197,681</u>	<u>(2,124,524)</u>
Capital assets, net	<u>\$ 842,556</u>	<u>\$ (62,946)</u>	<u>\$ -0-</u>	<u>\$ 779,610</u>

7. BROADCAST LICENSE

As part of the purchase of KIIC (now KOWI) Lamoni radio station during 2005, WOI - AM/FM acquired assets of \$431,335. Of that amount, \$277,159 of the assets acquired have been identified for the broadcast license. The broadcast license is renewable every eight years if WOI - AM/FM provides an average level of service to its customers and complies with the applicable Federal Communication Commission (FCC) rules and policies and the FCC Communications Act of 1934. The license may be renewed indefinitely at little cost and had been renewed prior to its recent acquisition. WOI - AM/FM intends to renew the license indefinitely, and evidence supports its ability to do so, as historically there has been no compelling challenge to the license renewal. Therefore, the cash flows from the license are expected to continue indefinitely. The broadcast license in connection with this acquisition is not subject to amortization.

WOI - AM/FM acquired three IBIQUITY 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. WOI - AM/FM intends to renew the license indefinitely. The digital licenses are not subject to amortization.

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, 2009 and 2008, the amount to liquidate accrued vacation and sick leave amounts to approximately \$158,000 and \$166,000, respectively.

9. DEFERRED RENTAL INCOME

During 2005, WOI - AM/FM rented tower space and a portion of a utility building to commercial entities. The utility building rent was prepaid by the lessee for a ten-year period in the amount of \$2,500 per year. The lessee is also required to pay monthly tower rental in the amount of \$700 per month.

During 2009, the Station rented tower space to commercial entities at \$1,500 per month. Each entity has paid one month of advance rent.

Deferred rental income account for the year ended June 30, 2009 and 2008 is comprised of the following:

<u>Description</u>	<u>2009</u>	<u>2008</u>
Beginning balance	\$ <u>19,042</u>	\$ <u>18,542</u>
Additions:		
Tower rent \$700 per month	8,400	8,400
Tower rent \$1,500 per month	18,000	18,000
Tower rent \$1,500 per month	18,000	18,000
Reductions:		
Rent earned:		
Building	(2,500)	(2,500)
Tower	<u>(44,400)</u>	<u>(41,400)</u>
Net activity for period	<u>(2,500)</u>	<u>500</u>
Balance at June 30	<u>\$ 16,542</u>	<u>\$ 19,042</u>

10. LEASE-PURCHASE OBLIGATION

Iowa State University of Science and Technology entered into a lease-purchase obligation agreement with Wells Fargo Brokerage Services, Inc. on behalf of WOI - AM/FM Radio. The lease-purchase obligation agreement was used to acquire and finance the acquisition of the Lamoni, Iowa radio station KIIC (now KOWI). The total lease-purchase obligation is for \$270,000 of which the lease-purchase obligation outstanding at June 30, 2009 and 2008 is as follows:

<u>Lease Name</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Semi-Annual Payment</u>	<u>Lease Purchase Obligation Outstanding 2009</u>	<u>Lease Purchase Obligation Outstanding 2008</u>
Governmental Lease Purchase Master Agreement: Supplement #0328-032	4.21%	05/01/09	\$ 30,130	\$ -0-	\$ 58,409

11. DIGITAL CONVERSION GRANTS

During the fiscal year ended June 30, 2006, the Station was awarded an FM Digital Conversion Grant from The Corporation for Public Broadcasting. The grant called for an \$80,000 cash payment from The Corporation for Public Broadcasting, and a \$5,000 digital license The Corporation for Public Broadcasting paid directly to IBIQUITY. Grant receivable from The Corporation for Public Broadcasting for 2009 and 2008 were \$-0- and \$21,250, respectively. Grant funds expended at June 30, 2008 were \$80,000.

During the fiscal year ended June 30, 2006, the Station was awarded an FM Digital Conversion grant for the KTPR Station in Fort Dodge, IA. The grant called for a \$105,000 cash payment from The Corporation for Public Broadcasting, and a \$5,000 digital license The Corporation for Public Broadcasting paid directly to IBIQUITY. Grants receivable from The Corporation for Public Broadcasting for 2009 and 2008 were \$-0- and \$55,000, respectively. Grant funds expended at June 30, 2008 were \$105,000.

12. PTFP GRANT FUNDING

During the fiscal year ending June 30, 2007, the Station received a grant award from the federal government through a PTFP grant to update the antenna and equipment of the KTPR - FM Station. The grant matches 50% of the project expenses up to \$85,743. As of June 30, 2009 and 2008, the Station had incurred costs of \$85,743 and \$69,980. The federal government has a financial interest in the equipment purchased with government funding for ten years after completion of a project with an ending of September 30, 2019. The Station is required to maintain and operate the radio station and equipment for the ten-year time period.

During the fiscal year ending June 30, 2007, the Station received a grant award from the federal government through a PTFP grant to construct a tower and transmitter in Ottumwa, IA. The grant matches 75% of the project expenses up to \$451,848. As of June 30, 2009 and 2008, the Station incurred costs of \$-0- and \$451,848, respectively. The federal government has a financial interest in the equipment purchased with government funding for ten years after completion of a project with an estimated ending of March 31, 2019. The Station is required to maintain and operate the radio station and equipment for the ten-year time period.

### 13. RETIREMENT PLANS

The Station's employees participate in retirement plans through Iowa State University of Science and Technology:

#### 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.

#### 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.

### 14. 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.

### 15. 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.

15. 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.

16. CORRECTION OF AN ERROR

The accompanying financial statements for 2008 have been restated to correct an error for the recognition of prepaid programming fees, which was discovered in 2009. The effect of the restatement was to increase prepaid expense by \$78,010 and increase change in net assets by \$4,857.

The cumulative effect of the error on years prior to 2008 in the amount of \$73,153, is a one-time increase to net assets.

The following financial statement line items for the fiscal year 2008 were effected by the correction of the error:

Statement of Net Assets

	As Originally Reported	As Corrected	Effect of Error
Current assets	\$1,523,248	\$1,601,258	\$ 78,010
Capital assets - net	779,610	779,610	-0-
Broadcasting and digital licenses	292,159	292,159	-0-
Investment pool	<u>1,092,904</u>	<u>1,092,904</u>	<u>-0-</u>
Total	<u>\$3,687,921</u>	<u>\$3,765,931</u>	<u>\$ 78,010</u>
Current liabilities	\$ 958,952	\$ 958,952	\$ -0-
Deferred rental income - net of current portion	13,542	13,542	-0-
Net assets	<u>2,715,427</u>	<u>2,793,437</u>	<u>78,010</u>
Total	<u>\$3,687,921</u>	<u>\$3,765,931</u>	<u>\$ 78,010</u>

16. CORRECTION OF AN ERROR - Continued

Statement of Revenues, Expenses and Changes in Net Assets

	As Originally <u>Reported</u>	As <u>Corrected</u>	Effect of <u>Error</u>
Total operating revenues	\$2,812,759	\$2,812,759	\$ -0-
Total operating expenses	<u>3,183,033</u>	<u>3,178,176</u>	<u>(4,857)</u>
Operating loss	(370,274)	(365,417)	4,857
Total non-operating revenues and expenses - net	<u>71,597</u>	<u>71,597</u>	<u>-0-</u>
Change in net assets	(298,677)	(293,820)	4,857
Net assets, beginning of year	<u>3,014,104</u>	<u>3,087,257</u>	<u>73,153</u>
Net assets, end of year	<u>\$2,715,427</u>	<u>\$2,793,437</u>	<u>\$ 78,010</u>

17. 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 SCHEDULE

WOI - AM/FM RADIO

SCHEDULE OF FUNCTIONAL EXPENSES

For the 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	
Salaries, wages and benefits	\$ 600,623	\$ 382,807	\$ -0-	\$ 983,430	\$ 147,917	\$ 310,759	\$ 1,442,106
Professional services provided by IPR	39,163	65,206	45,700	150,069	205,454	44,317	399,840
Programming fees	384,666	-0-	-0-	384,666	-0-	-0-	384,666
Institutional, physical plant and occupancy provided by ISU	68,423	-0-	-0-	68,423	149,767	-0-	218,190
Professional services	300	5,478	-0-	5,778	104,489	87,277	197,544
Office and other supplies	3,913	72,496	-0-	76,409	6,285	47,723	130,417
Depreciation	111,888	-0-	-0-	111,888	10,017	-0-	121,905
Travel	13,610	21,426	-0-	35,036	484	12,302	47,822
Facilities	-0-	81,402	-0-	81,402	7,042	-0-	88,444
Printing	-0-	-0-	-0-	-0-	22	74,285	74,307
Postage	-0-	-0-	-0-	-0-	721	55,848	56,569
Telecommunications	10,404	34,096	-0-	44,500	1,856	9,526	55,882
Repairs and maintenance	1,353	8,839	-0-	10,192	18,497	8,522	37,211
Meetings and training	8,050	2,568	-0-	10,618	125	138	10,881
Bad debts	-0-	-0-	-0-	-0-	250	-0-	250
Total expenses	<u>\$1,242,393</u>	<u>\$ 674,318</u>	<u>\$ 45,700</u>	<u>\$ 1,962,411</u>	<u>\$ 652,926</u>	<u>\$ 650,697</u>	<u>\$ 3,266,034</u>

See Independent Auditor's Report.

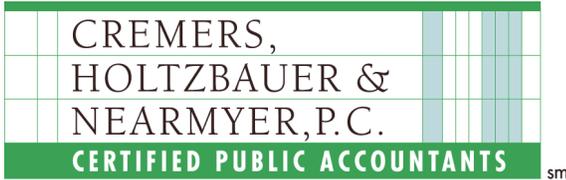
WOI - AM/FM RADIO

SCHEDULE OF FUNCTIONAL EXPENSES

For the 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, wages and benefits	\$ 601,879	\$ 385,583	\$ -0-	\$ 987,462	\$ 122,398	\$ 338,001	\$ 460,399	\$ 1,447,861
Programming fees	431,022	-0-	-0-	431,022	6,900	-0-	6,900	437,922
Professional services provided by IPR	-0-	-0-	-0-	-0-	263,784	57,354	321,138	321,138
Institutional, physical plant and occupancy provided by ISU	76,698	-0-	-0-	76,698	123,041	-0-	123,041	199,739
Professional services	9,688	5,425	-0-	15,113	110,868	60,966	171,834	186,947
Depreciation expense	122,103	-0-	-0-	122,103	14,631	-0-	14,631	136,734
Facilities	-0-	92,900	-0-	92,900	18,727	83	18,810	111,710
Office and other supplies	5,435	27,028	-0-	32,463	8,115	51,686	59,801	92,264
Telecommunications	9,154	28,584	-0-	37,738	14,307	12,739	27,046	64,784
Printing	-0-	-0-	3,344	3,344	10	55,800	55,810	59,154
Postage	-0-	-0-	1,434	1,434	1,072	53,349	54,421	55,855
Travel	7,460	22,133	-0-	29,593	3,377	4,942	8,319	37,912
Repairs and maintenance	1,000	9,161	-0-	10,161	4,578	11,273	15,851	26,012
Meetings and training	-0-	-0-	-0-	-0-	144	-0-	144	144
<b>Total expenses</b>	<b>\$ 1,264,439</b>	<b>\$ 570,814</b>	<b>\$ 4,778</b>	<b>\$ 1,840,031</b>	<b>\$ 691,952</b>	<b>\$ 646,193</b>	<b>\$ 1,338,145</b>	<b>\$ 3,178,176</b>

See Independent Auditor's Report.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Ms. Pam Elliott Cain  
Associate Vice-President of Business and Finance  
Iowa State University of Science and Technology  
Ames, Iowa

We have audited the financial statements of WOI - AM/FM Radio ("the Station") as of and for the year ended June 30, 2009, and have issued our report thereon dated January 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Station's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and/or material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Members:

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

PCPS Section of the  
American Institute of  
Certified Public Accountants

Iowa Society of Certified Public  
Accountants

Forensic Accountants  
Society of North America

See Independent Auditor's Report.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

We consider the following deficiencies to be significant deficiencies or material weaknesses as shown below. The auditee's response to our findings is included for each identified finding:

#### Significant Deficiencies

##### 09-1 Separation of Duties

The size of the office staff precludes a proper separation of functions to assure adequate internal control. This is not unusual in enterprises of your size, but management should continue to be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of matters relating to the Station's operations.

#### Auditee's Response

The Station is aware of the lack of separation of duties and controls due to the size of the Station. The governing board and management have considered the additional cost necessary to further separate duties against the economic benefits that may be achieved. The governing board and management will continue oversight of current operations on a consistent timely basis.

#### Material Weaknesses

##### 09-2 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. The governing board and management believes the cost to employ individuals capable of preparing the financial statements greatly outweighs the benefits to be achieved. The governing board and management will continue to review internally prepared monthly financial statements and will review the annual financial statements with the auditor.

Material Weaknesses - continued

09-3 Lack of Controls in the Accounting Software

The Station uses QuickBooks accounting software. QuickBooks lacks certain accounting controls. The employees responsible for maintaining and entering transactions have full access to make unidentified changes to accounts and transactions. Under these conditions, the most effective controls lie in the oversight by the governing board in regards to financial statements.

Auditee's Response

The Station is aware of the inherent control weaknesses of the QuickBooks accounting software. The cost to acquire accounting software with significantly greater controls outweighs the benefits that may be achieved. The governing board and management will continue to monitor monthly and annual financial statements and accounting records supporting the financial statements on a consistent timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the 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

January 26, 2010