



## Southern Illinois University Carbondale



## WSIU Public Broadcasting

Financial Statements  
for the Year Ended June 30, 2005



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## Independent Auditors' Report

The Board of Trustees  
Southern Illinois University

We have audited the accompanying statement of net assets of Southern Illinois University Broadcasting Service (SIU Broadcasting Service) as of June 30, 2005, and the related statements of revenues, expenses, and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of SIU Broadcasting Service management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, these financial statements were prepared in conformity with the accounting principles prescribed by the Corporation for Public Broadcasting's Principles of Accounting and Financial Reporting for Public Telecommunications Entities, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SIU Broadcasting Service as of June 30, 2005, and the

changes in its net assets and its cash flows for the year then ended, in conformity with the basis of accounting described in Note 2 to the financial statements.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Governmental Auditing Standards, we have also issued a report dated December 15, 2005 on our consideration of SIU Broadcasting Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Bronner Professional Services, LLC  
Chicago, IL  
December 15, 2005

# Management's Discussion and Analysis

## June 30 2005

### Introduction

The Governmental Accounting Standards Board (GASB) changed the financial reporting format and underlying concepts for public higher education reporting with the issuance of Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." As a result, the University has chosen to implement the changes related to GASB 35 for the year ended June 30, 2002. Since the University holds WSIU/WUSI TV and FM FCC license, the stations will follow the same financial reporting timetable and standards. The University and the stations have elected not to restate prior periods for purposes of providing comparative data for discussion and analysis prior to fiscal year ending June 30, 2002. However for the year ended June 30, 2005 prior period information is available and comparative analysis is presented. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

The new accounting standards resulted in a number of changes, the major of which were the depreciation of the station's infrastructure and the allocation of revenues and expenses between fiscal years.

As required by the newly adopted accounting principles, the annual report consists of three basic financial statements that provide information on the stations as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each of these statements will be discussed.

### Financial Highlights

#### Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and

expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net assets, the difference between assets and liabilities, are one way to measure the financial health of the Stations.

The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are usually those that will be paid within one year of the date of the Statement of Net Assets.

Net Assets represent the difference between Station assets and liabilities and are divided into three major categories. The first category, invested in capital assets, net of related debt, represents the station's equity in property, plant and equipment. The next asset category is restricted net assets, which is divided into two categories, permanent and temporary. Permanent restricted net assets consist of endowments with specific restrictions on spending the principle given. Temporary restricted net assets are available for expenditure by the stations but must be spent for purposes as determined by donors or other external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which represent balances from operational activities that have not been restricted by parties external to the stations and are available for use by the stations.

The following summarizes the Stations' assets, liabilities, and net assets at June 30, 2005 and 2004:

	<i>June 30, 2005</i>	<i>June 30, 2004</i>
<b>Assets:</b>		
Current Assets	\$ 2,665,257	\$ 1,870,145
Capital Assets, net	5,663,628	5,943,435
Other Assets	315,221	267,984
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 8,614,106</b>	<b>\$ 8,081,564</b>
	<hr/>	<hr/>
<b>Liabilities:</b>		
Current Liabilities	\$ 1,067,191	\$ 357,134
	<hr/>	<hr/>
<b>Net Assets:</b>		
Unrestricted	\$ 1,444,088	\$ 1,365,852
Invested in Capital Assets, net of debt	5,633,628	5,943,435
Temporarily restricted	137,193	94,226
Permanently restricted	332,006	320,917
	<hr/>	<hr/>
<b>Total Net Assets</b>	<b>\$ 7,546,915</b>	<b>\$ 7,724,430</b>
	<hr/>	<hr/>
<b>Total Net Assets and Liabilities</b>	<b>\$ 8,614,106</b>	<b>\$ 8,081,564</b>
	<hr/>	<hr/>

## Statement of Revenues, Expenses and Changes in Net Assets

The changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The statement presents the operating results of the stations, as well as the non-operating revenues and expenses.

In general, operating revenues are received for providing educational programs, goods and production services to agencies outside of the University to the public and private sector. Operating expenses are those expenses paid to acquire goods or services provided in return for the operating revenues, and to carry out the mission of the stations. Non-operating revenues and expenses include state capital appropriations, investment income and capital grants. State appropriations are mandated as non-operating because they are provided by

the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues. Therefore, an operating loss will always result.

The following summarizes the Stations' financial activity for fiscal years 2005 and 2004:

	<i>Year Ended June 30, 2005</i>	<i>Year Ended June 30, 2004</i>
<b>Operating Revenues:</b>		
Operating Grants	\$ 1,572,305	\$ 1,454,696
Local Support	627,795	819,795
Special Events	96,650	79,397
Project Grants	115,409	128,963
Production and Uplink	151,409	68,991
Indirect / In kind Support	2,644,139	2,608,082
Other	142,724	188,825
	<hr/>	<hr/>
<b>Operating Expenses</b>	<b>(7,073,783)</b>	<b>(6,816,922)</b>
	<hr/>	<hr/>
<b>Operating loss</b>	<b>\$ (1,723,352)</b>	<b>\$ (1,468,173)</b>
	<hr/>	<hr/>
Non-Operating Revenues and Expenses	1,471,752	1,802,002
	<hr/>	<hr/>
<b>Increase (decrease) in net assets</b>	<b>\$ (251,600)</b>	<b>\$ 333,829</b>
	<hr/>	<hr/>
Net assets at beginning of year	7,724,430	7,513,703
Prior Period Adjustment	74,085	(123,102)
	<hr/>	<hr/>
Net assets at beginning of year, As restated	7,798,515	7,390,601
	<hr/>	<hr/>
<b>Net assets at end of year</b>	<b>\$ 7,546,915</b>	<b>\$ 7,724,430</b>
	<hr/>	<hr/>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a negative year with a decrease in the net assets at the end of the year. Some highlights of the information presented on the statement are as follows:

- Operating revenues from grants and contracts are from activities that have the characteristics of exchange transactions. In an exchange transaction both parties receive a material benefit from the transaction.

The cumulative effect of changes in accounting principle is primarily the result of the University and stations adopting depreciation on capital assets.

### Operating Expenses (by functional classification)

A summary of the Stations' operating expenses by functional classification for fiscal years ended June 30, 2005 and 2004, is as follows:

	<i>Year Ended June 30, 2005</i>	<i>Year Ended June 30, 2004</i>
<b>Operating Expenses</b>		
Local Programming and Production	\$ 2,907,110	\$ 2,802,111
Broadcasting	1,297,179	1,391,499
Program Information	380,235	328,716
Fund Raising	824,798	911,052
Management and General	1,054,790	1,039,500
Depreciation	<u>609,671</u>	<u>344,044</u>
<b>Total Operating expenses</b>	<u><u>\$ 7,073,783</u></u>	<u><u>\$ 6,816,922</u></u>

The primary change in operating expenses is the recognition of depreciation expense on capital assets.

### Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the Stations during the fiscal year. This statement helps users assess the Stations ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The Stations' statement uses the direct method presentation, which indicates the cash effects categorized by operations, non-capital financing activities, capital and related financing activities, and investing activities.

A summary of the Stations' cash flow for fiscal years ended June 30, 2005 and 2004, is as follows:

	<i>Year Ended June 30, 2005</i>	<i>Year Ended June 30, 2004</i>
<b>Cash provided by (used in)</b>		
Operating Activities	\$ (1,339,399)	\$ (830,926)
Non-capital financing activities	1,202,324	1,416,235
Capital financing and related financing activities	869,472	(379,782)
Investing activities	<u>(4,726)</u>	<u>1,632</u>
Net change in cash	\$ 727,671	\$ 207,159
Cash at beginning of year	<u>1,597,853</u>	<u>1,390,694</u>
Cash at end of year	<u><u>\$ 2,325,524</u></u>	<u><u>\$ 1,597,853</u></u>

The increase in cash during the year is primarily the result of a capital grant awarded by the Corporation of Public Broadcasting to install our digital master control in FY 2006.

### Capital Asset and Debt Administration

The Stations have no long-term debt activity.

### Economic Outlook

Fiscal year 2006 and 2005 appropriations for higher education operations were approved at the same funding level as the fiscal year 2004 original appropriations. The Governor and legislative leadership signed a memorandum of understanding stating that there would be no reserve or other spending restrictions imposed by the State on the amounts appropriated to the Illinois public universities for fiscal year 2005. The State continues to request that public

universities contribute to toward the cost of group health insurance premiums, a cost previously paid in full by the State on behalf of the universities.

As part of the SIU's normal budgetary process, a percentage of the station's state appropriated funds is held as a contingency by the college. For FY03, FY04, FY 05 and FY06 each unit has been asked to streamline operations, reallocating funds, reviewing priorities and utilizing other efficiency measures.

The Administrative staff at the WSIU Stations has been developing a long-term strategy to increase net fundraising revenues from all external funding sources to support the mission and goals of the stations.

## Statement of Net Assets

### Assets:

	TV	FM	TOTALS
<b>Current Assets:</b>			
Interest in Pooled Cash	\$ 1,643,490	\$ 456,427	\$ 2,099,917
Accounts Receivable	156,565	21,139	177,704
Grants Receivable	387,636	-	387,636
<b>Total Current Assets</b>	<b>\$ 2,187,691</b>	<b>\$ 477,566</b>	<b>\$ 2,665,257</b>
<b>Restricted Assets:</b>			
Cash	\$ 161,127	\$ 64,480	\$ 225,607
Investments	89,614	-	89,614
<b>Total Restricted Assets</b>	<b>\$ 250,741</b>	<b>\$ 64,480</b>	<b>\$ 315,221</b>
<b>Property and Equipment:</b>			
Capital Assets			
Land	\$ 21,194	\$ 2,193	\$ 23,387
Building	7,717,206	508,819	8,226,025
Equipment	3,454,552	601,519	4,056,071
Construction in Progress	138,400	-	138,400
Less: Accumulated Depreciation	(5,804,174)	(1,006,081)	(6,810,255)
<b>Total Property and Equipment</b>	<b>\$ 5,527,178</b>	<b>\$ 106,450</b>	<b>\$ 5,633,628</b>
<b>Total Assets</b>	<b>\$ 7,965,610</b>	<b>\$ 648,496</b>	<b>\$ 8,614,106</b>

### Liabilities and Net Assets:

<b>Liabilities:</b>			
Accounts Payable	\$ 138,619	\$ 53,967	\$ 192,586
Accrued Salaries	22,235	1,242	23,477
Deferred Revenue	849,330	1,798	851,128
<b>Total Current Liabilities</b>	<b>\$ 1,010,184</b>	<b>\$ 57,007</b>	<b>\$ 1,067,191</b>
<b>Net Assets:</b>			
Investment in Capital Assets, net of related debt	\$ 5,527,178	\$ 106,450	\$ 5,633,628
<b>Restricted:</b>			
Temporarily Restricted	122,094	15,099	137,193
Permanently Restricted	267,527	64,479	332,006
Unrestricted	1,038,627	405,461	1,444,088
<b>Total Net Assets</b>	<b>6,955,426</b>	<b>591,489</b>	<b>7,546,915</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,965,610</b>	<b>\$ 648,496</b>	<b>\$ 8,614,106</b>

# Statement of Revenues, Expenses & Changes in Net Assets

	TV	FM	TOTALS
<b>Operating Revenue:</b>			
State of Illinois Grant	\$ 485,110	\$ 66,901	\$ 552,011
Corporation for Public Broadcasting Grant	823,558	196,736	1,020,294
Membership	234,712	141,035	375,747
Contributions	37,322	12,134	49,456
Underwriting	56,060	108,014	164,074
K-12 Membership Support	28,406	-	28,406
Local SIRIS Support	-	9,576	9,576
Auction income	77,320	19,330	96,650
Illinois State Library SIRIS Grant	-	21,352	21,352
PBS - Ready to Learn Service	40,841	-	40,841
Ad Grant	8,215	-	8,215
NEH - Koussevitsky Project Grant	(1,199)	-	(1,199)
Twin Cities Public Television	1,000	-	1,000
PBS Kids Go	10,000	-	10,000
University of Wisconsin	12,000	-	12,000
South Carolina Ed Communications	6,000	-	6,000
TCPT Dragonfly Scigirls Grant	7,200	-	7,200
CPB Internet Grant	-	10,000	10,000
Contract Production	81,844	109	81,953
Uplink	69,632	-	69,632
Federal Work Study	41,976	5,182	47,158
Tower Rental Income	8,400	49,775	58,175
Miscellaneous income	34,972	2,779	37,751
Personnel Related Support	651,183	223,271	874,454
Other Indirect/In-Kind Services and Materials	1,421,907	347,778	1,769,685
<b>Total Operating Revenue</b>	<b>\$ 4,136,459</b>	<b>\$ 1,213,972</b>	<b>\$ 5,350,431</b>
<b>Operating Expenses:</b>			
<b>Program Services:</b>			
Local Programming and Production	\$ 2,216,274	\$ 690,835	\$ 2,907,109
Broadcasting	1,017,139	280,040	1,297,179
Program Information	349,700	30,535	380,235
<b>Supporting Services:</b>			
Fund raising	573,896	250,900	824,796
Management and general administration	851,002	203,791	1,054,793
Depreciation	570,581	39,090	609,671
<b>Total Operating Expenses</b>	<b>\$ 5,578,592</b>	<b>\$ 1,495,191</b>	<b>\$ 7,073,783</b>
<b>Deficiency in Revenue over Expenditures before Capital Appropriations and Grants</b>	<b>\$ (1,442,133)</b>	<b>\$ (281,219)</b>	<b>\$ (1,723,352)</b>
<b>Capital Appropriations and Grant:</b>			
State of Illinois University Direct Appropriations	\$ 882,318	\$ 215,170	\$ 1,097,488
Capital Grants-Public Telecommunications Facilities Program	-	(294)	(294)
Corporation for Public Broadcasting - Rural Service Grant	-	-	-
Investment Income	7,703	(51)	7,652
SIU Matching Funds for Capital Grant	121,100	-	121,100
CPB - Digital Distribution Grants	245,806	-	245,806
<b>Net Non operating Revenue (Expense)</b>	<b>\$ 1,256,927</b>	<b>\$ 214,825</b>	<b>\$ 1,471,752</b>
Deficiency in Revenue over Expenditures before Capital Appropriations and Grants	\$ (185,206)	\$ (66,394)	\$ (251,600)
Net Assets, July 1, 2004	\$ 7,073,226	\$ 651,204	\$ 7,724,430
Prior Period Adjustment	67,406	6,679	74,085
Net Assets, July 1, 2004, as Adjusted	\$ 7,140,632	\$ 657,883	\$ 7,798,515
<b>Net Assets June 30, 2005</b>	<b>\$ 6,955,426</b>	<b>\$ 591,489</b>	<b>\$ 7,546,915</b>

## Statement of Cash Flows

	TV	FM	TOTALS
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 545,732	\$ 298,181	\$ 843,913
Cash Operating Grants	1,169,865	294,989	1,464,854
Gifts and Contributions	145,020	43,323	188,343
Payments to Employees	(1,478,499)	(501,012)	(1,979,511)
Payments for Goods and Services	(1,503,970)	(353,029)	(1,856,999)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (1,121,852)</b>	<b>\$ (217,548)</b>	<b>\$ (1,339,400)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
State Appropriations	978,317	224,007	\$ 1,202,324
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital Appropriations	121,100	-	\$ 121,100.00
Capital Grants Received	1,055,654	42,036	1,097,690
Payments for Capital Acquisitions	(349,318)	-	(349,318)
<b>Net Cash Provided (Used) By Capital and Related Financing Activities</b>	<b>\$ 827,436</b>	<b>\$ 42,036</b>	<b>\$ 869,472</b>
<b>Cash Flows from Investing Activities:</b>			
Interest Payments Received	7,703	(51)	\$ 7,652
Purchase of Investments	(12,377)	-	(12,377)
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>\$ (4,674)</b>	<b>\$ (51)</b>	<b>\$ (4,725)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 679,227</b>	<b>\$ 48,444</b>	<b>\$ 727,671</b>
<b>Cash and Cash Equivalents, Beginning of year</b>	<b>1,125,390</b>	<b>472,463</b>	<b>1,597,853</b>
<b>Cash and Cash Equivalents, End of year</b>	<b>\$ 1,804,617</b>	<b>\$ 520,907</b>	<b>\$ 2,325,524</b>
<b>Reconciliation of Operating Loss to Net Cash used by Operating Activities:</b>			
<b>Deficiency in Revenue over Expenditures before Capital Appropriations and Grants</b>	<b>\$ (1,442,133)</b>	<b>\$ (281,219)</b>	<b>\$ (1,723,352)</b>
<b>Adjustments to Reconcile Deficiency in Revenue over Expenditures before Capital Appropriations and Grants to Net Cash used by Operating Activities:</b>			
Depreciation Expense	\$ 570,581	\$ 39,090	\$ 609,671
Change in Assets and liabilities:			
Accounts Receivable, net	19,472	(7,626)	11,846
Grants Receivable	(222,860)	-	(222,860)
Inter fund Receivables	-	-	-
Other Assets	-	-	-
Prepaid Expense	-	-	-
Accounts Payable	(46,813)	31,469	(15,344)
Accrued Salaries	(738)	(454)	(1,192)
Inter Fund Payables	-	-	-
Deferred Revenue	639	1,192	1,831
<b>Total adjustments</b>	<b>\$ 320,281</b>	<b>\$ 63,671</b>	<b>\$ 383,952</b>
<b>Net Cash Used by Operating Activities</b>	<b>\$ (1,121,852)</b>	<b>\$ (217,548)</b>	<b>\$ (1,339,400)</b>

# Notes to Financial Statements

## 1. Organization Description

SIU Broadcasting Service is a public telecommunications service operated by Southern Illinois University ("University") as part of the Academic Affairs department within the College of Mass Communication and Media Arts located at the University's campus in Carbondale, Illinois. SIU Broadcasting Service consists of WSIU-TV and WSIU-FM of Carbondale, IL; WUSI-TV and WUSI-FM of Olney, IL; and WVSI-FM of Mount Vernon, IL. The financial statements of SIU Broadcasting Service also include the accounts for the Friends of WSIU/WUSI. The Friends of WSIU/WUSI solicits funds in the name of and with the approval of SIU Broadcasting Service. Funds are distributed by the Friends of WSIU/WUSI in amounts determined and approved by the Director of SIU Broadcasting Service.

SIU Broadcasting Service is a part of the University as a whole, and thus, for financial reporting purposes the financial balances and activities included in these financial statements are also included in the University's financial statements.

## 2. Summary of Significant Accounting Principles

### Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GSAB), including Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. SIU Broadcasting Service now follows the business-type activity reporting requirements of GASB Statement No. 35 that provides a comprehensive, entity-wide perspective of SIU Broadcasting Service's financial activities and replaces the fund group presentation previously required.

For financial reporting purposes, SIU Broadcasting Service is considered a part of the University, and thus, like the University, is a special-purpose government engaged only in

business-type activities. Accordingly, SIU Broadcasting Service's financial statements have been presented using the economic resources management focus and the accrual basis of accounting applicable to public colleges and universities. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred. All significant intra-agency transactions have been eliminated. SIU Broadcasting Service has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB.

The accounts of SIU Broadcasting Service are maintained internally in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to specified activities or objectives.

The presentation 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; the disclosure of contingent assets and liabilities and the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Capital Assets

Capital assets are recorded at cost at the date of acquisition or at the fair market value at the date of donation in the case of gifts. In accordance with accounting principles generally accepted in the United States of America for public colleges and universities, depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following month prorate convention is being used, in which no depreciation is recorded in the month of acquisition and an entire month of depreciation is recorded in the month of disposition. Capitalization thresholds and useful lives are as follows:

Category	Threshold	Useful Life
Land	\$ --	Not depreciated
Improvements	25,000	15 years
Infrastructure	1,000,000	20 years
Buildings	100,000	40 years
Building improvements	25,000	15 years
Equipment	5,000	5-7 years

Electronic data processing equipment is depreciated over 5 years. Other equipment is depreciated over 7 years.

### Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

### Cash and Cash Equivalents

The University has pooled its cash and investments, except for certain funds that are required by bond resolution to be in separate accounts. Interest in pooled cash at June 30, 2005 represents SIU Broadcasting Service's share of this pooled cash account.

For purposes of the Statement of Cash Flows, all short-term investments that are highly liquid are considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than 90 days.

## Investments

Investments are reported at fair value. The investments held by SIU Broadcasting Service include only those that are insured or registered, or for which the securities are held by the University or its related organizations, or an agent in its name.

Investment income, including gains and losses resulting from the sale or other disposition of investments, is distributed on a monthly basis to the pooled participants based upon their respective average balances over the prior three-month period. The fair value is determined to be the amount at which financial instruments could be exchanged in current transactions between willing partners, usually quoted at market prices. Also, certain money market investments having a remaining maturity of one year or less at time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

## Indirect/In kind Contributions of Services, Materials and Supplies

During the year ended June 30, 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist SIU Broadcasting Service at its facilities.

Facilities allocated from the University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense on a prorata basis. Administrative support from the University consists of adjusted allocated financial and physical plant charges incurred by the University on behalf of SIU Broadcasting Service.

## Promises-to-Give

At various times during the year, the Friends of WSIU/WUSI sponsor fundraising events to solicit promises-to-give on behalf of SIU Broadcasting Service. If these promises-to-give are not collected in a reasonable period of time, they are written off as uncollectible. Contributions and collected promises-to-give are components of the unrestrictive operating fund inasmuch as their usage is not limited to specific activities of SIU Broadcasting Service.

## Accounts Receivable

Accounts receivable represent uncollected underwriting revenue, uncollected promises-to-give, and monthly rental payments due under lease agreements for the right to utilize space on transmission towers.

## Revenue Recognition

SIU Broadcasting Service has classified its revenues as either operating or non-operating revenues as follows:

### *Operating Revenues*

Operating revenues include activities that have the characteristics of exchange transactions, such as providing educational programs, goods and production services to the public and private sector, and includes most grants and contracts.

### *Non-operating Revenue*

Non-operating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that Use Proprietary Fund Accounting, and GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, such as state appropriations, investment income, and capital grants. Appropriations made to the University from the State of Illinois General Revenue Fund are recognized as non-operating revenues in the year appropriated to the extent expended. Other non-operating revenues include transactions relating to capital and financial activities, non-capital financing activities, and investing activities.

## Restricted Support

SIU Broadcasting Service reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is

accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

## **Contributions**

SIU Broadcasting Service adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made, whereby contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

## **Gifts or Long-Lived Assets**

SIU Broadcasting Service reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor -stipulations about how long those long-lived assets must be maintained, SIU Broadcasting Service reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

## **Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## **3. Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net assets.

Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### 4. Grants

SIU Broadcasting Service is the recipient of several grant awards. During the fiscal year ended June 30, 2005, SIU Broadcasting Service was awarded the following grant funds:

Granting Agency	Grant Funds Awarded
Corporation for Public Broadcasting	\$ 1,266,100
State of Illinois Public Broadcasting	552,011
Illinois State Library	21,352
National Center for Outreach	22,000
National Science Foundation	8,200
South Carolina Ed Communications	6,000

The Corporation for Public Broadcasting (CPB) provides a major source of funding for SIU Broadcasting Service space. The grant period is October 1, 2004 through September 30, 2006. The purpose of the grant is to augment the capability of CPB-qualified public broadcasting stations to expand the quality and scope of their services to the community. CPB also provided a \$40,841 grant for the Ready to Learn Service program, for the grant period September 1, 2004 through August 31, 2005 and a \$10,000 grant for our Website, for the grant period November 26, 2004 through September 30, 2007.

The State of Illinois Public Broadcasting grants are operating grants. The grant period was from July 1, 2004 through June 30, 2006.

The Illinois State Library grant funds were used to provide library services and augment media services to blind and physically handicapped residents within the coverage area of WSIU-FM/WUSI-FM. The grant period was from July 1, 2004 through June 30, 2005.

The above grants are recorded as revenue when the grant was received or pledged and the related costs were incurred. In some instances, these are multi-year grants, and therefore, current year's revenue includes amounts which will not be expended in the current year. In other instances, funds are received on a cost-reimbursement basis.

## 5. Restricted Assets

Restricted assets are stated at fair value and consist of cash, life insurance and endowment funds. Fair values and unrealized appreciation (depreciation) at June 30, 2005 is summarized as follows:

Restricted assets	Cost	Fair value
Life insurance policies	\$ 14,958	14,958
Endowment funds	69,450	74,656
Cash	225,607	225,607
Total restricted assets	<u>309,015</u>	<u>315,221</u>

## 6. Investment Income

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2005:

Investment returns	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Investment income	\$ 7,652	-	-	\$ 7,652
Net realized/unrealized losses	<u>-</u>	<u>3,621</u>	<u>-</u>	<u>3,621</u>
Total investment return	<u>\$ 7,652</u>	<u>3,621</u>	<u>-</u>	<u>\$ 11,273</u>

## 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2005:

Temporarily restricted net assets	TV	FM
Broadcasters in Residence	\$ 1,234	-
History Connector	8,930	-
Ready to Learn grants	1,044	-
Bridges School to Home	3,010	-
Dragonfly Scigirls	3,510	-
DDF Full Power Transmission	95,150	-
PBS Kids Go	9,216	-
SIRIS	-	\$ 4,423
Internet Services Grant	-	10,000
WSIU-FM Underwriting Activities	-	676
	\$ 122,094	\$ 15,099

## 8. Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes at June 30, 2005:

Permanently restricted net assets	TV	FM
Endowments:		
WSIU Friends Board Campaign	\$ 99,578	\$ 10,340
Early Childhood Services	34,262	-
TV Local Production	3,820	-
WSIU/WUSI TV Miscellaneous Income	8,655	-
TV Equipment Support Fund	6,128	-
TV News Excellence Fund	4,289	-
WSIU/WUSI Development	2,389	-
K-12 Education Support	1,268	-
Digital Conversion	727	-
Electoral Coverage Support	360	-
SIRIS Outreach Fund	-	23,985
Record Harvest Fund	-	10,528
WSIU FM What'a Know	-	5,544
WSIU-FM Mt. Vernon Clear Signal	-	542
FM Equipment Support Fund	-	3,869
FM Local Production Fund	-	3,122
SIRIS Equipment Support	-	3,671

FM News Excellence Fund	-	1,199
WSIU/WUSI FM Miscellaneous Income	-	895
Saluki Sports Broadcasting	-	784
Cash:		
Tower Reserve	35,440	-
WSIU-TV Community Service	(19,003)	-
Investments:		
WSIU/WUSI Future Excellence	79,687	-
O'Brien L Student of Year	9,927	-
	<u>          </u>	<u>          </u>
Total permanently restricted net assets	<u>\$ 267,527</u>	<u>\$ 64,479</u>

Endowment funds represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and only the earnings be used.

## 9. Accounts and Grants Receivable

Accounts and grants receivable consisted of the following at June 30, 2005:

Accounts and grants receivable	TV	FM
Accounts receivable		
State of Illinois appropriations	\$ 99,738	122
Miscellaneous activities	32,974	
Memberships	3,002	628
Tower Rental	2,075	4,500
Underwriting	4,563	12,331
Auction Income	14,213	3,558
	<u>          </u>	<u>          </u>
Total accounts receivable	<u>\$ 156,565</u>	<u>\$ 21,139</u>
Grants receivable		
WSIU-TV State Grant FY 05	124,855	-
WUSI-TV State Grant FY 05	124,855	-
DDF Full Transmission	112,450	-
Guidebuilder	10,453	-

Ready to Learn	10,500	-
Ad grants	1,780	-
Reimbursement to WUSI-TV State Grant	<u>2,743</u>	<u>-</u>
Total grants receivable	<u>\$ 387,636</u>	<u>-</u>

## 10. Capital Assets

A summary of the changes in capital assets is as follows:

	Balance as of July 1, 2004	Additions	Reclassifications	Transfers	Balance as of June 30, 2005
Land	\$ 23,387	-	-	-	\$ 23,387
Building	4,500,835	-	3,725,190	-	8,226,025
Equipment	3,974,918	87,379	34,952	(41,178)	4,056,071
Construction-in-progress	3,692,518	138,400	(3,692,518)	-	138,400
Less: accumulated depreciation	<u>(6,248,223)</u>	<u>(609,671)</u>	<u>6,461</u>	<u>41,178</u>	<u>(6,810,255)</u>
Total Capital Assets	<u>\$ 5,943,435</u>	<u>(383,892)</u>	<u>74,085</u>	<u>-</u>	<u>\$ 5,633,628</u>

The Federal Communications Commission has determined that all television stations in the United States of America must cease analog transmission by 2006. All noncommercial stations must begin digital transmission on new channel assignments not later than 2003. These changes will make current transmission equipment obsolete and will require SIU Broadcasting Service to recapitalize its physical plant assets. Management estimates that analog equipment will be in service in this country long after its depreciable life has been exhausted. Both the simulcast requirements and the 85% penetration rule recently adopted virtually ensure this will be the case. The impairment of asset value of existing equipment cannot be determined at this time because equipment manufacturers are currently working on conversion equipment to extend the useful life of analog production equipment. Management will continue to assess the impact of this issue as more information becomes available.

## 11. Lease Commitments

SIU Broadcasting Service currently has an operating lease agreement with Rifkin Acquisition Partners, LLC d/b/a Charter Communications to lease space on the tower located at 300 block of Old US-50 West, Flora, IL 62839 to transmit the digital television signal. The term of the lease is five years commencing on June 9, 2003 and may automatically be renewed for up to one separate and successive period of five years each. Lease payments are \$500.00 per month.

SIU Broadcasting Service currently has an operating lease agreement with Dana Communications Corporation to lease space on the tower located at Aspen Road ½ mile south of IL Route 177 North of 164 Hoyleton, IL to transmit the digital television signal. The term of the lease is five years commencing upon Lessee's installation of transmitters and may be renewed for one additional five year term by giving written notice 6 months prior to the end of the current term. Lease payments are \$600.00 per month.

SIU Broadcasting Service currently has an operating lease agreement with EBC St. Louis, Inc. to lease space on the tower located at 4571 Carter Road, Kell, IL to transmit the digital television signal. The term of the lease is five years commencing upon Lessee's installation of transmitters and may be renewed for one additional five year term by giving written notice 6 months prior to the end of the current term. Lease payments are \$500.00 per month.

SIU Broadcasting Service currently has an operating lease agreement with Southern Illinois RSA Partnership (First Cellular of Southern Illinois) to lease land and space on the tower located at 15621 North 42nd Street, Mount Vernon, IL to transmit an FM radio signal. The term of the lease is ten years beginning April 1, 2001. Lessee may, at its option renew the lease for one additional year under the same terms and conditions. Lease payments are \$400.00 per month.

## 12. State University Retirement System

The University, and therefore SIU Broadcasting Service, contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit

pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents and other beneficiaries of state employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 11.12% of annually covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. SIU Broadcasting Service's contribution to SURS for the year ended June 30, 2004 was approximately \$144,656, an amount equal to the required contributions for the year.

Like all employees of Southern Illinois University, employees of SIU Broadcasting Service are covered in the pension plan of the University.

### **13. Post-Employment Benefits**

In addition to providing the above pension benefits, the State provides certain health, dental, and life insurance benefits to the University's annuitants who participate in SURS which includes any annuitants who are employees of SIU Broadcasting Services. Substantially all University employees become eligible for post-employment benefits if they become annuitants. Health and dental benefits include basis benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits for

annuitants under the age of 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 and older are limited to \$5,000 per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental, and life insurance benefits is recognized by the State on a pay-as-you-go basis. These costs are funded by the State except for certain non-appropriated funds funded by the University.

## **14. Commitments and Contingencies**

The University, and therefore SIU Broadcasting Service, received monies from federal and state government agencies under grants and contracts for research and other activities, including medical service reimbursements. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. SIU Broadcasting Service's management believes that any disallowances or adjustments would not have a material effect on SIU Broadcasting Service's financial position.

## **15. Prior Period Adjustment**

Net assets, as of July 1, 2004, were reduced by \$74,085 (equipment net of accumulated depreciation). Net assets had been overstated due to errors in applying the threshold of \$5,000 for capitalizing equipment.

## Statement of Functional Expenses – Combined

### SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICE

#### STATEMENT OF FUNCTIONAL EXPENSES - COMBINED Year Ended June 30, 2005

	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 747,350	\$ 479,736	\$ 91,463	\$ 279,146	\$ 380,625	\$ 1,978,320
Payroll taxes and employee benefits	330,179	203,557	42,175	129,650	179,030	884,591
Professional services, excluding in-kind contributions	40,158	10,877	35,538	71,655	58,340	216,568
Professional services and support, in-kind contributions	468,272	191,369	61,697	123,696	168,766	1,013,800
Supplies	8,490	6,067	8,393	4,855	4,248	32,053
Telephone	20,964	4,946	3,981	9,912	22,248	62,051
Postage	1,846	4,859	7,594	11,485	4,658	30,442
Advertising	-	65	45,904	125	-	46,094
Occupancy	241,955	227,148	22,837	27,745	74,871	594,556
Rental and maintenance of equipment	7,020	71,076	-	51	93,017	171,164
Printing and publications	1,347	1,726	15,024	9,325	9,376	36,798
Travel	39,592	16,110	7,388	6,371	19,010	88,471
Operating taxes and licenses	138,051	-	-	-	-	138,051
Program acquisition	807,891	29,145	360	13	-	837,409
Miscellaneous, excluding in-kind contributions	53,995	50,498	37,881	84,102	40,333	266,809
Miscellaneous, in-kind contributions	-	-	-	66,667	268	66,935
	<u>\$ 2,907,110</u>	<u>\$ 1,297,179</u>	<u>\$ 380,235</u>	<u>\$ 824,798</u>	<u>\$ 1,054,790</u>	<u>\$ 6,464,112</u>

## Statement of Functional Expenses – TV

### SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICE

STATEMENT OF FUNCTIONAL EXPENSES - TV  
 Year Ended June 30, 2005

	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 526,282	\$ 385,188	\$ 84,259	\$ 177,513	\$ 304,523	\$ 1,477,765
Payroll taxes and employee benefits	232,057	162,631	39,088	81,854	143,226	658,856
Professional services, excluding in-kind contributions	32,208	10,385	34,744	53,047	50,344	180,728
Professional services and support, in-kind contributions	350,357	151,301	57,821	85,053	135,773	780,305
Office supplies	6,990	5,532	7,823	3,748	3,398	27,491
Telephone	12,756	3,408	3,628	7,997	17,395	45,184
Postage	1,538	3,351	7,262	8,089	1,655	21,895
Advertising	-	-	37,164	100	-	37,264
Occupancy	213,848	177,535	18,392	25,033	64,266	499,074
Rental and maintenance of equipment	6,637	63,629	-	51	74,414	144,731
Printing and publications	1,177	1,650	14,211	7,454	7,501	31,993
Travel	34,568	11,971	7,241	5,119	14,114	73,013
Operating taxes and licenses	129,971	-	-	-	-	129,971
Program acquisition	655,220	5,265	360	-	-	660,845
Miscellaneous, excluding in-kind contributions	12,666	35,293	37,707	67,211	34,294	187,171
Miscellaneous, in-kind contributions	-	-	-	51,627	98	51,725
	<u>\$ 2,216,275</u>	<u>\$ 1,017,139</u>	<u>\$ 349,700</u>	<u>\$ 573,896</u>	<u>\$ 851,001</u>	<u>\$ 5,008,011</u>

## Statement of Functional Expenses – FM

### SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICE

STATEMENT OF FUNCTIONAL EXPENSES - FM  
Year Ended June 30, 2005

	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 221,068	\$ 94,548	\$ 7,204	\$ 101,633	\$ 76,102	\$ 500,555
Payroll taxes and employee benefits	98,122	40,926	3,087	47,796	35,804	225,735
Professional services, excluding in-kind contributions	7,950	492	794	18,608	7,996	35,840
Professional services and support, in-kind contributions	117,915	40,068	3,876	38,643	32,993	233,495
Office supplies	1,500	535	570	1,107	850	4,562
Telephone	8,208	1,538	353	1,915	4,853	16,867
Postage	308	1,508	332	3,396	3,003	8,547
Advertising	-	65	8,740	25	-	8,830
Occupancy	28,107	49,613	4,445	2,712	10,605	95,482
Rental and maintenance of equipment	383	7,447	-	-	18,603	26,433
Printing and publications	170	76	813	1,871	1,875	4,805
Travel	5,024	4,139	147	1,252	4,896	15,458
Operating taxes and licenses	8,080	-	-	-	-	8,080
Program acquisition	152,671	23,880	-	13	-	176,564
Miscellaneous, excluding in-kind contributions	41,329	15,205	174	16,891	6,039	79,638
Miscellaneous, in-kind contributions	-	-	-	15,040	170	15,210
	<u>\$ 690,835</u>	<u>\$ 280,040</u>	<u>\$ 30,535</u>	<u>\$ 250,902</u>	<u>\$ 203,789</u>	<u>\$ 1,456,101</u>

## Supplemental Information

## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards**

The Board of Trustees  
Southern Illinois University

We have audited the financial statements of Southern Illinois University Broadcasting Service (SIU Broadcasting Service) as of and for the year ended June 30, 2005 and have issued our report thereon dated December 15, 2005. 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.

### ***Compliance***

As part of obtaining reasonable assurance about whether SIU Broadcasting Service's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements of the SIU Broadcasting Service for the year ended June 30, 2005, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant

deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We noted no matters involving internal control over financial reporting that we consider to be a reportable condition.

This report is intended solely for the information and use of the Board of Trustees, management, and the appropriate granting agencies and is not intended to be and should not be used by anyone other than these specified parties. This report, however, is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Greg Bronner". The signature is fluid and cursive, with the first name "Greg" and last name "Bronner" clearly distinguishable.

Bronner Professional Services, LLC  
Chicago, IL  
December 15, 2005