



Southern Illinois University Carbondale



SIU Broadcasting Service (WSIU Public Broadcasting)

Financial Statements
for the Year Ended June 30, 2007



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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, 2007, 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 audit. The prior year summarized comparative information has been derived from SIU Broadcasting Service's 2006 financial statements and in our report dated December 20, 2006; we expressed an unqualified opinion on those statements.

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 audit provides 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, 2007, 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, 2007, 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 8 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, 2007 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, 2007 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.



Gila J. Bronner, CPA

Bronner Professional Services, LLC

Chicago, IL

December 20, 2007

Management's Discussion and Analysis

June 30, 2007

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, 2007 with comparative information for the year ended June 30, 2006. 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. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

Introduction

The financial statements are prepared in accordance with guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including the financial reporting format and underlying concepts for public higher education reporting of GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities."

As required by accounting principles, the annual report consists of three basic financial statements that provide information on the SIU Broadcasting Service 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, is 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. 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 SIU Broadcasting Service's assets, liabilities, and net assets at June 30:

	2007	2006
Assets		
Current assets	\$2,509,325	\$ 2,425,221
Capital assets, net	4,899,389	5,343,733
Restricted assets	449,907	397,954
Total Assets	\$7,858,621	\$ 8,166,908
Liabilities		
Current liabilities	\$1,005,043	\$ 951,940
Net assets		
Invested in capital assets	\$4,899,389	\$ 5,343,733
Temporarily restricted	73,092	36,207
Permanently restricted	447,943	415,794
Unrestricted	1,433,154	1,419,234
Total Net Assets	6,853,578	7,214,968
Total Net Assets and Liabilities	\$7,858,621	\$ 8,166,908

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 Service's financial activity for fiscal years ended June 30, 2007 and 2006:

	Year Ended June 30, 2007	Year Ended June 30, 2006
Operating Revenues		
Operating grants	\$ 1,512,847	\$ 1,635,521
Local support	757,299	714,713
Special events	56,327	80,094
Project grants	82,845	81,052
Production and uplink	124,846	154,791
Indirect / in kind support	2,668,587	2,450,601
Other	176,899	162,317
Total Operating Revenues	5,379,650	5,279,089
Operating Expenses	(6,881,437)	(6,619,915)
Operating Loss	(1,501,787)	(1,340,826)
Non-operating revenues and expenses	1,140,397	1,008,879
Decrease in net assets	(361,390)	(331,947)
Net assets at beginning of year	7,214,968	7,546,915
Net assets at end of year	\$6,853,578	\$7,214,968

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 Service's operating expenses by functional classification for fiscal years ended June 30, 2007 and 2006 is as follows:

	Year Ended June 30, 2007	Year Ended June 30, 2006
Operating Expenses		
Local programming and production	\$2,946,266	\$2,737,712
Broadcasting	1,293,777	1,287,697
Program information	413,562	358,854
Fund raising	681,308	718,863
Management and general	906,880	887,667
Depreciation	639,644	629,122
Total Operating Expenses	\$6,881,437	\$6,619,915

Statement of Cash Flows

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

The SIU Broadcasting Service's 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 SIU Broadcasting Service's cash flow for fiscal years ended June 30, 2007 and 2006 is as follows:

	Year Ended June 30, 2007	Year Ended June 30, 2006
Cash provided by (used in)		
Operating activities	\$ (806,380)	\$ (656,526)
Non-capital financing activities	960,231	915,338
Capital financing and related financing activities	(379,827)	(126,314)
Investing activities	1,837	(1,775)
Net change in cash	(224,139)	130,723
Cash at beginning of year	2,456,247	2,325,524
Cash at end of year	\$2,232,108	\$2,456,247

Capital Asset and Debt Administration

The Stations have no long-term debt activity.

Economic Outlook

Fiscal year 2007 appropriations for higher education operations were approved at relatively the same funding level as the fiscal year 2006 appropriations. 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 and trim their administrative budgets.

As part of the SIU's normal budgetary process, a percentage of the SIU Broadcasting Service's state appropriated funds is held as a contingency by the college. For fiscal years 2003 through 2007, 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, 2007 (with Comparative Totals for 2006)

	2007			2006 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Assets						
Current Assets						
Interest in pooled cash	\$1,493,691	\$402,240	\$1,895,931	\$ 1,884,511	\$272,799	\$2,157,310
Accounts receivable	574,794	25,990	600,784	169,488	20,934	190,422
Grants receivable	8,610	4,000	12,610	6,441	71,048	77,489
Total Current Assets	2,077,095	432,230	2,509,325	2,060,440	364,781	2,425,221
Non-current Assets						
Restricted Assets						
Cash	276,478	59,699	336,177	222,096	76,841	298,937
Investments	113,730	-	113,730	99,017	-	99,017
Total Restricted Assets	390,208	59,699	449,907	321,113	76,841	397,954
Capital Assets						
Land	21,194	2,193	23,387	21,194	2,193	23,387
Building	7,654,206	508,819	8,163,025	7,717,206	508,819	8,226,025
Equipment	3,521,861	624,783	4,146,644	3,596,062	659,249	4,255,311
Construction in progress	180,064	-	180,064	-	-	-
Less: accumulated depreciation	(6,562,871)	(1,050,860)	(7,613,731)	(6,120,937)	(1,040,053)	(7,160,990)
Total Capital Assets, net	4,814,454	84,935	4,899,389	5,213,525	130,208	5,343,733
Total Non-current Assets	5,204,662	144,634	5,349,296	5,534,638	207,049	5,741,687
Total Assets	\$7,281,757	\$576,864	\$7,858,621	\$ 7,595,078	\$571,830	\$8,166,908
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$53,065	\$8,620	\$61,685	\$80,234	\$6,431	\$ 86,665
Accrued salaries	13,761	1,204	14,965	13,012	1,586	14,598
Deferred revenues	928,003	390	928,393	848,336	2,341	850,677
Total Current Liabilities	994,829	10,214	1,005,043	941,582	10,358	951,940
Net Assets						
Invested in capital assets	4,814,454	84,935	4,899,389	5,213,525	130,208	5,343,733
Restricted:						
Temporarily restricted	28,272	44,820	73,092	29,227	6,980	36,207
Permanently restricted	390,364	57,579	447,943	338,953	76,841	415,794
Unrestricted	1,053,838	379,316	1,433,154	1,071,791	347,443	1,419,234
Total Net Assets	6,286,928	566,650	6,853,578	6,653,496	561,472	7,214,968
Total Liabilities and Net	\$7,281,757	\$ 576,864	\$7,858,621	\$7,595,078	\$571,830	\$8,166,908

Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended June 30, 2007 (With Comparative Totals for 2006)

	2007			2006 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Operating Revenues						
Operating grants						
State of Illinois grant	\$398,520	\$61,081	\$459,601	\$ 438,164	\$64,247	\$ 502,411
CPB-grant	848,503	204,743	1,053,246	902,151	230,959	1,133,110
Membership income	339,832	159,876	499,708	310,984	149,716	460,700
Contributions	13,797	47,529	61,326	57,780	8,559	66,339
Underwriting	73,873	108,845	182,718	73,011	101,078	174,089
K-12 membership support	2,132	-	2,132	4,528	-	4,528
Local SIRIS Support	-	11,415	11,415	-	9,057	9,057
Special events						
Auction income	45,062	11,265	56,327	64,075	16,019	80,094
Project grants						
Illinois State Library SIRIS grant	-	21,352	21,352	-	21,352	21,352
PBS - Ready to Learn Service	32,500	-	32,500	25,000	-	25,000
Ad grant	1,000	-	1,000	3,150	-	3,150
POV-Omar & Pete	-	-	-	1,000	-	1,000
POV-Teletubbies	500	-	500	-	-	-
POV-Waging a Living	1,000	-	1,000	-	-	-
Talaris Parenting Counts	-	-	-	3,000	-	3,000
SoundVision DNA Files grant	-	4,000	4,000	-	-	-
Frontline-Age of Aids	3,750	-	3,750	3,750	-	3,750
University of Wisconsin	443	-	443	15,000	-	15,000
NCO Extension Grant-Eyes on the Prize	5,000	-	5,000	-	-	-
South Carolina Ed Communications	-	-	-	4,000	-	4,000
TCPT Dragonfly Scigirls grant	-	-	-	4,800	-	4,800
Ties That Bind Foundation grant	7,500	-	7,500	-	-	-
CPB Internet grant	-	5,000	5,000	-	-	-
Carbondale Community Arts	-	800	800	-	-	-
Production and uplink activities						
Contract production	94,116	-	94,116	112,507	-	112,507
Uplink	30,730	-	30,730	42,284	-	42,284
Other						
Federal work study	35,517	3,233	38,750	38,884	4,557	43,441
Tower rental income	7,200	75,754	82,954	7,200	56,820	64,020
Miscellaneous income	55,025	170	55,195	52,007	2,849	54,856
Indirect state support						
Personnel related support	563,454	216,666	780,120	575,727	222,659	798,386
Other indirect/in-kind services and materials	1,555,784	332,683	1,888,467	1,310,066	342,149	1,652,215

	2007			2006 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Total Operating Revenues	4,115,238	1,264,412	5,379,650	4,049,068	1,230,021	5,279,089
Operating Expenses						
Program services						
Local programming and production	2,209,880	736,386	2,946,266	2,012,021	725,691	2,737,712
Broadcasting	980,689	313,088	1,293,777	1,016,814	270,883	1,287,697
Program information	358,605	54,957	413,562	316,378	42,476	358,854
Supporting services						
Fund raising	475,000	206,308	681,308	722,913	164,754	887,667
Management and general administration	737,083	169,797	906,880	481,706	237,157	718,863
Depreciation	586,007	53,637	639,644	584,500	44,622	629,122
Total Operating Expenses	5,347,264	1,534,173	6,881,437	5,134,332	1,485,583	6,619,915
Operating Loss	(1,232,026)	(269,761)	(1,501,787)	(1,085,264)	(255,562)	(1,340,826)
Non Operating Revenues						
State of Illinois University direct appropriations	684,014	215,097	899,111	709,894	172,750	882,644
Capital Grants-PTFP	-	2,766	2,766	-	32,548	32,548
Investment income	16,267	283	16,550	7,664	(36)	7,628
SIU matching funds for capital grant	52,373	14,293	66,666	65,776	20,283	86,059
CPB - Digital Distribution grants	112,804	42,500	155,304	-	-	-
Total Non Operating Revenues	865,458	274,939	1,140,397	783,334	225,545	1,008,879
Change in Net Assets	(366,568)	5,178	(361,390)	(301,930)	(30,017)	(331,947)
Net assets at Beginning of Year	6,653,496	561,472	7,214,968	6,955,426	591,489	7,546,915
Net assets at End of Year	<u>\$6,286,928</u>	<u>\$ 566,650</u>	<u>\$6,853,578</u>	<u>\$6,653,496</u>	<u>\$561,472</u>	<u>\$7,214,968</u>

Statement of Cash Flows for the Year Ended June 30, 2007 (With Comparative Totals for 2006)

	2007			2006 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Cash Flows From Operating Activities						
Cash received from customers	\$630,679	\$336,338	\$ 967,017	\$554,587	\$310,730	\$ 865,317
Cash operating grants	1,300,657	331,476	1,632,133	1,658,307	278,058	1,936,365
Gifts and contributions	102,861	75,848	178,709	162,184	38,553	200,737
Payments to employees	(1,283,477)	(483,214)	(1,766,691)	(1,327,996)	(497,860)	(1,825,856)
Payments for goods and services	(1,371,381)	(446,167)	(1,817,548)	(1,407,602)	(425,487)	(1,833,089)
Net Cash Used In Operating Activities	(620,661)	(185,719)	(806,380)	(360,520)	(296,006)	(656,526)
Cash Flows From Noncapital Financing Activities						
State appropriations	746,239	213,992	960,231	742,466	172,872	915,338
Net Cash Provided By Noncapital Financing Activities	746,239	213,992	960,231	742,466	172,872	915,338
Cash Flows From Capital and Related Financing Activities						
Capital appropriations	75,614	14,293	89,907	65,776	20,283	86,059
Capital grants received	(338,669)	77,814	(260,855)	122,903	-	122,903
Payments for capital acquisitions	(200,515)	(8,364)	(208,879)	(266,896)	(68,380)	(335,276)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(463,570)	83,743	(379,827)	(78,217)	(48,097)	(126,314)
Cash Flows from Investing Activities						
Interest payments received	16,267	283	16,550	7,664	(36)	7,628
Purchase of investments	(14,713)	-	(14,713)	(9,403)	-	(9,403)
Net Cash Provided By (Used In) Investing Activities	1,554	283	1,837	(1,739)	(36)	(1,775)
Net Increase (Decrease) in Cash and Cash Equivalents	(336,438)	112,299	(224,139)	301,990	(171,267)	130,723
Cash and Cash Equivalents, Beginning of Year	2,106,607	349,640	2,456,247	1,804,617	520,907	2,325,524
Cash and Cash Equivalents, End of Year	\$ 1,770,169	\$ 461,939	\$ 2,232,108	\$2,106,607	\$349,640	\$ 2,456,247
Reconciliation of Operating Loss to Net Cash Used In Operating Activities						

	2007			2006 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Operating Loss	\$(1,232,026)	\$(269,761)	\$(1,501,787)	\$(1,085,264)	\$(255,562)	\$(1,340,826)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities						
Depreciation expense	586,007	53,637	639,644	584,500	44,622	629,122
Change in assets and liabilities:						
Accounts receivable	34,713	(3,951)	30,762	(45,495)	83	(45,412)
Grants receivable	1,941	34,500	36,441	258,292	(38,500)	219,792
Accounts payable	(13,590)	2,189	(11,401)	(62,336)	(47,536)	(109,872)
Accrued salaries	749	(382)	367	(9,223)	344	(8,879)
Deferred revenues	1,545	(1,951)	(406)	(994)	543	(451)
Total adjustments	611,365	84,042	695,407	724,744	(40,444)	684,300
Net cash used in operating activities	\$(620,661)	\$(185,719)	\$(806,380)	\$(360,520)	\$(296,006)	\$(656,526)

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 solicit 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, 2007, and changes in its financial position and its cash flows, where applicable, for the year then ended 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 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.

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 pronouncements. The SIU Broadcasting Service elected not to apply FASB pronouncements issued after November 30, 1989.

The accounts of SIU Broadcasting Service are still 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.

Prior-Year Information

The basic financial statements include certain prior year partial comparative information, which has been derived from the SIU Broadcasting Service's 2006 financial statements. Such information does not include all disclosures required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the SIU Broadcasting Service's financial statements for the year ended June 30, 2006.

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, 2007 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 their 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, 2007, 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 their 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 includes 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 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. Advances are classified as deferred revenue.

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, 2007:

Accounts and grants receivable	TV	FM	TOTAL
Accounts receivable			
State of Illinois appropriations	\$ 4,941	\$1,105	\$6,046
Miscellaneous activities	536,322	-	536,322
Memberships	11,838	9,939	21,777
Tower rental	-	1,500	1,500
Underwriting	18,545	12,659	31,204
Auction income	3,148	787	3,935
Total accounts receivable	\$574,794	\$25,990	\$600,784
Grants receivable			
Digital Nielsen Encoder	\$ 4,110	\$-	\$ 4,110
Ties that Bind	3,500	-	3,500
DNA Grant	-	4,000	4,000

Ad grants	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total grants receivable	<u>\$ 8,610</u>	<u>\$4,000</u>	<u>\$12,610</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, 2007 is summarized as follows:

Restricted assets	<u>Cost</u>	<u>Fair value</u>
Cash	<u>\$ 336,177</u>	<u>\$336,177</u>
Investments		
Life insurance policies	17,639	17,639
Endowment funds	82,658	96,091
Total investments	<u>100,297</u>	<u>113,730</u>
Total restricted assets	<u>\$436,474</u>	<u>\$449,907</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, 2007:

Investment returns	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest income	\$329	\$ -	\$-	\$329
Net realized/unrealized losses	<u>2,929</u>	<u>13,292</u>	<u>-</u>	<u>16,221</u>
Total investment return	<u>\$ 3,258</u>	<u>\$13,292</u>	<u>\$-</u>	<u>\$16,550</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2007:

Temporarily restricted net assets	<u>TV</u>	<u>FM</u>
Ready to Learn Grants	\$11,442	\$-
Ties that Bind	7,480	-
Eyes on the Prize	3,002	-
Bridges School to Home	2,732	-
Passport to Health	2,410	-
Parenting Counts	2,057	-
Dragonfly Scigirls	(851)	-
WSIU-FM Digital Conversion	-	42,500

Genetics DNA Grant	-	3,674
Accessing Art	-	800
Internet Services Grant	-	335
WSIU-FM Underwriting Activities	-	72
Radio Console Replacement	-	(1,303)
SIRIS	-	(1,258)
Total temporarily restricted assets	\$ 28,272	\$44,820

7. Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes at June 30, 2007:

Permanently restricted net assets	TV	FM
Cash:		
WSIU Friends Board Campaign	\$183,162	\$40
Early Childhood Services	34,144	-
WSIU Community Outreach	21,379	-
TV Local Production	13,219	-
WSIU/WUSI TV Miscellaneous Income	8,655	-
TV Equipment Support Fund	6,284	-
TV News Excellence Fund	4,289	-
WSIU/WUSI Development	2,389	-
Digital Conversion	1,200	-
K-12 Education Support	1,190	-
WSIU Facilities/Tech	1,175	294
WSIU-TV Community Service	(1,738)	-
Tower Reserve	628	-
Electoral Coverage Support	360	-
O'Brien Student of the Year	298	-
SIRIS Outreach Fund	-	30,339
Record Harvest Fund	-	10,528
WSIU FM What'a Know	-	5,544
FM Equipment Support Fund	-	4,025
FM Local Production Fund	-	3,083
FM News Excellence Fund	-	1,404
WSIU/WUSI FM Miscellaneous Income	-	895
Saluki Sports Broadcasting	-	784
WSIU-FM Mt. Vernon Clear Signal	-	543
SIRIS Equipment Support	-	100
Investments:Endowments		
WSIU/WUSI Future Excellence	101,771	-
O'Brien L Student of Year	11,959	-
Total permanently restricted net assets	\$ 390,364	\$ 57,579

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, 2007, SIU Broadcasting Service was awarded the following grant funds:

Granting Agency	Grant Funds Awarded
Corporation for Public Broadcasting	\$1,246,050
State of Illinois Public Broadcasting	459,601
Illinois State Library	21,352
Outreach Extensions	12,943
SoundVision	4,000
Frontline	3,750
POV	1,500
Saline County Tourism	1,000
Carbondale Community Arts	800

The Corporation for Public Broadcasting (CPB) provides a major source of funding for SIU Broadcasting Service. The grant period is October 1, 2006 through September 30, 2008. 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 \$32,500 grant for the Ready to Lead Service program, for the grant period September 1, 2005 through September 30, 2007. CPB provided \$5,000.00 for the Internet Services grant, for the grant period January 1, 2007 through December 31, 2007. Finally, CPB provided two Digital Distribution capital grants. The first grant provided \$112,804 for our Master Control Encoder project, for the grant period February 1, 2006 through September 30, 2007. The second grant provided \$42,500.00 for our FM Digital Conversion project, for the grant period May 26, 2007 through December 31, 2007.

The Illinois Arts Council grants are operating grants. The grant period was from July 1, 2006 through August 31, 2007.

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, 2006 through June 30, 2007.

The above grants were recorded as revenues when the grants were received or pledged and the related costs were incurred. In some instances, these are multi-year grants, and therefore, current year's revenues include amounts which will not be expended in the current year. In other instances, funds were 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, 2006	Additions	Transfers	Balance as of June 30, 2007
Land	\$23,387	\$ -	\$-	\$23,387
Building	8,226,025	-	(63,000)	8,163,025
Equipment	4,255,311	15,236	(123,903)	4,146,644
Construction-in-progress	-	180,064	-	180,064
Less: accumulated depreciation	(7,160,990)	(639,644)	186,903	(7,613,731)
Total Capital Assets	\$5,343,733	\$(444,344)	\$-	\$ 4,899,389

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 Wabash Independent Networks Incorporated 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 \$579 monthly.

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 monthly.

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 monthly.

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 monthly.

Future minimum lease payments are:

<u>Year ending June 30</u>	<u>Rental payments</u>
2008	\$24,948
2009	4,800
2010	4,800
2011	3,600

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 10.61 % 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, 2007 was approximately \$110,220, 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.

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, 2007

	Local Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 740,071	\$ 426,830	\$128,313	\$225,534	\$362,552	\$ 1,883,300
Payroll taxes and employee benefits	278,065	191,658	55,843	89,102	173,690	788,358
Professional services, excluding in-kind contributions	37,763	7,881	10,731	50,116	50,821	157,312
Professional services and support, in-kind contributions	452,837	173,622	63,671	100,785	148,191	939,106
Office supplies	4,388	1,841	28,732	5,343	5,450	45,754
Telephone	13,805	11,984	13,146	5,080	12,226	56,241
Postage	1,097	3,909	8,727	20,974	3,610	38,317
Advertising	50	-	28,042	970	3,166	32,228
Occupancy	215,611	291,732	29,362	15,034	74,516	626,255
Rental and maintenance of equipment	7,278	66,168	617	32	9,442	83,537
Printing and publications	2,606	5,589	29,427	18,511	4,982	61,115
Travel	32,714	16,349	8,128	6,080	8,442	71,713
Operating taxes and licenses	147,213	-	-	-	-	147,213
Program acquisition	891,572	27,646	2,615	18	-	921,851
Miscellaneous, excluding in-kind contributions	77,521	68,568	6,208	89,405	49,792	291,494
Miscellaneous, in-kind contributions	43,675	-	-	54,324	-	97,999
	<u>\$2,946,266</u>	<u>\$ 1,293,777</u>	<u>\$413,562</u>	<u>\$681,308</u>	<u>\$906,880</u>	<u>\$6,241,793</u>

Statement of Functional Expenses – TV

SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICES

Fiscal Year Ended June 30, 2007

	Local Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$488,961	\$347,325	\$110,560	\$156,986	\$290,042	\$1,393,874
Payroll taxes and employee benefits	169,796	148,171	48,057	60,467	138,952	565,443
Professional services, excluding in-kind contributions	28,194	4,031	9,695	33,364	44,169	119,453
Professional services and support, in-kind contributions	333,682	127,793	56,797	70,996	120,694	709,962
Office supplies	2,872	637	27,455	3,868	4,360	39,192
Telephone	7,157	6,801	10,649	2,926	9,766	37,299
Postage	497	2,820	7,726	12,680	3,145	26,868
Advertising	50	-	22,434	776	2,533	25,793
Occupancy	193,670	233,409	25,823	12,911	63,962	529,775
Rental and maintenance of equipment	6,708	60,126	530	26	7,554	74,944
Printing and publications	2,328	1,439	24,539	11,390	3,986	43,682
Travel	25,608	13,775	6,621	3,832	6,560	56,396
Operating taxes and licenses	139,133	-	-	-	-	139,133
Program acquisition	693,674	2,269	2,245	14	-	698,202
Miscellaneous, excluding in-kind contributions	73,875	32,093	5,474	63,705	41,360	216,507
Miscellaneous, in-kind contributions	43,675	-	-	41,059	-	84,734
	<u>\$2,209,880</u>	<u>\$980,689</u>	<u>\$358,605</u>	<u>\$475,000</u>	<u>\$737,083</u>	<u>\$4,761,257</u>

Statement of Functional Expenses – FM

SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICES

Fiscal Year Ended June 30, 2007

	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$251,110	\$ 79,505	\$17,753	\$68,548	\$72,510	\$489,426
Payroll taxes and employee benefits	108,269	43,487	7,786	28,635	34,738	222,915
Professional services, excluding in-kind contributions	9,569	3,850	1,036	16,752	6,652	37,859
Professional services and support, in-kind contributions	119,155	45,829	6,874	29,789	27,497	229,144
Office supplies	1,516	1,204	1,277	1,475	1,090	6,562
Telephone	6,648	5,183	2,497	2,154	2,460	18,942
Postage	600	1,089	1,001	8,294	465	11,449
Advertising	-	-	5,608	194	633	6,435
Occupancy	21,941	58,323	3,539	2,123	10,554	96,480
Rental and maintenance of equipment	570	6,042	87	6	1,888	8,593
Printing and publications	278	4,150	4,888	7,121	996	17,433
Travel	7,106	2,574	1,507	2,248	1,882	15,317
Operating taxes and licenses	8,080	-	-	-	-	8,080
Program acquisition	197,898	25,377	370	4	-	223,649
Miscellaneous, excluding in-kind contributions	3,646	36,475	734	25,700	8,432	74,987
Miscellaneous, in-kind contributions	-	-	-	13,265	-	13,265
	<u>\$736,386</u>	<u>\$ 313,088</u>	<u>\$54,957</u>	<u>\$206,308</u>	<u>\$169,797</u>	<u>\$1,480,536</u>

BRONNER

Professional Services

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, 2007 and have issued our report thereon dated December 20, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SIU Broadcasting Service's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SIU Broadcasting Service's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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.



Gila J. Bronner, CPA

Bronner Professional Services, LLC

Chicago, IL

December 20, 2007