

WSNC RADIO STATION

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

Financial Statements

September 30, 2013

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter - Required Supplementary Information

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 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
January 30, 2014

WSNC RADIO STATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report provides an overview of the financial position and activities for the year ended September 30, 2013. 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* and subsequently amended by GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Station's net position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources) is one indicator of the Station's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the Station's financial health.

The Statement of Net Position 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 position is divided into three major components. The first component – net investment 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. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. The next component – restricted net position – is divided into two categories: expendable and nonexpendable. Net position is restricted when constraints are placed on amounts by either external parties (creditors, grantors, donors, etc.) or by enabling legislation or constitutional provisions. Nonexpendable restricted net position relates to amounts to be retained in perpetuity. The final component is unrestricted net position - those that are available for any lawful purpose of the Station.

The Statement of Revenues, Expenses and Changes in Net Position 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

The following analysis provides an overview of the Station's financial activities as of and for the year ended September 30, 2013.

Condensed Statement of Net Assets

Assets	
Current assets	\$ 51,136
Noncurrent capital assets	<u>241,594</u>
Total Assets	<u>292,730</u>
Liabilities	
Current liabilities	<u>12,300</u>
Total Liabilities	<u>12,300</u>
Net Position	
Net investment in capital assets	241,594
Unrestricted	<u>38,836</u>
Total Net Position	<u>\$ 280,430</u>

A review of the Station's statement of net position at September 30, 2013, shows that the Station's total assets were \$292,730. The Station's assets consist primarily of depreciable capital assets.

Condensed Statement of Revenue, Expenses, and Changes in Net Position

Operating Revenues	\$ 121,735
Operating Expenses	<u>(513,779)</u>
Operating Loss	(392,044)
Nonoperating Revenue	
Direct university and administrative support	243,019
Indirect university and administrative support	<u>87,531</u>
Change in Net Position	(61,494)
Net Position, Beginning of Period	<u>341,924</u>
Net Position, End of Period	<u>\$ 280,430</u>

Total operating revenues for the year ended September 30, 2013 of \$121,735 were comprised primarily of a grant from the Station for Public Broadcasting of \$102,720 and \$13,935 of private contributions. 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 \$243,019 of direct University Support and \$87,531 of indirect University administrative support.

Total operating expenses amounted to \$513,779, resulting in an operating loss of \$392,044.

WSNC RADIO STATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Cash Flows

Net Cash Used In Operating Activities	\$ (305,208)
Net Cash Provided by Non-Capital Financing Activities	<u>305,208</u>
Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Period	<u>-</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ -</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 \$305,208.

WSNC RADIO STATION
STATEMENT OF NET POSITION
September 30, 2013

ASSETS

Current Assets

Due from University	\$ 51,136
<u>Total Current Assets</u>	<u>51,136</u>

Noncurrent Assets

Capital assets – depreciable, net	<u>241,594</u>
<u>Total Noncurrent Assets</u>	<u>241,594</u>

<u>TOTAL ASSETS</u>	<u>292,730</u>
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LIABILITIES

Current Liabilities

Accounts payable	<u>12,300</u>
<u>Total Current Liabilities</u>	<u>12,300</u>

<u>TOTAL LIABILITIES</u>	<u>12,300</u>
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NET POSITION

Invested in Capital Assets	241,594
Unrestricted	<u>38,836</u>

<u>TOTAL NET POSITION</u>	<u>\$ 280,430</u>
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WSNC RADIO STATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended September 30, 2013

REVENUE

Operating revenues	
Station for Public Broadcasting grants	\$ 102,720
Private gifts	13,935
Underwriting fees	800
Other	<u>4,280</u>
<u>Total Operating Revenues</u>	<u>121,735</u>

EXPENSES

Operating Expenses	
Programming and production	199,461
Management and general	269,616
Fundraising	<u>44,702</u>
<u>Total Operating Expenses</u>	<u>513,779</u>
<u>Operating Loss</u>	<u>(392,044)</u>

NONOPERATING REVENUE

Direct university and administrative support	243,019
Indirect university and administrative support	<u>87,531</u>
<u>Total Nonoperating Revenue</u>	<u>330,550</u>
<u>Change in Net Position</u>	<u>(61,494)</u>

NET POSITION

Net Position, Beginning of Period	<u>341,924</u>
Net Position, End of Period	<u>\$ 280,430</u>

WSNC RADIO STATION
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013

OPERATING ACTIVITIES

Receipts from:

Station for Public Broadcasting	\$ 102,720
Private gifts	13,935
Underwriting fees	800
Other	4,280

Payments for:

Programming and production	(168,527)
Management and general	(213,714)
Fundraising	(44,702)

<u>Net Cash Used in Operating Activities</u>	<u>(305,208)</u>
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NON-CAPITAL FINANCING ACTIVITIES

University and administrative support, net	<u>305,208</u>
<u>Net Cash Provided by Non-Capital Financing Activities</u>	<u>305,208</u>

Change in Cash and Cash Equivalents	-
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Cash and Cash Equivalents, Beginning of Year	<u>-</u>
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Cash and Cash Equivalents, End of Year	<u>\$ -</u>
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RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (392,044)
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Adjustments to reconcile operating loss to net cash used in operating activities:

Depreciation expense	74,536
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Change in operating assets and liabilities:

Accounts payable	<u>12,300</u>
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<u>Net Cash Used in Operating Activities</u>	<u>\$ (305,208)</u>
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WSNC RADIO STATION

NOTES TO FINANCIAL STATEMENTS

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, 2013 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

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net Investment in Capital Assets – 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 net investment in capital assets.

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 in Net Position. 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*.

Nonoperating 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, 2013) 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

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In June 2011, GASB issued Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In March 2012, GASB issued Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged, but will have no effect on the Station's financial reporting.

WSNC RADIO STATION

NOTES TO FINANCIAL STATEMENTS

NOTE C: COMMUNITY SERVICE GRANTS

The Station for Public Broadcasting (CPB) is a private, nonprofit Station, 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, 2013, \$102,720 was received and \$94,892 was expended under these grants.

NOTE D: CAPITAL ASSETS

A summary of depreciable capital assets at September 30, 2013 is as follows:

Furniture, fixtures, and office equipment	\$ 102,558
Radio equipment	<u>914,050</u>
	1,016,608
Less accumulated depreciation	<u>(775,014)</u>
	<u>\$ 241,594</u>

Depreciation expense totaled \$74,536 for the year ended September 30, 2013.

WSNC RADIO STATION NOTES TO FINANCIAL STATEMENTS

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 \$14,328 for the year ended September 30, 2013.

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 \$11,898 for the year ended September 30, 2013.

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, 2012 through September 30, 2013 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, 2013, this indirect administrative support is calculated to be \$87,531.