

WSUI-AM AND KSUI-FM

A Public Telecommunications Station  
Operated by The State University of Iowa

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

WSUI-AM AND KSUI-FM

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June 30, 2009

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WSUI-AM/KSUI-FM

Management's Discussion and Analysis  
(Unaudited)

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

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

The Station is licensed to The State University of Iowa and is governed by the State of Iowa Board of Regents, the President of the University and the Assistant Vice President for University Relations.

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 WSUI-AM at least five consecutive minutes in a week during the measurement period) averaged 20,100. Similarly the weekly CUME for KSUI-FM averaged 17,200.

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.

WSUI-AM/KSUI/FM

Management's Discussion and Analysis  
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the Station's financial statements. The notes to the financial statements are a required part of the financial statements and can be found on pages 12 to 22.

FINANCIAL HIGHLIGHTS AND PERFORMANCE

*OPERATING REVENUES*

- WSUI-AM/KSUI-FM recognized support of \$584,426 from The State University of Iowa. This is a 6 percent decrease from \$622,530 for the year ended June 30, 2008.
- WSUI-AM/KSUI-FM recognized support of \$387,214 from The State University of Iowa for institutional, physical plan and occupancy support. This is a 30 percent increase from \$296,287 for the year ended June 30, 2008.
- WSUI-AM/KSUI-FM membership and fundraising campaign revenue was \$209,522 for the period ending June 30, 2009. This is an 8 percent decrease from \$226,600 for the year ended June 30, 2008.
- WSUI-AM/KSUI-FM underwriting revenue was \$412,282 for the period ending June 30, 2009. This is a 13 percent decrease from \$471,842 for the year ended June 30, 2008.
- WSUI-AM/KSUI-FM recognized \$261,255 in community service grants from The Corporation for Public Broadcasting (CPB). This is a 2 percent increase from \$256,841 awarded for the year ended June 30, 2008.
- WSUI-AM/KSUI-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).

WSUI-AM/KSUI/FM

Management's Discussion and Analysis  
(Unaudited)

FINANCIAL HIGHLIGHTS AND PERFORMANCE - Continued

OPERATING EXPENSES

- WSUI-AM/KSUI-FM recognized \$836,776 in programming and production expenses. This is a 5 percent decrease from \$881,454 for the year ended June 30, 2008.
- WSUI-AM/KSUI-FM recognized \$405,085 in broadcasting and engineering expenses. This is a 10 percent increase from \$368,201 for the year ended June 30, 2008.
- WSUI-AM/KSUI-FM recognized \$86,964 in program information and promotion expenses. This is a 67 percent decrease from \$261,465 for the year ended June 30, 2008.
- WSUI-AM/KSUI-FM recognized \$722,401 in management and general expenses. This is a 17 percent increase from \$615,111 for the period ended June 30, 2008.
- WSUI-AM/KSUI-FM recognized \$286,639 in fundraising and membership development expenses. This is a 0.4 percent increase from \$285,470 for the period ended June 30, 2008.

THE STATEMENT OF NET ASSETS

Assets of the Station exceed its liabilities at the close of fiscal year ended June 30, 2009 by \$2,861,928 (net assets). Net assets increased by \$18,469 during the year. At the close of fiscal year June 30, 2008, assets of the Station exceeded its liabilities by \$2,843,459. Net assets decreased by \$188,480 during the year ended June 30, 2008. Summarized financial information is as follows:

	June 30		
	2009	2008	2007
Assets:			
Current assets	\$ 785,618	\$ 691,816	\$ 908,543
Capital assets, net	885,876	952,642	1,050,532
Investments (managed by U of I)	<u>1,345,604</u>	<u>1,395,903</u>	<u>1,209,753</u>
Total assets	<u>\$ 3,017,098</u>	<u>\$ 3,040,361</u>	<u>\$ 3,168,828</u>
Liabilities:			
Current liabilities	\$ 155,170	\$ 196,902	\$ 136,889
Long-term liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>\$ 155,170</u>	<u>\$ 196,902</u>	<u>\$ 136,889</u>
Net assets:			
Invested in capital assets	\$ 885,876	\$ 952,642	\$ 1,050,532
Restricted	538,939	498,944	543,604
Unrestricted	<u>1,437,113</u>	<u>1,391,873</u>	<u>1,437,803</u>
Total net assets	<u>\$ 2,861,928</u>	<u>\$ 2,843,459</u>	<u>\$ 3,031,939</u>
Total liabilities and net assets	<u>\$ 3,017,098</u>	<u>\$ 3,040,361</u>	<u>\$ 3,168,828</u>
Change in net assets	<u>\$ 18,469</u>	<u>\$ (188,480)</u>	<u>\$ 180,249</u>

WSUI-AM/KSUI/FM

Management's Discussion and Analysis  
(Unaudited)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	<u>June 30</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total operating revenue	\$ 2,348,799	\$ 2,202,933	\$ 2,305,160
Total operating expenses	<u>2,337,865</u>	<u>2,411,701</u>	<u>2,175,870</u>
Operating income (loss)	10,934	(208,768)	129,290
Total non-operating revenue (expense)	<u>7,535</u>	<u>20,288</u>	<u>50,959</u>
Change in net assets	<u>\$ 18,469</u>	<u>\$ (188,480)</u>	<u>\$ 180,249</u>

Total operating revenue of the Station for the fiscal year ended June 30, 2009 was \$2,348,799. This was an increase of \$145,866 over prior year operating revenue. Total operating revenue of the Station for the fiscal year ended June 30, 2008 was \$2,202,933.

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:

	<u>June 30</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash from operating activities	\$ (8,529)	\$ (99,324)	\$ 226,070
Cash from non-capital financing activities	-0-	-0-	-0-
Cash from capital financing activities	20,050	38,900	(103,874)
Cash from investing activities	<u>18,703</u>	<u>310,519</u>	<u>(215,984)</u>
Net change in cash	30,224	250,095	(93,788)
Cash beginning of year	<u>508,664</u>	<u>258,569</u>	<u>352,357</u>
Cash end of year	<u>\$ 538,888</u>	<u>\$ 508,664</u>	<u>\$ 258,569</u>

CAPITAL ASSETS

Capital assets net of accumulated depreciation for the Station was \$885,876 at June 30, 2009. This was a net decrease of \$66,766 during the year. Depreciation expense on capital assets was \$93,515 for the fiscal year ended June 30, 2009.

WSUI-AM/KSUI-FM

Management's Discussion and Analysis  
(Unaudited)

DEBT

Total liabilities of the Station at June 30, 2009 were \$155,170. Long-term debt included in total liabilities was \$-0-. Total liabilities decreased during the year by \$41,732.

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. WSUI-AM/KSUI-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 WSUI-AM/KSUI-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.

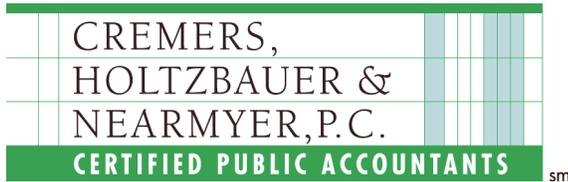
REQUEST FOR INFORMATION

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

WSUI-AM/KSUI-FM Radio  
Attn: Site Administrator  
State University of Iowa  
710 S. Clinton Street  
Iowa City, Iowa 63353

OR

WSUI/AM/KSUI-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

To the Board of Directors of  
WSUI-AM/KSUI-FM  
Iowa City, Iowa

We have audited the accompanying financial statements of WSUI-AM /KSUI-FM (Station), a public telecommunications station operated by The State University of Iowa, as of and for the year ended June 30, 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. The financial statements of WSUI-AM and KSUI-FM as of June 30, 2008, were audited by other auditors whose report dated December 18, 2008, expressed an unqualified opinion on those statements.

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 audit provides a reasonable basis for our opinion.

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Suite 600W  
Urbandale, IA 50322-2871

As discussed in Note 1, the financial statements of WSUI-AM and KSUI-FM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business type activities of The State University of Iowa that is attributable to the transactions of WSUI-AM and KSUI-FM. They do not purport to, and do not, present fairly the financial position of The State University of Iowa as of June 30, 2009 and the changes in its financial position and its cash flows for the year 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, 2009, and the results of their operations and their 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, 2009, we have also issued reports 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 23-24 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

WSUI-AM AND KSUI-FM

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CASH AND CASH EQUIVALENTS	\$ 538,888	\$ 508,664
UNDERWRITING RECEIVABLES, less allowance for doubtful accounts; \$19,250 in 2009 and \$15,400 in 2008	78,198	63,701
DUE FROM IOWA PUBLIC RADIO	115,350	76,600
PLEDGES RECEIVABLE	535	1,149
PREPAID EXPENSES	<u>52,647</u>	<u>41,702</u>
Total current assets	- - <u>785,618</u>	- - <u>691,816</u>
CAPITAL ASSETS, net	885,876	952,642
INVESTMENTS HELD BY THE State University OF IOWA FOUNDATION	1,337,931	1,385,649
INVESTMENTS HELD BY THE State University OF IOWA long-term endowment pool	<u>7,673</u>	<u>10,254</u>
TOTAL	<u>\$ 3,017,098</u>	<u>\$ 3,040,361</u>
 <u>LIABILITIES AND NET ASSETS</u>		
ACCOUNTS PAYABLE	\$ 15,965	\$ 38,209
ACCRUED COMPENSATION	79,657	91,485
ADVANCE PAYMENTS ON UNDERWRITING AGREEMENTS	12,798	28,308
DEFERRED GRANT REVENUE	<u>46,750</u>	<u>38,900</u>
Total current liabilities	- - <u>155,170</u>	- - <u>196,902</u>
NET ASSETS:		
Invested in capital assets - net of related debt	885,876	952,642
Restricted	538,939	498,944
Unrestricted	<u>1,437,113</u>	<u>1,391,873</u>
Total net assets	<u>2,861,928</u>	<u>2,843,459</u>
TOTAL	<u>\$ 3,017,098</u>	<u>\$ 3,040,361</u>

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

WSUI-AM AND KSUI-FM

STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUES:</u>		
Support from The State University of Iowa:		
General appropriations	\$ 584,426	\$ 622,530
Institutional, physical plant and occupancy	387,214	296,287
Support from Iowa Public Radio:		
Memberships and fundraising campaigns	209,522	226,600
Donated services	399,840	321,139
Community service grants	261,255	256,841
Program underwriting	412,282	471,842
Memberships and fundraising campaigns	601	6,615
Major gifts	80,696	-0-
Special projects	12,779	-0-
Other revenue	<u>184</u>	<u>1,079</u>
 Total operating revenues	 <u><u>2,348,799</u></u>	 <u><u>2,202,933</u></u>
<u>OPERATING EXPENSES:</u>		
Program services:		
Programming and production	836,776	881,454
Broadcasting and engineering	405,085	368,201
Program information and promotion	86,964	261,465
Support services:		
Management and general	722,401	615,111
Fundraising and membership development	<u>286,639</u>	<u>285,470</u>
 Total operating expenses	 <u><u>2,337,865</u></u>	 <u><u>2,411,701</u></u>
 Operating income (loss)	 <u><u>- 10,934</u></u>	 <u><u>-(208,768)</u></u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>		
Equipment grants	38,900	-0-
Investment return	(31,608)	20,045
Rental income	<u>243</u>	<u>243</u>
 Total non-operating revenues	 <u><u>7,535</u></u>	 <u><u>20,288</u></u>
 CHANGE IN NET ASSETS	 18,469	 (188,480)
<u>NET ASSETS:</u>		
Beginning of year	<u><u>2,843,459</u></u>	<u><u>3,031,939</u></u>
 END OF YEAR	 <u><u>\$ 2,861,928</u></u>	 <u><u>\$ 2,843,459</u></u>

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

WSUI-AM AND KSUI-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from The State University of Iowa general appropriations	\$ 584,426	\$ 622,530
Cash received from community service grants	261,255	256,841
Cash received from program underwriting	379,834	513,340
Cash received from Iowa Public Radio for membership and fundraising campaigns	170,773	150,000
Cash received from major gifts, memberships and fundraising campaigns	81,911	45,502
Cash received from special projects	12,779	-0-
Cash received from other revenue	427	1,322
Cash payments to employees for salaries, wages and benefits	(941,913)	(1,093,199)
Cash payments to suppliers for goods and services	<u>(558,021)</u>	<u>(595,660)</u>
Net cash flows used by operating activities	-- -- <u>(8,529)</u>	-- -- <u>(99,324)</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from equipment grants	46,750	38,900
Purchase of equipment - capitalized	<u>(26,700)</u>	<u>-0-</u>
Net cash flows provided by capital financing activities	-- -- <u>20,050</u>	-- -- <u>38,900</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sale of investments	13,824	298,629
Cash received from investment income	<u>4,879</u>	<u>11,890</u>
Net cash flows provided by investing activities	<u>18,703</u>	<u>310,519</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,224	250,095
CASH AND CASH EQUIVALENTS - beginning of year	<u>508,664</u>	<u>258,569</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 538,888</u>	<u>\$ 508,664</u>

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

WSUI-AM AND KSUI-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO <u>NET CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 10,934	\$ (208,768)
Transactions not requiring cash:		
Depreciation	93,515	97,889
Non-operating rental income	243	243
Increase (decrease) in:		
Underwriting receivables	(14,497)	21,493
Due from Iowa Public Radio	(38,750)	(76,600)
Inventory of fundraising supplies	-0-	2,480
Pledges receivables	614	38,887
Prepaid expenses	(10,946)	3,938
Increase (decrease) in:		
Accounts payable	(22,304)	(2,432)
Accrued compensation	(11,828)	3,541
Advance payments on underwriting agreements	(15,510)	20,005
Net cash flows used by operating activities	<u>\$ (8,529)</u>	<u>\$ (99,324)</u>

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

WSUI - AM AND KSUI - FM

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

WSUI - AM and KSUI - FM ("the Station") is not a discrete legal entity and is a part of The State University of Iowa ("the University"). The Board of Regents of the State of Iowa is the governing board and the President of the University and Assistant Vice President for University Relations 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 public radio stations located in the State of Iowa. A significant portion of the Station's funding is received from The State University of Iowa 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:		
Scholarships	\$ 7,673	\$ 10,254
CPB Grant	261,255	256,841
Classical Music Programming	53,274	101,519
KSUI Programming	14,944	19,703
WSUI Programming	9,401	12,395
WSUI/KSUI Programming	<u>13,464</u>	<u>-0-</u>
Total temporarily restricted	<u>-- 360,011</u>	<u>-- 400,712</u>
Permanently restricted:		
Classical Music Programming	98,232	98,232
WSUI/KSUI Programming	<u>80,696</u>	<u>-0-</u>
Total permanently restricted	<u>178,928</u>	<u>98,232</u>
Total restricted net assets	<u>\$ 538,939</u>	<u>\$ 498,944</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 \$93,515 and \$97,890, respectively.

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.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Underwriting Receivables

Underwriting receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying past due accounts and by using historical experience applied to an aging of accounts. Underwriting receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The provision for doubtful accounts totaled \$3,850 and \$14,280 for the years ended June 30, 2009 and 2008, respectively.

Revenue Recognition

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

Program Underwriting Support

Underwriting support is treated as conditional contributions, and recognized when the conditions are met based on the terms of the underwriting agreements, and are recognized primarily on a pro rata basis as the underwriters are acknowledged.

In-kind Contributions

As more fully described in Notes 2 and 3, the Station receives various types of in-kind support. The fair value of this support is recognized as revenue and expense on the Statements of Revenues, Expenses and Changes in Net Assets.

Contributed services are recognized as contributions if the services received, create or enhance a long-lived asset or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers provide a variety of tasks that assist the Station throughout the year that have not been recognized as contributions in the financial statements because the criteria for recognition was not met.

Operating and Non-operating Activities

Operating activities generally result from the provision of public broadcasting and from the production of program material for distribution. Revenues associated with, or restricted by donors for use for capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

Functional Allocation of Expenses

The costs of providing program services and other activities are summarized on a functional basis in the Statements of Revenues, Expenses and Changes in Net Assets and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services on the basis of benefits received.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Advertising

Advertising costs are charged to operations in the period in which they are incurred. Advertising expense charged to operations for fiscal years ended 2009 and 2008 was \$3,673 and \$21,605, respectively.

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 addition, Financial Accounting Standards Board FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds* (FSP 117) was issued. FSP 117 requires a not-for-profit organization that is subject to an enacted version of UPMIFA to classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets. The amount classified as permanently restricted is the amount of the fund (a) that must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, the Foundation's governing board determines must be retained permanently under the relevant law. In addition, a not-for-profit organization must classify the portion of the fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the organization. See Note 6 for additional information.

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

2. TRANSACTIONS WITH THE STATE UNIVERSITY OF IOWA

The Station receives general appropriations from the University to help support its operating cost. General appropriations awarded to the Station for the years ended June 30, 2009 and 2008 were \$584,426 and \$622,530, respectively.

The Station receives indirect support from the University, which consists of allocated institutional support, physical plant and office and studio occupancy costs incurred by the University for which the Station received benefits. The value of the indirect support is computed using the valuation method currently advocated by the Corporation for Public Broadcasting, which approximates fair value. The value of the indirect support was \$387,214 and \$296,287 for the years ended June 30, 2009 and 2008, respectively.

2. TRANSACTIONS WITH THE STATE UNIVERSITY OF IOWA - Continued

Program underwriting from various departments of the University totaled \$29,884 and \$24,541 during the years ended June 2009 and 2008, respectively. The Station recorded underwriting accounts receivable of \$6,234 and \$5,064 as of June 30, 2009 and 2008, respectively, related to underwriting transactions.

3. TRANSACTIONS WITH IOWA PUBLIC RADIO

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

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 \$209,522 and \$226,600 for the years ended June 30, 2009 and 2008, respectively. Contributions due from IPR were \$115,350 and \$76,600 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 \$321,139 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.

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

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

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

Year of Grant	Grants Received	Expended		Uncommitted Balance at 6/30/09
		2008	2009	
2007	\$ 260,055	\$ 260,055	\$ -0-	\$ -0-
2008	256,841	-0-	256,841	-0-
2009	261,255	-0-	-0-	261,255

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are held by The State University of Iowa Foundation and/or The State University of Iowa 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 State University of Iowa Foundation ("the Foundation") and The State University of Iowa hold the Station's investments. The investments are held by the University or Foundation or its agents and are uninsured and unregistered securities not in the Station's name. The Foundation and the University have various investment pools from which the Station may allocate investments. The Station's investment policy is to invest the majority of Friends of WSUI/KSUI account in the short-maturity pool, which consists of 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 80% domestic equities and 20% 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 fair value at June 30, 2009 and 2008. The composition of the investments as of June 30, 2009 and 2008 is as follows:

Investment Type	2009	2008
Money Market	\$ 112,381	\$ 109,055
Short-maturity pool	955,538	1,044,745
Long-term pool	<u>277,685</u>	<u>242,103</u>
Total investments	<u>\$ 1,345,604</u>	<u>\$ 1,395,903</u>

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

Income	2009	2008
Dividends and interest	\$ 54,597	\$ 70,042
Management fees	(49,718)	(57,978)
Net realized and unrealized gains (losses)	<u>(36,487)</u>	<u>7,981</u>
Investment return	<u>\$ (31,608)</u>	<u>\$ 20,045</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 State University of Iowa 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 \$538,888. 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.

6. ENDOWMENT

The Stations's endowment consists of 5 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of the Station interprets the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require consideration of the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The investment policy of the institution

6. ENDOWMENT - Continued

In accordance with the Station's interpretation of UPMIFA, absent explicit donor stipulations to the contrary, the Station shall classify as permanently restricted net assets the original value of the gifts donated to the permanent endowment, but such classification does not limit the expenditures from the endowment fund only to income, interest, dividends, rents, issues or profits. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined, from time to time, by the Station's Board of Directors, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, considering the above relevant factors.

Changes in endowment net assets as of June 30, 2009 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 143,871	\$ 98,232	\$ 242,103
Contributions	-0-	80,696	80,696
Investment income	(1,759)	-0-	(1,759)
Net depreciation	(30,531)	-0-	(30,531)
Amounts appropriated for expenditure	<u>(12,825)</u>	<u>-0-</u>	<u>(12,825)</u>
Endowment net assets, end of year	<u>\$ 98,756</u>	<u>\$ 178,928</u>	<u>\$ 277,684</u>

The Station has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the investment objective of the endowment is to seek maximum total return consistent with the preservation of principal, diversification, and avoidance of excessive risk. The Station will exercise reasonable care, skill, and caution with regard to the investment of funds in the context of the entire portfolio which incorporates risk and return objectives reasonably suitable to the purposes of the Station. The assets are to be managed in a manner that seeks to meet these investment objectives, while at the same time attempting to reduce volatility in year-to-year spending. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Station relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Station targets a diversified asset allocation.

7. CAPITAL ASSETS

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

	June 30, 2008	Additions	Reductions	June 30, 2009
Towers & transmission equipment	\$1,397,584	\$ 26,700	\$ -0-	\$1,424,284
Broadcast & production equipment	302,382	-0-	-0-	302,382
Office furniture & equipment	139,027	-0-	-0-	139,027
Software	45,987	-0-	-0-	45,987
Total	<u>1,884,980</u>	<u>- 26,700</u>	<u>- - - -0-</u>	<u>1,911,680</u>
Less accumulated depreciation:				
Towers & transmission equipment	638,142	53,309	-0-	691,451
Broadcast & production equipment	154,988	21,692	-0-	176,680
Office furniture & equipment	95,616	16,070	-0-	111,686
Software	43,543	2,444	-0-	45,987
Total	<u>932,289</u>	<u>93,515</u>	<u>-0-</u>	<u>1,025,804</u>
Capital assets - net	<u>\$ 952,691</u>	<u>\$ (66,815)</u>	<u>\$ -0-</u>	<u>\$ 885,876</u>
	June 30, 2007	Additions	Reductions	June 30, 2008
Towers & transmission equipment	\$1,397,584	\$ -0-	\$ -0-	\$1,397,584
Broadcast & production equipment	302,381	-0-	-0-	302,381
Office furniture & equipment	139,029	-0-	-0-	139,029
Software	45,985	-0-	-0-	45,985
Total	<u>1,884,979</u>	<u>- - - -0-</u>	<u>- - - -0-</u>	<u>1,884,979</u>
Less accumulated depreciation:				
Towers & transmission equipment	585,000	53,138	-0-	638,138
Broadcast & production equipment	132,508	22,475	-0-	154,983
Office furniture & equipment	78,287	17,388	-0-	95,675
Software	38,652	4,889	-0-	43,541
Total	<u>834,447</u>	<u>97,890</u>	<u>-0-</u>	<u>932,337</u>
Capital assets - net	<u>\$1,050,532</u>	<u>\$ (97,890)</u>	<u>\$ -0-</u>	<u>\$ 952,642</u>

8. DEFERRED GRANT REVENUE

Deferred grant revenue as of June 30, 2009 and 2008 is as follows:

	2009	2008
Savin Foundation Grant	\$ -0-	\$ 19,450
University of Iowa Matching Grant	-0-	19,450
PTFP Equipment Grant	46,750	-0-
Total	<u>\$ 46,750</u>	<u>\$ 38,900</u>

9. EMPLOYEE BENEFIT AND RETIREMENT PLANS

All of the Stations' personnel are employees of the University and have entitlements to University fringe benefit programs. The University uses a fringe benefit pool method to allocate expenses to University departments, and to pay fringe benefits. Under this method, the Stations are charged a percentage of compensation for each employee based on one of the twelve University-defined employee groups. The University maintains and pays all applicable benefits and the obligation for compensated absences. The fringe benefit rate for the Stations for the years ended June 30, 2009 and 2008 was 38.0% and 35.0%, respectively, including the contribution to the retirement program discussed following.

9. EMPLOYEE BENEFIT AND RETIREMENT PLANS - Continued

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, IPERS retirement plans, and fringe benefit pool is included in salaries, wages and benefits expense for the year ended June 30, 2009.

10. LEASE COMMITMENTS

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

1. A noncancellable lease with Iowa Public Broadcasting Board to affix a radio transmission antenna on their tower, expiring June 30, 2013, with annual rent payments of \$17,200, plus utilities. Utility costs for 2009 and 2008 were \$16,197 and \$16,097, respectively.
2. A year to year lease with KDUB-TV to affix two antennas. Rent was \$2,400 for each of the years ended June 30, 2009 and 2008.

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

<u>Year</u>	<u>Amount</u>
2010	\$ 17,200
2011	17,200
2012	17,200
2013	<u>17,200</u>
Total	<u>\$ 68,800</u>

## 11. RISK MANAGEMENT

The Station is exposed to various risks of loss related to property loss, liability under tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are subject to the same insurance coverage as the State University which includes catastrophic property insurance, self-insured liability losses and limited motor vehicle liability coverage.

## 12. NONFEDERAL FINANCIAL SUPPORT

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on nonfederal financial support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operation purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, or donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the television CSG grant program precipitated by extraordinary infusions of new capital investments in direct television, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2009 NFFS. This change excludes all revenues received for any capital purchases.

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

## 13. SUBSEQUENT EVENTS

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

SUPPLEMENTAL SCHEDULES

WSUI - AM AND KSUI - FM  
Schedule of Functional Expenses  
June 30, 2009

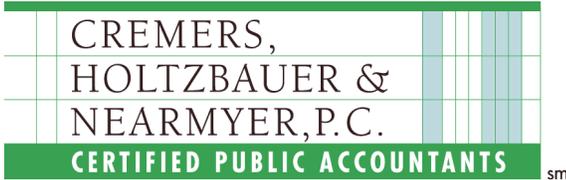
	Program Services				Support Services			
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development	Total Support Services	Total Operating Expense
Salaries, wages and benefits	\$ 508,714	\$ 144,318	\$ -0-	\$ 653,032	\$ 76,104	\$ 200,948	\$ 277,052	\$ 930,084
Travel	10,586	7,797	2,062	20,445	348	15,393	15,741	36,186
Office and other supplies	2,589	26,686	1,066	30,341	6,865	4,035	10,900	41,241
Professional services provided by IPR	39,162	65,206	45,700	150,068	205,454	44,318	249,772	399,840
Professional services	3,396	15,392	10,067	28,855	15,443	16,222	31,665	60,520
Printing	-0-	-0-	13,567	13,567	294	-0-	294	13,861
Postage	95	120	14,360	14,575	1,836	-0-	1,836	16,411
Repairs and maintenance	3,691	8,343	-0-	12,034	1,217	-0-	1,217	13,251
Facilities	362	38,804	-0-	39,166	279	-0-	279	39,445
Programming fees	244,904	-0-	-0-	244,904	-0-	-0-	-0-	244,904
Meetings and training	117	132	112	361	1,321	596	1,917	2,278
Telecommunications	1,468	12,145	30	13,643	529	1,277	1,806	15,449
Institutional, physical plant and occupancy provided by U of I	-0-	-0-	-0-	-0-	387,214	-0-	387,214	387,214
Depreciation	21,692	53,309	-0-	75,001	18,514	-0-	18,514	93,515
Non-capitalized equipment	-0-	32,833	-0-	32,833	6,983	-0-	6,983	39,816
Provision for doubtful accounts	-0-	-0-	-0-	-0-	-0-	3,850	3,850	3,850
Total expenses	\$ 836,776	\$ 405,085	\$ 86,964	\$ 1,328,825	\$ 722,401	\$ 286,639	\$ 1,009,040	\$ 2,337,865

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

WSUI - AM AND KSUI - FM  
Schedule of Functional Expenses  
June 30, 2008

	Program Services				Support Services			
	Programming and Production	Engineering and Broadcasting	Program Information	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Operating Expense
Compensation	\$ 565,208	\$ 135,623	\$ 116,275	\$ 817,106	\$ 112,276	\$ 167,357	\$ 279,633	\$ 1,096,739
Travel	10,181	8,363	988	19,532	2,478	15,537	18,015	37,547
Office and other supplies	2,887	53,090	5,825	61,802	7,192	2,196	9,388	71,190
Professional services provided by IPR	30,431	40,460	48,798	119,689	147,567	53,892	201,459	321,148
Professional services	12,544	2,460	12,325	27,329	19,482	137	19,619	46,948
Printing	-0-	-0-	34,583	34,583	(118)	633	515	35,098
Postage	44	-0-	21,391	21,435	2,357	31	2,388	23,823
Repair and maintenance	-0-	3,726	-0-	3,726	572	4,520	5,092	8,818
Utilities	-0-	18,497	-0-	18,497	(265)	-0-	(265)	18,232
Programming costs	237,684	52,807	614	291,105	3,513	5,603	9,116	300,221
Advertising	-0-	37	20,675	20,712	-0-	893	893	21,605
Institutional, physical plant and occupancy	-0-	-0-	-0-	-0-	296,287	-0-	296,287	296,287
Depreciation	22,475	53,138	-0-	75,613	22,277	-0-	22,277	97,890
Fundraising administrative fee	-0-	-0-	-0-	-0-	1,493	20,391	21,884	21,884
Provision for doubtful accounts	-0-	-0-	-0-	-0-	-0-	14,280	14,280	14,280
<b>Total expenses</b>	<b>\$ 881,454</b>	<b>\$ 368,201</b>	<b>\$ 261,474</b>	<b>\$ 1,511,129</b>	<b>\$ 615,111</b>	<b>\$ 285,470</b>	<b>\$ 900,581</b>	<b>\$ 2,411,710</b>

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



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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To the Board of Directors of  
WSUI-AM/KSUI-FM  
Iowa City, Iowa

We have audited the financial statements of WSUI - AM and KSUI - FM ("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.

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 Station's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Station's financial statements that is more than inconsequential will not be prevented or detected by the Station's internal control.

See Independent Auditor's Report.

Dale E. Cremers, CPA  
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American Institute of  
Certified Public Accountants

Iowa Society of Certified Public  
Accountants

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 Station's internal control.

We consider the following deficiency to be a material weakness as shown below. The auditee's response to our findings is included for each identified finding:

Material Weaknesses

09-1 Financial Statements

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

Auditee's Response

The Station acknowledges that they do not possess the resources and professional accounting skills to prepare a complete financial statement and the required disclosures. The Board of Directors and management believes the cost to employ individuals capable of preparing the financial statements greatly outweighs the benefits to be achieved. The Board of Directors and management will continue to review internally prepared monthly financial statements and will review the annual financial statements with the auditor.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the Board of Directors, management, others within the Station and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

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

January 26, 2010

See Independent Auditor's Report.