



Southern Illinois University Carbondale



SIU Broadcasting Service (WSIU Public Broadcasting)

Financial Statements
for the Year Ended June 30, 2006



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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, 2006, and the related Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows 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.

The financial statements referred to in the first paragraph present only the SIU Broadcasting Services, and do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2006, and changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SIU Broadcasting Service as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended, in conformity with the accounting principles generally accepted in the United States of America.


The management's discussion and analysis on pages 3 through 9 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 20, 2006 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 grant agreement and other matters. The purpose of that report 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. 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 for the year ended June 30, 2006 is presented for purposes of 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.

is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bronner Professional Services, LLC
Chicago, IL
December 20, 2006

 , CPA
Gila J. Bronner

Management's Discussion and Analysis

June 30 2006

The following discussion and analysis of the financial statements of SIU Broadcasting Service which includes WSIU/WUSI TV & FM STATIONS provides an overview of the SIU Broadcasting Service financial activities for the year ended June 30, 2006 with comparative information for the year ended June 30, 2005. This discussion and analysis focuses on the financial activities of the Broadcasting Service a public service unit housed within Academic Affairs in the College of Mass Communication and Media Arts at Southern Illinois University Carbondale, Illinois. Complete financial statements for the Licensee may be obtained from the University directly.

Introduction

The SIU Broadcasting Service financial report contains three financial statements: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management and Discussion Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. These Statements establish standards for external financial reporting and provide a consolidated perspective of SIU Broadcasting Service's assets, liabilities, net assets, revenues, expenses, and cash flows. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

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 SIU Broadcasting Service 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. Permanently 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 SIU Broadcasting Service and are available for use by the stations.

The following summarizes the SIU Broadcasting Services' assets, liabilities, and net assets at June 30, 2006 and 2005:

	<i>June 30, 2006</i>	<i>June 30, 2005</i>
Assets:		
Current Assets	\$ 2,425,221	\$ 2,665,257
Non Current Assets		
Restricted Assets	397,954	315,221
Capital Assets, net	5,343,733	5,633,628
Total Assets	\$ 8,166,908	\$ 8,614,106
Liabilities:		
Current Liabilities	\$ 951,940	\$ 1,067,191
Net Assets:		
Invested in Capital Assets, net of debt	5,343,733	5,633,628
Temporarily restricted	36,207	137,193
Permanently restricted	415,794	332,006
Unrestricted	1,419,234	1,444,088
Total Net Assets	7,214,968	7,546,915
Total Net Assets and Liabilities	\$ 8,166,908	\$ 8,614,106

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 activities 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 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. 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 SIU Broadcasting Services' financial activity for fiscal years 2006 and 2005:

	<i>Year Ended June 30, 2006</i>	<i>Year Ended June 30, 2005</i>
Operating Revenues:		
Operating Grants	\$ 1,635,521	\$ 1,572,305
Local Support	714,713	627,795
Special Events	80,094	96,650
Project Grants	81,052	115,409
Production and Uplink	154,791	151,409
Other	162,317	142,724
Indirect / In kind Support	2,450,601	2,644,139
Total Operating Revenues	5,279,089	5,350,431
Operating Expenses	(6,619,915)	(7,073,783)
Operating loss	(1,340,826)	(1,723,352)
Nonoperating Revenues and Expenses	1,008,879	1,471,752
Change in net assets	(331,947)	(251,600)
Net assets at beginning of year	7,546,915	7,724,430
Prior Period Adjustment	-	74,085
Net assets at beginning of year, As restated	7,546,915	7,798,515
Net assets at end of year	\$ 7,214,968	\$ 7,546,915

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.

Operating Expenses (by functional classification)

A summary of SIU Broadcasting Services' operating expenses by functional classification for fiscal years ended June 30, 2006 and 2005 is as follows:

	<i>Year Ended</i> <i>June 30, 2006</i>	<i>Year Ended</i> <i>June 30, 2005</i>
Operating Expenses		
Local Programming and Production	\$ 2,737,712	\$ 2,907,110
Broadcasting	1,287,697	1,297,179
Program Information	358,854	380,235
Fund Raising	718,863	824,798
Management and General	887,667	1,054,790
Depreciation	629,122	609,671
Total Operating expenses	\$ 6,619,915	\$ 7,073,783

Statement of Cash Flows

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

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

A summary of the SIU Broadcasting Services' cash flow for fiscal years ended June 30, 2006 and 2005 is as follows:

	<i>Year Ended June 30, 2006</i>	<i>Year Ended June 30, 2005</i>
Cash provided by (used in)		
Operating Activities	\$ (656,526)	\$ (1,339,399)
Non capital financing activities	915,338	1,202,324
Capital financing and related financing activities	(126,314)	869,472
Investing activities	<u>(1,775)</u>	<u>(4,726)</u>
Net change in cash	\$ 130,723	\$ 727,671
Cash at beginning of year	<u>2,325,524</u>	<u>1,597,853</u>
Cash at end of year	<u><u>\$ 2,456,247</u></u>	<u><u>\$ 2,325,524</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 2007.

Capital Asset and Debt Administration

The Stations have no long-term debt activity.

Economic Outlook

Fiscal year 2006 appropriations for higher education operations were approved at relatively the same funding level as the fiscal year 2005 appropriations. The State continues to request that public universities contribute toward the cost of group health insurance premiums, a cost previously paid in full by the State on behalf of the universities and trim their administrative budgets.

As part of SIU's normal budgetary process, a percentage of the SIU Broadcasting Services' state appropriated funds is held as a contingency by the college. For FY03, FY04, FY05 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 developed 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

June 30, 2006

	TV	FM	TOTALS
Assets			
Current Assets			
Interest in pooled cash	\$ 1,884,511	\$ 272,799	\$ 2,157,310
Accounts receivable	169,488	20,934	190,422
Grants receivable	6,441	71,048	77,489
Total Current Assets	2,060,440	364,781	2,425,221
Non current Assets			
Restricted Assets			
Cash	222,096	76,841	298,937
Investments	99,017	-	99,017
Total Restricted Assets	321,113	76,841	397,954
Capital Assets			
Land	21,194	2,193	23,387
Building	7,717,206	508,819	8,226,025
Equipment	3,596,062	659,249	4,255,311
Less: Accumulated depreciation	(6,120,937)	(1,040,053)	(7,160,990)
Capital Assets, Net	5,213,525	130,208	5,343,733
Total Non Current Assets	5,534,638	207,049	5,741,687
Total Assets	\$ 7,595,078	\$ 571,830	\$ 8,166,908
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	80,234	6,431	86,665
Accrued salaries	13,012	1,586	14,598
Deferred revenue	848,336	2,341	850,677
Total Current Liabilities	941,582	10,358	951,940
Net Assets			
Investment in capital assets	5,213,525	130,208	5,343,733
Restricted:			
Temporarily restricted	29,227	6,980	36,207
Permanently restricted	338,953	76,841	415,794
Unrestricted	1,071,791	347,443	1,419,234
Total Net Assets	6,653,496	561,472	7,214,968
Total Liabilities and Net Assets	\$ 7,595,078	\$ 571,830	\$ 8,166,908

Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended June 30, 2006

	TV	FM	TOTAL
Operating Revenues			
Operating grants			
State of Illinois grant	\$ 438,164	\$ 64,247	\$ 502,411
CPB-grant	902,151	230,959	1,133,110
Local support			
Membership income	310,984	149,716	460,700
Contributions	57,780	8,559	66,339
Underwriting	73,011	101,078	174,089
K-12 membership support	4,528	-	4,528
Local SIRIS Support	-	9,057	9,057
Special events			
Auction income	64,075	16,019	80,094
Project grants			
Illinois State Library SIRIS grant	-	21,352	21,352
PBS - Ready to Learn Service	25,000	-	25,000
Ad Grant	3,150	-	3,150
PoV-Omar and Pete	1,000	-	1,000
Talaris Parenting Counts Grant	3,000	-	3,000
Frontline-Age of Aids	3,750	-	3,750
University of Wisconsin	15,000	-	15,000
South Carolina Ed Communications	4,000	-	4,000
TCPT Dragonfly Scigirls Grant	4,800	-	4,800
Production and uplink activities			
Contract Production	112,507	-	112,507
Uplink	42,284	-	42,284
Other			
Federal work study	38,884	4,557	43,441
Tower Rental Income	7,200	56,820	64,020
Miscellaneous income	52,007	2,849	54,856
Indirect state support			
Personnel related support	575,727	222,659	798,386
Other indirect/in-kind services and materials	1,310,066	342,149	1,652,215
Total Operating Revenues	4,049,068	1,230,021	5,279,089
Operating Expenses			
Program services			
Local programming and production	2,012,021	725,691	2,737,712
Broadcasting	1,016,814	270,883	1,287,697
Program information	316,378	42,476	358,854

	TV	FM	TOTAL
Support services			
Management and general	722,913	164,754	887,667
Fundraising	481,706	237,157	718,863
Depreciation	584,500	44,622	629,122
Total Operating Expenses	5,134,332	1,485,583	6,619,915
Operating Income (Loss)	(1,085,264)	(255,562)	(1,340,826)
Nonoperating Revenues (Expenses)			
State of Illinois University direct appropriations	709,894	172,750	882,644
Capital Grants-PTFP	-	32,548	32,548
Investment income (loss)	7,664	(36)	7,628
SIU Matching Funds for Capital Grant	65,776	20,283	86,059
Net Nonoperating Revenues	783,334	225,545	1,008,879
Change in Net Assets	(301,930)	(30,017)	(331,947)
Net Assets - Beginning of Year	6,955,426	591,489	7,546,915
Net Assets - End of Year	\$ 6,653,496	\$ 561,472	\$ 7,214,968

Statement of Cash Flows

for the Year Ended June 30, 2006

	TV	FM	TOTAL
Cash Flows from Operating Activities			
Cash received from customers	\$ 554,587	\$ 310,730	\$ 865,317
Cash operating grants	1,658,307	278,058	1,936,365
Gifts and contributions	162,184	38,553	200,737
Payments to employees	(1,327,996)	(497,860)	(1,825,856)
Payments for goods and services	(1,407,602)	(425,487)	(1,833,089)
Net Cash Used In Operating Activities	(360,520)	(296,006)	(656,526)
Cash Flows from Noncapital Financing Activities			
State appropriations	742,466	172,872	915,338
Net Cash Provided By Noncapital Financing Activities	742,466	172,872	915,338
Cash Flows from Capital and Related Financing Activities			
Capital appropriations	65,776	20,283	86,059
Capital grants received	122,903	-	122,903
Payments for capital acquisitions	(266,896)	(68,380)	(335,276)
Net Cash Used In Capital and Related Financing Activities	(78,217)	(48,097)	(126,314)
Cash Flows from Investing Activities			
Interest payments received	7,664	(36)	7,628
Net purchase, sales and maturities of investments	(9,403)	-	(9,403)
Net Cash Used In Investing Activities	(1,739)	(36)	(1,775)
Net Increase (Decrease) in Cash and Cash Equivalents	301,990	(171,267)	130,723
Cash and Cash Equivalents, Beginning of year	1,804,617	520,907	2,325,524
Cash and Cash Equivalents, End of year	\$ 2,106,607	\$ 349,640	\$ 2,456,247

	<u>TV</u>	<u>FM</u>	<u>TOTAL</u>
Reconciliation of Operating Income (Loss) to Net Cash			
Used In Operating Activities			
Operating Income (Loss)	<u>\$ (1,085,264)</u>	<u>\$ (255,562)</u>	<u>\$ (1,340,826)</u>
Adjustments to Reconcile Operating Income to Net			
Cash Provided (Used) By Operating Activities			
Depreciation expense	584,500	44,622	629,122
Change in assets and liabilities:			
Accounts receivable	(45,495)	83	(45,412)
Grants receivable	258,292	(38,500)	219,792
Accounts Payable	(62,336)	(47,536)	(109,872)
Accrued salaries	(9,223)	344	(8,879)
Deferred revenue	<u>(994)</u>	<u>543</u>	<u>(451)</u>
Total adjustments	<u>724,744</u>	<u>(40,444)</u>	<u>684,300</u>
Net Cash Used In Operating Activities	<u><u>\$ (360,520)</u></u>	<u><u>\$ (296,006)</u></u>	<u><u>\$ (656,526)</u></u>

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. These financial statements present only the SIU Broadcasting Services, and do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2006, and changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 (GASB), 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 measurement 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 a liability is incurred regardless of the timing of the related cash flows. 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.

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, 2006 represents SIU Broadcasting Services' 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, 2006, 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 prorate 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 unrestricted 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 include most grants and contracts.

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as nonoperating 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, noncapital 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.

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, using estimates if necessary.

3. Accounts and Grants Receivable

Accounts and grants receivable consisted of the following at June 30, 2006:

Accounts and grants receivable	TV	FM
<u>Accounts receivable</u>		
State of Illinois appropriations	\$ 67,166	\$ -
Miscellaneous activities	73,398	-
Memberships	10,190	4,351
Tower Rental	-	50
Underwriting	5,966	13,341
Auction Income	12,768	3,192
	<u> </u>	<u> </u>
Total accounts receivable	<u>\$ 169,488</u>	<u>\$ 20,934</u>
 Grants receivable		
WSIU-FM State Grant FY 06	\$ -	\$ 38,500
Radio Console Replacement	-	32,548
Ready to Lead	5,000	-
Ad grants	1,441	-
	<u> </u>	<u> </u>
Total grants receivable	<u>\$ 6,441</u>	<u>\$ 71,048</u>

4. 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, 2006 is summarized as follows:

Restricted assets	Cost	Fair value
Life insurance policies	\$ 15,913	\$ 15,913
Endowment funds	74,499	83,104
Cash	298,937	298,937
Total restricted assets	<u>\$ 389,349</u>	<u>\$ 397,954</u>

5. Investment Income

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2006:

Investment returns	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Investment income	\$ 2,087	\$ 188	\$ -	\$ 2,275
Net realized/unrealized losses	321	5,032	-	5,353
Total investment return	<u>\$ 2,408</u>	<u>\$ 5,220</u>	<u>\$ -</u>	<u>\$ 7,628</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2006:

Temporarily restricted net assets	TV	FM
Passport to Health	\$ 10,160	
Bridges School to Home	3,683	
Ready to Learn grants	4,525	
Dragonfly Scigirls	2,691	
Parenting Counts	3,000	
PBS Kids Go	1,164	
Community and Outreach	275	
Age of Aids	3,733	
Broadcaster in Residence	(4)	
SIRIS	-	\$ 2,010
Internet Services Grant	-	4,897
WSIU-FM Underwriting Activities	-	73
	<u>\$ 29,227</u>	<u>\$ 6,980</u>

7. Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes at June 30, 2006:

Permanently restricted net assets	TV	FM
WSIU Friends Board Campaign	\$ 142,261	\$ 15,040
Early Childhood Services	34,790	-
O'Brien Student of the Year	236	-
TV Local Production	9,331	-
WSIU/WUSI TV Miscellaneous Income	8,655	-
TV Equipment Support Fund	6,206	-
TV News Excellence Fund	4,289	-
WSIU/WUSI Development	2,389	-
K-12 Education Support	1,268	-
Digital Conversion	868	-
WSIU Community Outreach	11,543	-
Electoral Coverage Support	360	-
SIRIS Outreach Fund	-	31,382
Record Harvest Fund	-	10,528
WSIU FM What'a Know	-	5,544
WSIU-FM Mt. Vernon Clear Signal	-	542
FM Equipment Support Fund	-	3,947
FM Local Production Fund	-	3,127
SIRIS Equipment Support	-	3,750
FM News Excellence Fund	-	1,302
WSIU/WUSI FM Miscellaneous Income	-	895
Saluki Sports Broadcasting	-	784
Tower Reserve	628	-
WSIU-TV Community Service	17,082	-
Investments: Endowments		
WSIU/WUSI Future Excellence	88,600	-
O'Brien L Student of Year	10,447	-
Total permanently restricted net assets	<u>\$ 338,953</u>	<u>\$ 76,841</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.

8. Grants

SIU Broadcasting Service is the recipient of several grant awards. During the fiscal year ended June 30, 2006, SIU Broadcasting Service was awarded the following grant funds:

Granting Agency	Grant Funds Awarded
Corporation for Public Broadcasting (CPB)	\$ 1,158,110
Illinois Arts Council	502,411
Illinois State Library	21,352
National Center for Outreach	15,000
TCPT Dragonfly Scigirls Grant	4,800
South Carolina Ed Communications	4,000
Frontline	7,500
Talaris	3,000

The Corporation for Public Broadcasting provides a major source of funding for SIU Broadcasting Service space. The grant period is October 1, 2005 through September 30, 2007. 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 \$25,000 grant for the Ready to Learn Service program, for the grant period September 1, 2005 through September 30, 2006.

The Illinois Arts Council grants are operating grants. The grant period was from July 1, 2005 through August 31, 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, 2005 through June 30, 2006.

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.

9. Capital Assets

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

	Balance as of July 1, 2005	Additions	Reclassifications	Transfers	Balance as of June 30, 2006
Land	\$ 23,387	\$ -	\$ -	\$ -	\$ 23,387
Building	8,226,025	-	-	-	8,226,025
Equipment	4,056,071	339,227	138,400	(278,387)	4,255,311
Construction-in-progress	138,400	-	(138,400)	-	-
Less: accumulated depreciation	(6,810,255)	(629,122)	-	278,387	(7,160,990)
Capital Assets, Net	<u>\$ 5,633,628</u>	<u>\$ (289,895)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,343,733</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.

10. 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 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 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 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 per month.

11. State University Retirement System

Plan Description

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.

Funding Policy

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 10.77% of annual 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 years ended June 30, 2006 and 2005, approximately \$78,026 and \$144,656, respectively, 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.

12. 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.

13. 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.

Statement of Functional Expenses – Combined

SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICES

Fiscal Year Ended June 30, 2006

	Local Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 646,804	\$ 475,394	\$ 101,303	\$ 252,058	\$ 341,418	\$ 1,816,977
Payroll taxes and employee benefits	273,948	208,099	45,413	116,766	159,370	803,596
Professional services, excluding in-kind contributions	44,552	9,991	29,906	36,834	50,506	171,789
Professional services and support, in-kind contributions	413,463	189,068	54,136	103,201	139,676	899,544
Office supplies	3,632	4,602	16,693	4,234	4,974	34,135
Telephone	14,202	11,402	2,092	4,997	21,935	54,628
Postage	2,403	5,562	8,271	20,502	2,808	39,546
Advertising	250	-	19,652	125	3,776	23,803
Occupancy	262,306	258,591	35,816	18,369	78,288	653,370
Rental and maintenance of equipment	2,282	62,629	-	-	14,262	79,173
Printing and publications	1,134	2,795	27,381	16,136	10,363	57,809
Travel	45,447	19,821	6,887	5,258	17,423	94,836
Operating taxes and licenses	141,423	-	-	-	-	141,423
Program acquisition	803,884	27,073	681	-	-	831,638
Miscellaneous, excluding in-kind contributions	81,818	12,670	10,623	77,585	42,868	225,564
Miscellaneous, in-kind contributions	164	-	-	62,798	-	62,962
	<u>\$ 2,737,712</u>	<u>\$ 1,287,697</u>	<u>\$ 358,854</u>	<u>\$ 718,863</u>	<u>\$ 887,667</u>	<u>\$ 5,990,793</u>

Statement of Functional Expenses – TV

SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICES

Fiscal Year Ended June 30, 2006

	Local Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 407,832	\$ 387,848	\$ 90,370	\$ 159,589	\$ 273,134	\$ 1,318,773
Payroll taxes and employee benefits	169,496	167,504	41,131	73,939	127,496	579,566
Professional services, excluding in-kind contributions	35,350	6,481	25,738	28,449	43,813	139,831
Professional services and support, in-kind contributions	298,653	149,327	47,513	67,875	115,389	678,757
Office supplies	2,255	1,791	15,243	3,275	3,979	26,543
Telephone	8,060	6,607	1,811	2,962	17,533	36,973
Postage	1,090	5,271	7,157	11,604	2,400	27,522
Advertising			14,922	100	3,021	18,043
Occupancy	231,837	204,480	30,889	15,420	67,305	549,931
Rental and maintenance of equipment	1,407	58,230	-	-	11,410	71,047
Printing and publications	976	2,341	25,898	11,197	8,298	48,710
Travel	38,887	15,212	6,111	4,183	13,675	78,068
Operating taxes and licenses	135,343	-	-	-	-	135,343
Program acquisition	641,696	2,836	681	-	-	645,213
Miscellaneous, excluding in-kind contributions	38,975	8,886	8,914	55,069	35,460	147,304
Miscellaneous, in-kind contributions	164	-	-	48,044	-	48,208
	<u>\$ 2,012,021</u>	<u>\$ 1,016,814</u>	<u>\$ 316,378</u>	<u>\$ 481,706</u>	<u>\$ 722,913</u>	<u>\$ 4,549,832</u>

Statement of Functional Expenses – FM

SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICES

Fiscal Year Ended June 30, 2006

	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 238,972	\$ 87,546	\$ 10,933	\$ 92,469	\$ 68,284	\$ 498,204
Payroll taxes and employee benefits	104,452	40,595	4,282	42,827	31,874	224,030
Professional services, excluding in-kind contributions	9,202	3,510	4,168	8,385	6,693	31,958
Professional services and support, in-kind contributions	114,810	39,741	6,623	35,326	24,287	220,787
Office supplies	1,377	2,811	1,450	959	995	7,592
Telephone	6,142	4,795	281	2,035	4,402	17,655
Postage	1,313	291	1,114	8,898	408	12,024
Advertising	250		4,730	25	755	5,760
Occupancy	30,469	54,111	4,927	2,949	10,983	103,439
Rental and maintenance of equipment	875	4,399	-	-	2,852	8,126
Printing and publications	158	454	1,483	4,939	2,065	9,099
Travel	6,560	4,609	776	1,075	3,748	16,768
Operating taxes and licenses	6,080	-	-	-	-	6,080
Program acquisition	162,188	24,237	-	-	-	186,425
Miscellaneous, excluding in-kind contributions	42,843	3,784	1,709	22,516	7,408	78,260
Miscellaneous, in-kind contributions	-	-	-	14,754	-	14,754
	<u>\$ 725,691</u>	<u>\$ 270,883</u>	<u>\$ 42,476</u>	<u>\$ 237,157</u>	<u>\$ 164,754</u>	<u>\$ 1,440,961</u>

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters 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, 2006 and have issued our report thereon dated December 20, 2006. 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 SIU Broadcasting Service's 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 material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

functions. We noted no matters involving SIU Broadcasting Service's internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

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 grant agreements, and other matters, 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*.

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.

is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bronner Professional Services, LLC
Chicago, IL
December 20, 2006

 , CPA

Gila J. Bronner