



WFDD-FM RADIO
(A Public Telecommunications Entity Operated by Wake Forest University)

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 400
300 North Greene Street
Greensboro, NC 27401

Independent Auditors' Report

The Board of Trustees
Wake Forest University:

We have audited the accompanying balance sheets of WFDD-FM Radio, a public telecommunications entity operated by Wake Forest University (WFDD) as of June 30, 2012 and 2011, and the related statement of activities for the year ended June 30, 2012, and the statements of cash flows for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the management of WFDD. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from WFDD's 2011 financial statements and, in our report dated October 20, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WFDD's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WFDD-FM Radio, a public telecommunications entity operated by Wake Forest University, as of June 30, 2012 and 2011, and the results of its operations for the year ended June 30, 2012 and its cash flows for the years ended June 30, 2012 and 2011, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 25, 2012

WFDD-FM RADIO

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Balance Sheets

June 30, 2012 and 2011

Assets	2012	2011
Cash held by Wake Forest University	\$ 78,268	78,268
Accounts receivable (net of allowance for doubtful accounts of of \$4,487 and \$6,582 at June 30, 2012 and 2011, respectively)	66,690	50,579
Contributions receivable, net	11,198	26,313
Other assets	24,477	87,738
Property and equipment:		
Land	144,200	144,200
Studio improvements	789,099	789,099
Transmission, antenna and tower equipment	214,383	149,319
Studio and broadcast equipment	356,258	356,258
Construction in progress	101,779	—
Total property and equipment	1,605,719	1,438,876
Less accumulated depreciation	(1,106,056)	(1,043,604)
Net property and equipment	499,663	395,272
Total assets	\$ 680,296	638,170
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accruals	\$ 127,476	55,340
Deferred revenue	22,338	4,491
Total liabilities	149,814	59,831
Net assets:		
Unrestricted	521,233	565,963
Temporarily restricted	9,249	12,376
Total net assets	530,482	578,339
Total liabilities and net assets	\$ 680,296	638,170

See accompanying notes to financial statements.

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Statement of Activities
Year ended June 30, 2012
(with summarized financial information for the year ended June 30, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	
Revenues:				
General appropriation from Wake Forest University	\$ 158,467	—	158,467	156,568
Underwriting	588,206	—	588,206	548,382
Contributions and fundraising events	814,992	3,200	818,192	806,223
Donated facilities and administrative support from Wake Forest University	532,948	—	532,948	423,387
Community service grant from the Corporation for Public Broadcasting (note 2)	—	188,429	188,429	178,979
Federal grants and contracts	33,893	—	33,893	—
In-kind contributions	166,008	—	166,008	215,129
Other income	8,398	—	8,398	3,323
Total revenues	<u>2,302,912</u>	<u>191,629</u>	<u>2,494,541</u>	<u>2,331,991</u>
Net assets released from restrictions	<u>194,756</u>	<u>(194,756)</u>	<u>—</u>	<u>—</u>
Total revenues and other support	<u>2,497,668</u>	<u>(3,127)</u>	<u>2,494,541</u>	<u>2,331,991</u>
Expenses:				
Program services:				
Programming and production	1,412,139	—	1,412,139	1,384,409
Broadcasting	95,934	—	95,934	106,583
Supporting services:				
Fundraising	245,095	—	245,095	273,598
Management and general	467,723	—	467,723	326,480
Underwriting and grant solicitation	321,507	—	321,507	303,967
Total expenses	<u>2,542,398</u>	<u>—</u>	<u>2,542,398</u>	<u>2,395,037</u>
Decrease in net assets	<u>(44,730)</u>	<u>(3,127)</u>	<u>(47,857)</u>	<u>(63,046)</u>
Net assets at beginning of year	<u>565,963</u>	<u>12,376</u>	<u>578,339</u>	<u>641,385</u>
Net assets at end of year	<u>\$ 521,233</u>	<u>9,249</u>	<u>530,482</u>	<u>578,339</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Decrease in net assets	\$ (47,857)	(63,046)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation expense	62,452	74,151
Changes in operating assets and liabilities:		
Accounts receivable	(16,111)	(578)
Contributions receivable	15,115	2,537
Other assets	63,261	(7,807)
Accounts payable and accruals	72,136	(6,364)
Deferred revenue	17,847	1,107
Net cash provided by operating activities	166,843	—
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(166,843)	—
Net increase (decrease) in cash and cash equivalents	—	—
Cash at beginning of year	78,268	78,268
Cash at end of year	\$ 78,268	78,268

See accompanying notes to financial statements.

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(1) Organization and Summary of Significant Accounting Policies

(a) Description of Entity

WFDD-FM Radio (WFDD) is a public telecommunications entity operated by Wake Forest University (the University). The public media outlet serves the 32-county Winston-Salem, Greensboro, High Point market with a primary format of news and information. Its digital channels, which are also streamed worldwide on the Internet, feature classical and eclectic music formats.

(b) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WFDD and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met either by actions of WFDD and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(c) Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year, net of an allowance for uncollectible contributions receivable, are discounted to their present value at a risk-adjusted rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment considering such factors as prior collection history, type of contribution, and nature of fundraising activity. The contributions receivable are recorded net of discount to present value and uncollectible accounts of \$26,684 and \$28,597 at June 30, 2012 and June 30, 2011, respectively.

(d) Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at the estimated fair value at date of receipt. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives for studio improvements and other

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equipment range between 5 and 40 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

(e) *In-Kind Contributions*

In-kind contributions are recorded as revenue and expense in the statement of activities at estimated fair value.

(f) *Donated Facilities and Administrative Support*

Donated facilities from the University consist of office and studio space together with related occupancy costs and are recorded in revenues and expenses at estimated fair rental values. Administrative support from the University consists of costs and expenses incurred on behalf of WFDD.

(g) *Functional Expense Classification*

Expenses are reported in the statement of activities based on their functional categories. WFDD's primary program services are broadcasting and programming and production. Expenses reported as fundraising, management and general, and underwriting and grant solicitation are incurred in support of the primary program services.

(h) *Use of Estimates*

Management of WFDD has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(i) *Income Taxes*

WFDD is a division of Wake Forest University. Wake Forest University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made on the financial statements.

(j) *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.

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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 accompanying financial statements as increases in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

(k) Comparative Financial Information

The financial statements include certain prior year information for comparative purposes which do not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with WFDD’s financial statements for the year ended June 30, 2011 from which this information is derived.

(l) Subsequent Events

WFDD has evaluated its subsequent events (events occurring after June 30, 2012) through October 25, 2012, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

(2) Grants by the Corporation for Public Broadcasting

WFDD receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The grant from the Corporation for Public Broadcasting received and expended during the current fiscal year was as follows:

Year of grant	Description	Grants received	Expended		Unexpended balance at June 30, 2012
			2011	2012	
2011	Community Service Grant	178,979	178,979		—
2012	Community Service Grant	188,429	—	188,429	—
			\$ 178,979	188,429	—

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(3) Retirement Plans

WFDD's employees are eligible to participate in the University's defined contribution benefit plan. In addition, the University sponsors a defined benefit postretirement medical and dental plan that covers all of its full-time employees (including WFDD employees) who elect coverage and satisfy the plan's eligibility requirements when they retire.

It is not possible to present separately the employer contributions under the defined contribution benefit plan or to present separately the net postretirement benefit cost or the actuarially determined accumulated benefit obligation for WFDD for the postretirement medical and dental plan because no determination has been made of the allocation of such amounts between the University and WFDD.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of gifts for donor specified purposes.