

# **WSNC RADIO STATION**

**A Public Telecommunications Entity  
Operated By  
Winston-Salem State University**

**Financial Statements**

**September 30, 2012**

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WSNC Radio Station  
Winston-Salem State University  
Winston-Salem, North Carolina

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of WSNC Radio Station, a public telecommunications entity operated by Winston-Salem State University, as of and for the year ended September 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WSNC Radio Station as of September 30, 2012 and its revenues, expenses and changes in net assets and cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Butler # Burke LLP*

Winston-Salem, North Carolina  
December 20, 2012

## **WSNC RADIO STATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of the financial report provides an overview of the financial position and activities for the year ended September 30, 2012. This discussion has been prepared by management along with the financial statements and related notes to the financial statements and should be read in conjunction with the financial statements and the notes thereto, which follow this section. This discussion and analysis is designed to focus on current activities, resulting change, and current known facts.

### **OVERVIEW OF FINANCIAL STATEMENTS**

The financial statements of WSNC Radio Station (the Station) were prepared in conformity with Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement Number 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

The standards require three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets includes all assets and liabilities. The Station's net assets (the difference between assets and liabilities) are one indicator of the Station's financial health. Over time, increases or decreases in net assets are one indicator of the improvement or erosion of the Station's financial health.

The Statement of Net Assets provides information about assets and liabilities in a format that distinguishes between current and noncurrent. Individual assets and liabilities are classified as current or noncurrent based on whether they are expected to generate or use cash within the twelve months following the end of the fiscal period.

Net assets, or the difference between total assets and total liabilities, are divided into three major components. The first component – invested in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages or notes that are attributable to the acquisition, construction, or improvement of those assets. The next component – restricted net assets – is divided into two categories: expendable and nonexpendable. Net assets are restricted when constraints are placed on them by either external parties (creditors, grantors, donors, etc.) or by enabling legislation or constitutional provisions. Nonexpendable net assets are those that are required to be retained in perpetuity. The final component is unrestricted net assets. These are net assets that are available for any lawful purpose of the Station.

The Statement of Revenues, Expenses and Changes in Net Assets represents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Operating revenues and expenses generally result from providing goods and services and the cost of providing those goods and services. Nonoperating revenues are revenues received for which goods and services are not provided.

Another important factor to consider when evaluating financial viability is the Station's ability to meet financial obligations as they occur. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

## WSNC RADIO STATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following analysis provides an overview of the Station's financial activities as of and for the year ended September 30, 2012.

### Condensed Statement of Net Assets

<b>Assets</b>	
Current assets	\$ 25,794
Noncurrent assets	<u>316,130</u>
Total Assets	<u>\$ 341,924</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 316,130
Unrestricted	<u>25,794</u>
Total Net Assets	<u>\$ 341,924</u>

A review of the Station's statement of net assets at September 30, 2012, shows that the Station's total assets were \$341,924. The Station's assets consist primarily of depreciable capital assets.

### Condensed Statement of Revenue, Expenses, and Changes in Net Assets

Operating Revenues	\$ 131,568
Operating Expenses	<u>(497,330)</u>
Operating Loss	(365,762)
<b>Nonoperating Revenue</b>	
Direct university and administrative support	245,062
Indirect university and administrative support	<u>88,782</u>
Change in Net Assets	(31,918)
Net Assets, Beginning of Period	<u>373,842</u>
Net Assets, End of Period	<u>\$ 341,924</u>

Total operating revenues for the year ended September 30, 2012 of \$131,568 were comprised primarily of a grant from the Corporation for Public Broadcasting of \$106,839, \$21,084 of private contributions, and \$3,645 of underwriting fees. Contributions from Winston-Salem State University (WSSU) are classified as non-operating revenue as defined by GASB Statement No. 35. Non-operating revenue consisted of \$245,062 of direct University Support and \$88,782 of indirect University administrative support.

Total operating expenses amounted to \$497,330, resulting in an operating loss of \$365,762.

**WSNC RADIO STATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Condensed Statement of Cash Flows**

Net Cash Used In Operating Activities	\$ (310,028)
Net Cash Provided by Non-Capital Financing Activities	<u>310,028</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Period	<u>-</u>
Cash and Cash Equivalents, End of Period	<u>\$ -</u>

The statement of cash flows reports the cash receipts and cash payments throughout the year. The statement does not include revenues that are earned but not yet received, expenses that are incurred but not yet paid, or expenses that are non-cash in nature, such as depreciation.

The Station's significant sources of cash provided by non-capital financing activities, as defined by GASB Statement No. 35, include net cash receipts from WSSU of \$310,028.

**WSNC RADIO STATION**  
**STATEMENT OF NET ASSETS**  
**September 30, 2012**

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**ASSETS**

**Current Assets**

Due from University	\$ 25,794
<u>Total Current Assets</u>	<u>25,794</u>

**Noncurrent Assets**

Capital assets – depreciable, net	316,130
<u>Total Noncurrent Assets</u>	<u>316,130</u>

<u>TOTAL ASSETS</u>	<u>\$ 341,924</u>
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	\$ 316,130
Unrestricted	<u>25,794</u>

<u>TOTAL NET ASSETS</u>	<u>\$ 341,924</u>
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**WSNC RADIO STATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended September 30, 2012**

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**REVENUE**

Operating revenues	
Corporation for Public Broadcasting grants	\$ 106,839
Private gifts	12,584
Underwriting fees	3,645
Other	8,500
<u>Total Operating Revenues</u>	<u>131,568</u>

**EXPENSES**

Operating Expenses	
Programming and production	185,542
Management and general	268,882
Fundraising	42,906
<u>Total Operating Expenses</u>	<u>497,330</u>
<u>Operating Loss</u>	<u>(365,762)</u>

**NONOPERATING REVENUE**

Direct university and administrative support	245,062
Indirect university and administrative support	88,782
<u>Total Nonoperating Revenue</u>	<u>333,844</u>

Change in Net Assets	(31,918)
Net Assets, Beginning of Period	<u>373,842</u>
Net Assets, End of Period	<u>\$ 341,924</u>



**WSNC RADIO STATION**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended September 30, 2012

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**OPERATING ACTIVITIES**

Receipts from:

Corporation for Public Broadcasting	\$ 106,839
Private gifts	12,584
Underwriting fees	3,645
Other	8,500

Payments for:

Programming and production	(178,026)
Management and general	(220,664)
Fundraising	<u>(42,906)</u>
<u>Net Cash Used in Operating Activities</u>	<u>(310,028)</u>

**NON-CAPITAL FINANCING ACTIVITIES**

University and administrative support, net	<u>310,028</u>
<u>Net Cash Provided by Non-Capital Financing Activities</u>	<u>310,028</u>

Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>

**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH USED IN OPERATING ACTIVITIES**

Operating loss	\$ (365,762)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	76,721
Change in operating assets and liabilities:	
Trade accounts payable	<u>(20,987)</u>
<u>Net Cash Used in Operating Activities</u>	<u>\$ (310,028)</u>

## WSNC RADIO STATION

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE A: NATURE OF ACTIVITIES

WSNC-FM is operated by Winston-Salem State University (“WSSU”) in Winston-Salem, North Carolina. Administrative offices and studio facilities are located in the Hall-Patterson Building on the WSSU campus. WSNC provides listeners in Forsyth, Guilford, and Davidson counties with traditional Jazz and NPR news, and national and locally-produced public affairs programming.

#### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The financial statements of the Station have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

##### Basis of Presentation

The accompanying financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Government Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement Number 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement Number 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, the full scope of the Station’s activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Station does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

##### Due from (to) University

Due from (to) University represents the Station’s net claim on cash held in the State Institutional Trust Fund account by WSSU. As revenue and expense transactions occur, the Station’s claim on cash increases or decreases. The balance at September 30, 2012 represents an amount owed to the Station by WSSU.

##### Capital Assets

Capital assets are stated at cost, or at estimated fair value if donated. The Station capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Depreciation is provided on a straight-line method over the estimated useful lives of the assets, ranging from five to twenty years.

## WSNC RADIO STATION

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Net Assets

Invested in Capital Assets, Net of Related Debt – This represents the Station’s total investment in capital assets, net of accumulated depreciation and any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Expendable – Expendable restricted net assets include resources for which the Station is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted – This represents resources derived from grants, private gifts and underwriting fees.

##### Revenues and Expense Recognition

The Station classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes of Net Assets. Operating revenues and expenses generally result from providing services in connection with the Station’s principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as grants, private gifts and underwriting fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement Number 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Non-operating revenues include activities that have characteristics of non-exchange transactions. Revenues from non-exchange transactions such as transfers from internal departments and investment income are considered non-operating since these are either investing, capital, or non-capital financing activities.

##### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could vary from those estimates.

##### Tax Status

As a component of WSSU, the Station is exempt from federal and state income tax. It is the opinion of management that the Station has no uncertain tax positions that would be subject to change upon examination.

##### Subsequent Events

The Station has evaluated its subsequent events (events occurring after September 30, 2012) through the date of this report, which represents the date the financial statements were available to be issued, and determined that all significant events and disclosures are included in the financial statements.

**WSNC RADIO STATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE C: COMMUNITY SERVICE GRANTS**

The Corporation for Public Broadcasting (CPB) is a private, nonprofit corporation, funded by federal appropriations authorized by the United States Congress and other sources. CPB distributes annual Community Service Grants to qualifying public telecommunications entities. These grants are used to augment the financial resources of public radio and television stations, and enhance the quality of programming and expand the scope of public radio and television services. Each grant may be expended over one or two federal fiscal years as described in the Communications Act 47, United States Code Annotated Section 396(k)(7), (1983) Supplement. Each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

The grants are reported in the accompanying financial statements as operating revenue; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and licensee status with the Federal Communications Commission. During the year ended September 30, 2012, \$106,839 was received and \$85,233 was expended under these grants.

**NOTE D: CAPITAL ASSETS**

A summary of depreciable capital assets at September 30, 2012 is as follows:

Furniture, fixtures, and office equipment	\$ 94,084
Radio equipment	<u>922,524</u>
	1,016,608
Less accumulated depreciation	<u>(700,478)</u>
	<u>\$ 316,130</u>

Depreciation expense totaled \$76,721 for the year ended September 30, 2012.

## **WSNC RADIO STATION**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **NOTE E: RETIREMENT PLAN**

Each permanent full-time employee, as a condition of employment, is a member of either the Teacher's and State Employees Retirement System of North Carolina, (the "System") or the Optional Retirement Program (the "Program").

The System is a cost sharing, multiple-employer defined benefit pension plan established by the North Carolina General Statutes and administered by the State. The policy of the Station is to fund its portion of pension costs accrued for this System as determined by the State. Contributions to the plan are based on a percentage of the employee's salary. The contribution to the plan totaled \$12,691 for the year ended September 30, 2012.

The Program is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Employer and member contributions are set each year by the North Carolina General Assembly. Contributions to this plan totaled \$11,538 for the year ended September 30, 2012.

#### **NOTE F: INDIRECT ADMINISTRATIVE SUPPORT**

Indirect administrative support from WSSU is calculated on the basis of a Facilities and Administrative Cost Rate negotiated between WSSU and the U.S. Department of Health and Human Services. The on-campus rate in effect from October 1, 2011 through September 30, 2012 is 43.7% and is applicable to all WSSU programs. The calculation is based on direct salaries and wages including vacation, holiday, sick pay and other paid absences, but excludes all other fringe benefits. For the year ended September 30, 2012, this indirect administrative support is calculated to be \$88,782.

#### **NOTE G: PRIOR PERIOD ADJUSTMENT**

Unrestricted net assets at September 30, 2011 have been adjusted for funds returned related to a prior year grant not recognized as refundable in the prior year. The effect of the adjustment is to reduce previously reported net assets as of September 30, 2011 by \$9,323. The error has no effect on the current year activity.