

WSNC RADIO STATION

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

Financial Statements

September 30, 2015 and 2014

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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 years ended September 30, 2015 and 2014, 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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, 2015 and 2014, and the changes in its financial position and its cash flows for the years 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 4 through 6 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 audits 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 15, 2015

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 years ended September 30, 2015 and 2014. 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 pronouncements issued by the Governmental Accounting Standards Board (GASB). These pronouncements 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.

The Notes to Financial Statements provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits and investments, detailed information on deposits and investments, long-term liabilities, revenues, expenses, and if necessary, a discussion of accounting changes, adjustments to prior periods, and events subsequent to the Station's financial statement period.

**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 years ended September 30, 2015 and 2014.

Condensed Statements of Net Assets

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 30,672	\$ 43,603
Noncurrent capital assets	<u>94,290</u>	<u>167,843</u>
Total Assets	<u>124,962</u>	<u>211,446</u>
Liabilities		
Current liabilities	<u>2,029</u>	<u>8,312</u>
Total Liabilities	<u>2,029</u>	<u>8,312</u>
Net Position		
Net investment in capital assets	94,290	167,843
Unrestricted	<u>28,643</u>	<u>35,291</u>
Total Net Position	<u>\$ 122,933</u>	<u>\$ 203,134</u>

A review of the Station's statements of net position at September 30, 2015 and 2014 shows that the Station's total assets were \$124,962 and \$211,446, respectively. The Station's assets consist primarily of depreciable capital assets.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 145,021	\$ 130,871
Operating Expenses	<u>(567,439)</u>	<u>(573,054)</u>
Operating Loss	(422,418)	(442,183)
Nonoperating Revenues		
Direct university and administrative support	239,713	258,090
Indirect university and administrative support	<u>102,504</u>	<u>106,797</u>
Change in Net Position	(80,201)	(77,296)
Net Position, Beginning of Period	<u>203,134</u>	<u>280,430</u>
Net Position, End of Period	<u>\$ 122,933</u>	<u>\$ 203,134</u>

Total operating revenues for the year ended September 30, 2015 of \$145,021 were comprised primarily of a grant from the Corporation for Public Broadcasting of \$108,469 and \$35,094 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 revenues consisted of \$239,713 of direct University Support and \$102,504 of indirect University administrative support.

Total operating expenses amounted to \$567,439, resulting in an operating loss of \$422,418.

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

Condensed Statements of Cash Flows

	<u>2015</u>	<u>2014</u>
Net Cash Used In Operating Activities	\$ (355,148)	\$ (372,420)
Net Cash Provided by Non-Capital Financing Activities	<u>355,148</u>	<u>372,420</u>
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Period	<u>-</u>	<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 \$355,148.

WSNC RADIO STATION
STATEMENTS OF NET POSITION
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Due from University	\$ <u>30,672</u>	\$ <u>43,603</u>
<u>Total Current Assets</u>	<u>30,672</u>	<u>43,603</u>
Capital Assets		
Depreciable, net	<u>94,290</u>	<u>167,843</u>
<u>Total Capital Assets</u>	<u>94,290</u>	<u>167,843</u>
<u>TOTAL ASSETS</u>	<u>124,962</u>	<u>211,446</u>
LIABILITIES		
Current Liabilities		
Accounts payable	<u>2,029</u>	<u>8,312</u>
<u>Total Current Liabilities</u>	<u>2,029</u>	<u>8,312</u>
<u>TOTAL LIABILITIES</u>	<u>2,029</u>	<u>8,312</u>
NET POSITION		
Net Investment in Capital Assets	94,290	167,843
Unrestricted	<u>28,643</u>	<u>35,291</u>
<u>TOTAL NET POSITION</u>	<u>\$ 122,933</u>	<u>\$ 203,134</u>

WSNC RADIO STATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUES		
Operating revenues		
Corporation for Public Broadcasting grant	\$ 108,469	\$ 108,469
Private gifts	35,094	20,452
Underwriting fees	160	1,200
Other	<u>1,298</u>	<u>750</u>
<u>Total Operating Revenues</u>	<u>145,021</u>	<u>130,871</u>
EXPENSES		
Operating Expenses		
Programming and production	216,796	220,888
Management and general	290,119	294,220
Fundraising	<u>60,524</u>	<u>57,946</u>
<u>Total Operating Expenses</u>	<u>567,439</u>	<u>573,054</u>
<u>Operating Loss</u>	<u>(422,418)</u>	<u>(442,183)</u>
NONOPERATING REVENUES		
Direct university and administrative support	239,713	258,090
Indirect university and administrative support	<u>102,504</u>	<u>106,797</u>
<u>Total Nonoperating Revenues</u>	<u>342,217</u>	<u>364,887</u>
<u>Change in Net Position</u>	<u>(80,201)</u>	<u>(77,296)</u>
NET POSITION		
Net Position, Beginning of Period	<u>203,134</u>	<u>280,430</u>
Net Position, End of Period	<u>\$ 122,933</u>	<u>\$ 203,134</u>

WSNC RADIO STATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Receipts from:		
Corporation for Public Broadcasting	\$ 108,469	\$ 108,469
Private gifts	35,094	20,452
Underwriting fees	160	1,200
Other	1,298	750
Payments for:		
Programming and production	(205,675)	(206,439)
Management and general	(234,561)	(238,907)
Fundraising	(59,933)	(57,945)
<u>Net Cash Used in Operating Activities</u>	<u>(355,148)</u>	<u>(372,420)</u>
NON-CAPITAL FINANCING ACTIVITIES		
University and administrative support, net	355,148	372,420
<u>Net Cash Provided by Non-Capital Financing Activities</u>	<u>355,148</u>	<u>372,420</u>
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (422,418)	\$ (442,183)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	73,553	73,751
Change in operating assets and liabilities:		
Accounts payable	(6,283)	(3,988)
<u>Net Cash Used in Operating Activities</u>	<u>\$ (355,148)</u>	<u>\$ (372,420)</u>

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, 2015 and 2014 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, 2015) 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 C: COMMUNITY SERVICE GRANTS

The Corporation 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 years ended September 30, 2015 and 2014, \$108,469 was awarded and received in each year. Grants awarded during the years ended September 30, 2014 and 2013 were properly expended as of September 30, 2015 and 2014, respectively (the end of each two year period).

NOTE D: CAPITAL ASSETS

A summary of depreciable capital assets at September 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Furniture, fixtures, and office equipment	\$ 102,558	\$ 102,558
Radio equipment	<u>914,050</u>	<u>914,050</u>
	1,016,608	1,016,608
Less accumulated depreciation	<u>(922,318)</u>	<u>(848,765)</u>
	<u>\$ 94,290</u>	<u>\$ 167,843</u>

Depreciation expense totaled \$73,553 and \$73,751 for the years ended September 30, 2015 and 2014, respectively.

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. Contributions to the plan totaled \$16,779 and \$20,461 for the years ended September 30, 2015 and 2014, respectively.

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 \$12,038 and \$11,993 for the years ended September 30, 2015 and 2014, respectively.

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, 2013 through September 30, 2015 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. Additionally, the Station receives indirect occupancy support from WSSU. This support is the value of the Station's pro-rata share of studio costs (operations and maintenance of the studio). Occupancy support is based on the square footage of the Station's studio and a comparable per square foot value of the studio space. For the years ended September 30, 2015 and 2014, this total indirect administrative support was calculated to be \$102,504 and \$106,797, respectively.