

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, 2010 and 2009
and Independent Auditor's Report

WOI - AM/FM RADIO

Table of Contents

June 30, 2010

	<u>Page</u>
Management's Discussion and Analysis	1-6
Independent Auditor's Report	7-8
Financial Statements:	
Statements of Net Assets	9
Statements of Revenues, Expenses, and Changes in Net Assets	10
Statements of Cash Flows	11-12
Notes to Financial Statements	13-25
Supplemental Schedules:	
Schedule of Functional Expenses	26-27
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-30

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

WOI Radio Group ("WOI") provides this Management's Discussion and Analysis as a narrative overview of the financial performance of WOI 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.

WOI Radio Group's license is held by the Iowa State University of Science and Technology. WOI's radio group includes the following frequencies: KDWI (89.1FM), KOWI (97.9 FM), KTPR (91.1 FM), KWOI (90.7 FM) and WOI (640 AM and 90.1 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 WOI Radio Group as well as the KUNI Radio Group at the University of Northern Iowa 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 WOI 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.

WOI 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 WOI which consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. WOI 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 WOI 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.

	<u>June 30,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets:			
Current assets	\$ 569,533	\$ 922,841	\$ 1,601,258
Capital assets, net	889,406	999,121	1,071,769
Investment pool	782,265	719,176	1,092,904
Total assets	<u>\$ 2,241,204</u>	<u>\$ 2,641,138</u>	<u>\$ 3,765,931</u>
Liabilities:			
Current liabilities	\$ 161,925	\$ 323,339	\$ 958,952
Long-term liabilities	27,716	11,042	13,542
Total liabilities	<u>\$ 189,641</u>	<u>\$ 334,381</u>	<u>\$ 972,494</u>
Net assets:			
Invested in capital assets	\$ 889,406	\$ 999,121	\$ 721,201
Restricted	204,540	222,669	357,635
Unrestricted	957,617	1,084,967	1,714,601
Total net assets	<u>\$ 2,051,563</u>	<u>\$ 2,306,757</u>	<u>\$ 2,793,437</u>
Total liabilities and net assets	<u>\$ 2,241,204</u>	<u>\$ 2,641,138</u>	<u>\$ 3,765,931</u>
Change in net assets	<u>\$ (255,194)</u>	<u>\$ (486,680)</u>	<u>\$ (293,820)</u>

WOI RADIO GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

Total assets at June 30, 2010 decreased 15.1% to \$2,241,204 compared to total assets of \$2,641,138 at the end of the prior fiscal year. This decrease is primarily due to a decrease in cash and cash equivalents. In January, 2010, the underwriting function for WOI was centralized as part of IPR's on-going effort to become a fully integrated organization. Prior to this time, underwriting functions were performed at each of the university stations and therefore were reflected on the financial statements of each of the stations. Total assets at the end of fiscal year 2009 decreased compared to the total assets at the end of fiscal year 2008.

Capital assets at June 30, 2010 decreased 11.0% to \$889,406 compared to capital assets of \$999,121 at the end of the prior fiscal year due to the recording of depreciation. Investment pool assets at June 30, 2010 increased 8.8% to \$782,265 compared to investment pool assets of \$719,176 at the end of the prior fiscal year. This increase was due to the investment pool experiencing a net gain of \$63,089 during 2010 versus a net loss of \$128,069 during 2009. Capital assets and investment pool assets decreased at the end of fiscal year 2009 compared to these assets at the end of fiscal year 2008.

Total liabilities at June 30, 2010 decreased 43.3% to \$189,641 compared to total liabilities of \$334,381 at the end of the prior fiscal year. This decrease is primarily due to the payable to Iowa State University recorded at June 30, 2009 that was eliminated in 2010 as well as an overall decrease 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 decreased compared to the total liabilities at the end of fiscal year 2008.

Total net assets at June 30, 2010 decreased 11.1% to \$2,051,563 compared to total net assets of \$2,306,757 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. WOI'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.

WOI 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	\$ 2,490,280	\$ 2,897,362	\$ 2,812,759
Total operating expenses	2,881,557	3,266,034	3,178,176
Operating income (loss)	(391,277)	(368,672)	(365,417)
Non-operating revenues (expenses) - net	136,083	(118,008)	71,597
Change in net assets	\$ (255,194)	\$ (486,680)	\$ (293,820)

Total operating revenues for the year ended June 30, 2010 decreased 14.1% to \$2,490,280 compared to \$2,897,362 for the year ended June 30, 2009. Major components of operating revenue are as follows:

- Support from Iowa State University, including general appropriations and institutional, physical plant and occupancy support, decreased operating revenues by \$194,628.
- Support from IPR, including membership and fund-raising campaign funds as well as donated support, decreased operating revenues by \$166,471.
- 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 \$2,897,362 compared to \$2,812,759 for the year ended June 30, 2008. This increase is primarily due to increased support from IPR.

Total operating expenses for the year ended June 30, 2010 decreased 11.8% to \$2,881,557 compared to \$3,266,034 for the year ended June 30, 2009. Major components of operating expenses are as follows:

- Programming and production expenses decreased operating expenses by \$228,324 primarily due to decreases in salaries, wages and benefits due to retirements and the realignment of personnel to IPR. Programming fees also decreased for the year ended June 30, 2010 due to the on-going effort of consolidating accounts with various vendors.
- Fund-raising and membership development expenses decreased operating expenses by \$89,915 due to decreases in supplies, printing and postage.
- Broadcast and engineering expenses decreased operating expenses by \$85,185 primarily due to decreases in salaries, wages and benefits due to the realignment of personnel.

WOI RADIO GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

Total operating expenses for the year ended June 30, 2009 increased 2.8% to \$3,266,034 compared to \$3,178,176 for the year ended June 30, 2008. This increase is primarily due to increases in broadcasting and engineering expenses.

Non-operating revenues (expenses) for the year ended June 30, 2010 increased significantly to \$136,083 compared to (\$118,008) for the year ended June 30, 2009. This increase was primarily due to an increase in investment returns and a decrease in purchases of non-capitalized equipment. Non-operating revenues (expenses) for the year ended June 30, 2009 decreased to (\$118,008) compared to \$71,597 for the year ended June 30, 2008. This decrease was primarily due to a decrease in investment returns.

THE STATEMENT OF CASH FLOWS

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

	<u>For the years ended June 30,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash from operating activities	\$(454,745)	\$(244,160)	\$(492,555)
Cash from non-capital financing activities	44,400	44,400	44,400
Cash from capital financing activities	11,032	(14,496)	(307,674)
Cash from investing activities	15,061	262,071	416,007
Net change in cash	<u>(384,252)</u>	<u>47,815</u>	<u>(339,822)</u>
Cash beginning of year	631,644	583,829	923,651
Cash end of year	<u><u>\$ 247,392</u></u>	<u><u>\$ 631,644</u></u>	<u><u>\$ 583,829</u></u>

Cash from operating activities decreased to (\$454,745) for the year ended June 30, 2010 compared to (\$244,160) for the year ended June 30, 2009 primarily due to decreases in general appropriations, contributions received from IPR and cash received from underwriting.

Cash from non-capital financing activities remained the same at \$44,400 for the year ended June 30, 2010 as compared to the year ended June 30, 2009 due to there were no changes in tower rental activities.

Cash from capital financing activities increased to \$11,032 for the year ended June 30, 2010 compared to (\$14,496) for the year ended June 30, 2009. This was primarily due to decreases in both non-capitalized and capitalized equipment purchases and decreases in principal and interest payments related to notes and lease obligations during 2010. This was offset by a decrease in cash received from equipment grants in 2010.

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

Cash from investing activities decreased to \$15,061 for the year ended June 30, 2010 compared to \$262,071 for the year ended June 30, 2009 primarily due to the decrease in proceeds from the sale of securities during 2010.

The net decrease in cash and cash equivalents was (\$384,252) for the year ended June 30, 2010 compared to a net increase of \$47,815 for the year ended June 30, 2009. Cash balances decreased at the end of the fiscal year and were comparable at the end of the two previous fiscal years.

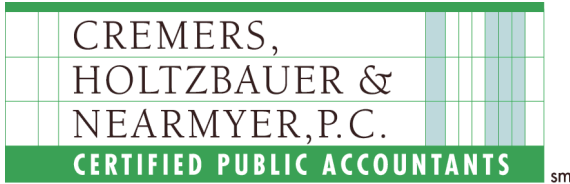
ECONOMIC OUTLOOK

The management of IPR is not aware of any extraordinary items that would impact the viability of WOI 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 WOI RADIO GROUP'S FINANCIAL MANAGEMENT

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



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INDEPENDENT AUDITOR'S REPORT

Mr. Warren Madden
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, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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.

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

Members:

PCPS Section of the
American Institute of
Certified Public Accountants

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

Iowa Society of Certified Public
Accountants

Forensic Accountants
Society of North America

In accordance with *Government Auditing Standards*, for the year ended June 30, 2010, we have also issued a report dated May 19, 2011 on our consideration of the Station's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

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

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

The accompanying supplementary information, on pages 26 - 27 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 19, 2011

WOI - AM/FM RADIO

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CASH AND CASH EQUIVALENTS	\$ 247,392	\$ 631,644
ACCOUNTS RECEIVABLE	43,331	107,826
UNDERWRITING RECEIVABLES	-0-	12,315
DUE FROM IOWA PUBLIC RADIO, INC.	220,873	106,319
PREPAID EXPENSES	<u>57,937</u>	<u>64,737</u>
Total current assets	- - <u>569,533</u>	- - <u>922,841</u>
CAPITAL ASSETS, net	889,406	999,121
INVESTMENT POOL - Iowa State University Foundation	<u>782,265</u>	<u>719,176</u>
TOTAL	<u>\$ 2,241,204</u>	<u>\$ 2,641,138</u>
<u>LIABILITIES AND NET ASSETS</u>		
DUE TO IOWA STATE UNIVERSITY	\$ -0-	\$ 94,769
ACCOUNTS PAYABLE	6,038	55,617
ACCRUED COMPENSATED ABSENCES	137,000	158,000
ADVANCE PAYMENTS ON UNDERWRITING AGREEMENTS	-0-	9,453
CURRENT PORTION - RETIREMENT INCENTIVE OPTION PAYABLE	13,387	-0-
CURRENT PORTION OF DEFERRED RENTAL INCOME	<u>5,500</u>	<u>5,500</u>
Total current liabilities	161,925	323,339
RETIREMENT INCENTIVE OPTION PAYABLE - net of current portion	19,174	-0-
DEFERRED RENTAL INCOME - net of current portion	<u>8,542</u>	<u>11,042</u>
Total liabilities	- - <u>189,641</u>	- - <u>334,381</u>
NET ASSETS:		
Invested in capital assets - net of related debt	889,406	999,121
Restricted	204,540	222,669
Unrestricted	<u>957,617</u>	<u>1,084,967</u>
Total net assets	<u>2,051,563</u>	<u>2,306,757</u>
TOTAL	<u>\$ 2,241,204</u>	<u>\$ 2,641,138</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>OPERATING REVENUES:</u>		
Support from Iowa State University of Science and Technology:		
General appropriations	\$ 382,500	\$ 500,000
Institutional, physical plant and occupancy	141,062	218,190
Support from Iowa Public Radio:		
Memberships and fund-raising campaigns	1,167,479	1,432,269
Program underwriting	161,408	-0-
State appropriation	114,670	164,166
Special events	-0-	13,593
Community service grants	337,092	329,042
Program underwriting	157,266	237,953
Memberships and fund-raising campaigns	28,680	-0-
Other revenue	<u>123</u>	<u>2,149</u>
 Total operating revenues	 <u>2,490,280</u>	 <u>2,897,362</u>
<u>OPERATING EXPENSES:</u>		
Program Services:		
Programming and production	1,014,069	1,242,393
Broadcasting and engineering	589,133	674,318
Program information and promotion	87,750	45,700
Support Services:		
Management and general	629,823	652,926
Fund-raising and membership development	<u>560,782</u>	<u>650,697</u>
 Total operating expenses	 <u>2,881,557</u>	 <u>3,266,034</u>
 Operating loss	 <u>-(391,277)</u>	 <u>-(368,672)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Equipment grants	183,537	207,893
Investment return	78,150	(111,658)
Rental income	46,900	46,900
Interest expense	-0-	(1,456)
Noncapitalized equipment	<u>(172,504)</u>	<u>(259,687)</u>
 Total nonoperating revenues (expenses) - net	 <u>136,083</u>	 <u>(118,008)</u>
 CHANGE IN NET ASSETS	 (255,194)	 (486,680)
 NET ASSETS, beginning of the year	 <u>2,306,757</u>	 <u>2,793,437</u>
 NET ASSETS, end of the year	 <u>\$ 2,051,563</u>	 <u>\$ 2,306,757</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from Iowa State University general appropriations	\$ 382,500	\$ 1,050,000
Cash received from community service grants	337,092	329,042
Cash received from program underwriting	110,415	288,685
Cash received from Iowa Public Radio membership and fund-raising campaigns	710,807	1,183,013
Cash received from major gifts, memberships and fund-raising campaigns	28,680	-0-
Cash received from other revenue	73	2,403
Cash payments to employees for salaries, wages and benefits	(1,209,439)	(1,450,104)
Cash payments to suppliers for goods and services	<u>(814,873)</u>	<u>(1,647,199)</u>
Net cash flows used by operating activities	_ _ (454,745)	_ _ (244,160)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Cash received from tower rental	<u>44,400</u>	<u>44,400</u>
Net cash flows provided by noncapital financing activities	_ _ <u>44,400</u>	_ _ <u>44,400</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Cash received from equipment grants	278,306	380,275
Purchase of equipment - noncapitalized	(267,274)	(285,239)
Purchase of equipment - capitalized	-0-	(49,257)
Principal paid on notes and lease obligations	-0-	(58,409)
Interest paid on notes and lease obligations	<u>-0-</u>	<u>(1,866)</u>
Net cash flows provided (used) by capital financing activities	_ _ <u>11,032</u>	_ _ (14,496)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	-0-	245,659
Cash received from investment income	<u>15,061</u>	<u>16,412</u>
Net cash flows provided by investing activities	<u>15,061</u>	<u>262,071</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(384,252)	47,815
CASH AND CASH EQUIVALENTS - beginning of year	<u>631,644</u>	<u>583,829</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 247,392</u>	<u>\$ 631,644</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>RECONCILIATION OF OPERATING LOSS TO</u>		
<u>NET CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating loss	\$ (391,277)	\$ (368,672)
Transactions not requiring cash:		
Depreciation	109,715	121,905
(Increase) decrease in:		
Accounts receivable	(30,273)	(12,851)
Underwriting receivables	12,315	37,254
Due from Iowa Public Radio	(114,554)	(33,825)
Due from Iowa State University	-0-	550,000
Prepaid expenses	6,800	13,273
Increase (decrease) in:		
Due to Iowa State University	-0-	(550,000)
Accounts payable	(49,579)	22,788
Accrued compensated absences	(21,000)	(8,000)
Advance payments on underwriting agreements	(9,453)	(16,032)
Retirement incentive option payable	<u>32,561</u>	<u>-0-</u>
Net cash flows used by operating activities	<u>\$ (454,745)</u>	<u>\$ (244,160)</u>

Concluded...

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

WOI - AM/FM RADIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation

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

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

Basis of Accounting

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

Nature of Activities

The Station's programming is entirely devoted to educational, informational, or cultural programs for general audiences. The Station is the licensee of 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.

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

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 Grant	\$ 204,540	\$ 222,669
Total restricted net assets	<u>\$ 204,540</u>	<u>\$ 222,669</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 \$109,715 and \$121,905, respectively.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

Certain capital assets related to the radio broadcast stations in Carroll, Lamoni, Fort Dodge, and Ottumwa, Iowa, 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.

As part of the purchase of KIIC (now KOWI) Lamoni radio station, the Station acquired a broadcast license. The broadcast license is renewable every eight years if the Station 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. The Station 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.

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.

Pledges and Contributions

Iowa Public Radio engages in periodic fund-raising campaigns on behalf of the Station using on-air and mail fund-raising appeals. The Station also receives pledges and contributions directly through the Iowa State University Foundation. 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 the original invoice amount. Underwriting receivables were written off when deemed uncollectible using the direct write-off method. Recoveries of underwriting receivables previously written off were recorded when received. As of January 1, 2010, Iowa Public Radio, Inc. has assumed the billing for and collection of underwriting activities.

University Support and Grant Revenue

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

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

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 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.

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 \$1,475 and \$-0-, respectively.

Reclassification

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

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.

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, 2010 and 2009 were \$382,500 and \$500,000, respectively.

As of June 30, 2010 and 2009, the Station received advances from Iowa State University in the amounts of \$-0- and \$94,769, 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>2010</u>	<u>2009</u>
Support activities	\$ 71,601	\$ 154,931
Utilities	36,710	35,241
Building repairs	18,954	14,402
Physical plant costs	<u>13,797</u>	<u>13,616</u>
Total indirect support	<u>\$ 141,062</u>	<u>\$ 218,190</u>

During 2010, Iowa Public Radio, Inc. assumed underwriting functions for the Station. Program underwriting from various departments of the University totaled \$38,805. 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 \$21,813 during the year ended June 30, 2009.

Financial statements for Iowa State University can be obtained at Controller's Department, Iowa State University, 3607 Administrative Services Building, Ames, IA 50011-3607 or from the University's website at www.iastate.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. Amounts due from IPR were \$220,873 and \$106,319 as of June 30, 2010 and 2009, respectively.

3. TRANSACTIONS WITH IOWA PUBLIC RADIO - continued

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	\$ 818,575	\$ 348,904	\$ 1,167,479
Program underwriting	-0-	161,408	161,408
State appropriation	-0-	114,670	114,670
Special events	-0-	-0-	-0-
	<u>\$ 818,575</u>	<u>\$ 624,982</u>	<u>\$ 1,443,557</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	\$1,210,188	\$ 222,081	\$ 1,432,269
Program underwriting	-0-	-0-	-0-
State appropriation	-0-	164,166	164,166
Special events	-0-	13,593	13,593
	<u>\$1,210,188</u>	<u>\$ 399,840</u>	<u>\$ 1,610,028</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 grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

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

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

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

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

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

Year of Grant	Grants Received	Expended			Uncommitted Balance at 6/30/10
		2008	2009	2010	
2008	\$ 313,904	\$ 122,896	\$ 191,008	\$ -0-	\$ -0-
2009	329,042	-0-	106,373	222,669	-0-
2010	337,092	-0-	-0-	132,552	204,540

5. I-JOBS ALLOCATION

During the fiscal year ended June 30, 2010, the Iowa Board of Regents received an I-JOBS allocation of \$1.9 million for major renovation, repairs and other infrastructure needs related to Iowa Public Radio. The allocation will be spent at the universities' radio stations based on the project budget presented to the Board of Regents. Revenue from the allocation will be recognized by the station when the expenditures are incurred. I-JOBS revenue recognized from Iowa Public Radio for approved expenditures was \$14,400 as of June 30, 2010.

6. 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.

6. CASH, CASH EQUIVALENTS AND INVESTMENTS - continued

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

<u>Investment Type</u>	<u>2010</u>	<u>2009</u>
Bonds and notes	\$ 490,494	\$ 448,463
Equities	<u>291,771</u>	<u>270,713</u>
Total	<u>\$ 782,265</u>	<u>\$ 719,176</u>

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

<u>Income</u>	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 15,061	\$ 16,411
Net realized and unrealized gains (losses)	<u>63,089</u>	<u>(128,069)</u>
Investment return	<u>\$ 78,150</u>	<u>\$ (111,658)</u>

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The 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, 2010, 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, 2010, the carrying amount of deposits with the University totaled \$229,796. 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, 2010, the carrying amount of deposits with the Foundation totaled \$17,596. 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.

Complete financial statements for the Foundation can be obtained from the Foundation at 2505 University Boulevard, Ames, IA 50010 or from the Foundation's website at www.foundation.iastate.edu.

7. CAPITAL ASSETS

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

<u>2010</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Broadcast license	\$ 277,159	\$ -0-	\$ -0-	\$ 277,159
Digital licenses	<u>15,000</u>	<u>-0-</u>	<u>-0-</u>	<u>15,000</u>
Nondepreciable capital assets	<u>292,159</u>	<u>-0-</u>	<u>-0-</u>	<u>292,159</u>
Depreciable capital assets:				
Transmitter, Antenna and Tower	2,469,975	-0-	-0-	2,469,975
Studio	416,771	-0-	-0-	416,771
Furniture and Fixtures	<u>25,808</u>	<u>-0-</u>	<u>(7,615)</u>	<u>18,193</u>
Depreciable capital assets	<u>2,912,554</u>	<u>-0-</u>	<u>(7,615)</u>	<u>2,904,939</u>
Less accumulated depreciation:				
Transmitter, Antenna and Tower	(1,841,229)	(82,047)	-0-	(1,923,276)
Studio	(352,209)	(25,862)	-0-	(378,071)
Furniture and Fixtures	<u>(12,154)</u>	<u>(1,806)</u>	<u>7,615</u>	<u>(6,345)</u>
Accumulated depreciation	<u>(2,205,592)</u>	<u>(109,715)</u>	<u>7,615</u>	<u>(2,307,692)</u>
Depreciable assets, net	<u>706,962</u>	<u>(109,715)</u>	<u>-0-</u>	<u>597,247</u>
Capital assets, net	<u>\$ 999,121</u>	<u>\$ (109,715)</u>	<u>\$ -0-</u>	<u>\$ 889,406</u>
<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Nondepreciable capital assets:				
Broadcast license	\$ 277,159	\$ -0-	\$ -0-	\$ 277,159
Digital licenses	<u>15,000</u>	<u>-0-</u>	<u>-0-</u>	<u>15,000</u>
Nondepreciable capital assets	<u>292,159</u>	<u>-0-</u>	<u>-0-</u>	<u>292,159</u>
Depreciable capital assets:				
Transmitter, Antenna and Tower	2,426,851	43,124	-0-	2,469,975
Studio	440,590	6,133	(29,952)	416,771
Furniture and Fixtures	<u>36,694</u>	<u>-0-</u>	<u>(10,886)</u>	<u>25,808</u>
Depreciable capital assets	<u>2,904,135</u>	<u>49,257</u>	<u>(40,838)</u>	<u>2,912,554</u>

7. CAPITAL ASSETS - continued

<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Less accumulated depreciation:				
Transmitter, Antenna and Tower	(1,758,450)	(82,779)	-0-	(1,841,229)
Studio	(344,841)	(37,320)	29,952	(352,209)
Furniture and Fixtures	<u>(21,234)</u>	<u>(1,806)</u>	<u>10,886</u>	<u>(12,154)</u>
Accumulated depreciation	<u>(2,124,525)</u>	<u>(121,905)</u>	<u>40,838</u>	<u>(2,205,592)</u>
Depreciable assets, net	<u>779,610</u>	<u>(72,648)</u>	<u>-0-</u>	<u>706,962</u>
Capital assets, net	<u>\$1,071,769</u>	<u>\$ (72,648)</u>	<u>\$ -0-</u>	<u>\$ 999,121</u>

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 \$137,000 and \$158,000, respectively.

9. DEFERRED RENTAL INCOME

During 2005, the Station 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 2010 and 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, 2010 and 2009 is comprised of the following:

<u>Description</u>	<u>2010</u>	<u>2009</u>
Beginning balance	\$ <u>16,542</u>	\$ <u>19,042</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>(44,400)</u>
Net activity for period	<u>(2,500)</u>	<u>(2,500)</u>
Balance at June 30	<u>\$ 14,042</u>	<u>\$ 16,542</u>

10. 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, the Station had incurred costs of \$85,743. The federal government has a financial interest in the equipment purchased with government funding for ten years after the completion of the project with an ending date of September 30, 2019. The Station is required to maintain and operate the radio station and equipment for the ten-year time period.

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

Iowa Public Employees Retirement System

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

11. RETIREMENT PLANS - continued

Retirement Incentive Option

In March 2009, the Board of Regents approved a Retirement Incentive Option (RIO) program for Iowa State University employees. Faculty, professional and scientific employees, merit system employees, and institutional officials who accumulate ten years of service with the University and who attain the age of 60 by the date of retirement are eligible for participation. This program is a one-time program with retirement required to occur no later than January 31, 2010. Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the University providing both the employee and employer share of contributions not to exceed the employee and spouse/domestic partner rate for the University's professional plans and not to exceed the employee and family rate for the State of Iowa plans. Eligible employees who elect the incentive and reach Medicare eligibility during the incentive period will be allowed to continue in the incentive with the contributions reduced to integrate with Medicare eligibility.

For the year ended June 30, 2010, one employee within the Station's department elected the Retirement Incentive Option for which the Station is committed to providing health and dental benefits for a total of five years. The Station is committed to future benefit payments totaling \$32,561. The interest rate utilized to calculate the present value of future benefits was 2.43%. All incentive payments are financed on a pay-as-you-go basis.

In the event the retiree's death, the Station's obligation to pay the cost of the health and dental coverage will cease on the first day of the month following the date of death.

For the year ended June 30, 2010, the Station charged expense to operations of \$44,025 for the retirement incentive program.

Retirement incentive option payable activity for the current year is as follows:

		<u>2010</u>
Beginning balance \$	-0-	
Accrual of liability		43,979
Payments		<u>(11,418)</u>
Ending balance		<u>\$ 32,561</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 2010 NFFS. This change excludes all revenues received for any capital purchases.

The "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcasting station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station.

14. SUBSEQUENT EVENTS

The Station has evaluated events and transactions for possible adjustment or disclosure through May 19, 2011, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

WOI - AM/FM RADIO

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	Program Services			Support Services			Total
	Production and Programming	Engineering and Broadcasting	Information and Program	Management and General	Fund-raising and Membership Development	Support Services	
Salaries, wages and benefits	\$ 469,292	\$ 311,500	\$ -0-	\$ 134,363	\$ 305,846	\$ 440,209	\$ 1,221,001
Professional services provided by IPR	90,245	54,871	86,192	245,945	147,729	393,674	624,982
Programming fees Institutional, physical plant and occupancy provided by ISU	298,427	-0-	-0-	-0-	-0-	-0-	298,427
Professional services Office and other supplies	12,754	-0-	-0-	128,308	-0-	128,308	141,062
Depreciation	30,468	4,930	1,558	62,977	15,225	78,202	115,158
Travel	283	58,312	-0-	6,273	4,382	10,655	69,250
Facilities	107,909	-0-	-0-	1,806	-0-	1,806	109,715
Printing	3,324	15,210	-0-	431	2,060	2,491	21,025
Postage	-0-	98,185	-0-	-0-	-0-	-0-	98,185
Telecommunications	-0-	79	-0-	130	50,361	50,491	50,570
Repairs and maintenance	-0-	-0-	-0-	1,399	34,957	36,356	36,356
Professional development	164	44,904	-0-	47,956	-0-	47,956	93,024
	-0-	1,142	-0-	-0-	222	222	1,364
	1,203	-0-	-0-	235	-0-	235	1,438
Total expenses	<u>\$ 1,014,069</u>	<u>\$ 589,133</u>	<u>\$ 87,750</u>	<u>\$ 629,823</u>	<u>\$ 560,782</u>	<u>\$ 1,190,605</u>	<u>\$ 2,881,557</u>

See Independent Auditor's Report.

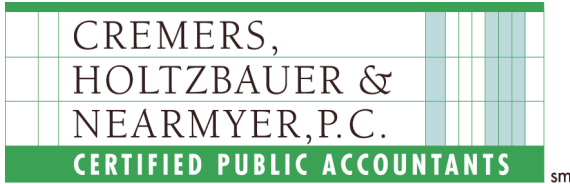
WOI - AM/FM RADIO

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	\$ -	\$ 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	356,855	-	-	356,855	-	-	356,855
Institutional, physical plant and occupancy provided by ISU	68,423	-	-	68,423	149,767	-	218,190
Professional services	29,311	10,771	-	40,082	100,397	95,799	236,278
Office and other supplies	3,913	72,496	-	76,409	6,285	47,723	130,417
Depreciation	111,888	-	-	111,888	10,017	-	121,905
Travel	13,610	21,426	-	35,036	484	12,302	47,822
Facilities	-	81,402	-	81,402	7,042	-	88,444
Printing	-	-	-	-	22	74,285	74,307
Postage	-	-	-	-	721	55,848	56,569
Telecommunications	10,404	34,096	-	44,500	1,856	9,526	55,882
Repairs and maintenance	153	3,546	-	3,699	14,097	-	17,796
Professional development	8,050	2,568	-	10,618	125	138	10,881
Recruitment	-	-	-	-	8,492	-	8,492
Bad debts	-	-	-	-	250	-	250
Total expenses	\$1,242,393	\$ 674,318	\$ 45,700	\$ 1,962,411	\$ 652,926	\$ 650,697	\$ 3,266,034

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*

Mr. Warren Madden
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, 2010, and have issued our report thereon dated May 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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.

See Independent Auditor's Report.

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Forensic Accountants
Society of North America

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

10-1 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

10-2 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. 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.

Material Weaknesses - continued

10-3 Accounting System

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

Auditee's Response

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

Compliance and Other Matters

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

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

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

Creemers, Holtzbauer & Nearmyer, P.C.

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

May 19, 2011