

WCSU-FM
**(a public telecommunications entity
operated by Central State University)**

Financial Report
June 30, 2008

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Independent Auditor's Report

To the Board of Trustees
WCSU-FM

We have audited the accompanying basic financial statements of WCSU-FM, a public telecommunications entity operated by Central State University, as of June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WCSU-FM as of June 30, 2008 and 2007 and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2008 on our consideration of WCSU-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, 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 the testing, and not to provide opinions 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 considered in assessing the results of our audit.



To the Board of Trustees
WCSU-FM

The management's discussion and analysis presented on pages 3 through 6 is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 15, 2008

Management's Discussion and Analysis

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WCSU-FM (the "Station"), which is owned and operated by Central State University (the "University"). The report consists of three basic financial statements that provide information on the radio station: the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These reports begin on page 7 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. Net assets - the difference between assets and liabilities - is one way to measure the financial activities of the Station. Unrestricted net assets decreased by \$12,126 due to excess of expenses over revenues incurred by the Station from 2008 to 2007 and increased by \$16,226 due to excess of revenues over expenses incurred by the Station from 2006 to 2007. Net assets invested in capital assets decreased by \$12,362 due to the ongoing depreciation of existing fixed assets from 2007 to 2008 and decreased by \$1,010 due to the acquisition of new broadcast equipment, less the ongoing depreciation of existing fixed assets. Therefore, total net assets decreased by \$24,488 from 2007 to 2008 and increased by \$15,216 from 2006 to 2007.

Total assets decreased \$62,020 in 2008 and decreased \$7,831 in 2007; the decreases were related primarily to a reduction in the amounts due from the University (pooled cash and investments).

Total liabilities in 2008 decreased by \$37,532, which was primarily attributable to a decrease in deferred revenue. Total liabilities in 2007 decreased by \$23,047, which was attributable primarily to a decrease in deferred revenue.

Management's Discussion and Analysis (Continued)

	2008	2007	2006
Assets			
Current Assets	\$ 171,804	\$ 221,462	\$ 228,283
Capital Assets - Net of depreciation	<u>43,983</u>	<u>56,345</u>	<u>57,355</u>
Total assets	<u>\$ 215,787</u>	<u>\$ 277,807</u>	<u>\$ 285,638</u>
Liabilities and Net Assets			
Current Liabilities	\$ 155,209	\$ 192,741	\$ 215,788
Net Assets			
Invested in capital assets	43,983	56,345	57,355
Unrestricted	<u>16,595</u>	<u>28,721</u>	<u>12,495</u>
Total net assets	<u>60,578</u>	<u>85,066</u>	<u>69,850</u>
Total liabilities and net assets	<u>\$ 215,787</u>	<u>\$ 277,807</u>	<u>\$ 285,638</u>

As described further in Note I, current assets reflect mainly the amount due to the Station from the University's pooled cash and investment system. Current assets, including advances to the University, and current liabilities decreased during 2008 and 2007 due to expended grant proceeds at year end, which caused a decrease in cash and deferred revenue. Further detail about the sources and uses of cash is reflected in the statement of cash flows

Management's Discussion and Analysis (Continued)**Statement of Revenues, Expenses, and Changes in Net Assets**

The statement of revenues, expenses, and changes in net assets presents the operating results of the Station.

	2008	2007	2006
Operating Revenues			
Corporation for Public Broadcasting	\$ 133,105	\$ 160,282	\$ 175,985
State Network Commission and private grants (Note 5)	34,094	60,062	74,958
Contributed services	84,042	155,470	118,791
Nonoperating Revenues			
Miscellaneous	5,855	4,432	4,855
University support	443,214	421,209	409,146
Total Revenues	700,310	801,455	783,735
Operating Expenses			
Programming and production	362,255	448,097	387,865
Program information and promotion	39,745	41,804	38,439
Management and general	322,798	296,338	306,208
Total operating expenses	724,798	786,239	732,512
(Decrease) Increase in Net Assets	(24,488)	15,216	51,223
Net Assets - Beginning of year	85,066	69,850	18,627
Net Assets - End of year	\$ 60,578	\$ 85,066	\$ 69,850

Operating revenues decreased by \$124,573, or 33 percent, from 2008, Corporation for Public Broadcasting decreased \$27,177 (17 percent), State Network Commission and private grants revenue decreased \$25,968 (43 percent), and contributed services decreased \$71,428 (46 percent). The decrease is primarily driven by the reduction in support from the federal and state levels as budget constraints continue to increase due to the economic conditions. Operating expenses decreased by \$61,441, or 8 percent.

Operating revenues increased by \$6,080, or 2 percent, from 2007; Corporation for Public Broadcasting decreased \$15,703 (9 percent), State Network Commission and private grants revenue decreased \$14,896 (20 percent), and contributed services increased \$36,679 (31 percent). This increase is due primarily to a funding formula change implemented by the State of Ohio due to the merging of two funding mechanisms. Operating expenses increased by \$53,727, or 7 percent.

WCSU-FM

Management's Discussion and Analysis (Continued)

Operating revenues increased by \$145,988, or 65 percent, from 2006; Corporation for Public Broadcasting increased \$66,900 (61 percent), State Network Commission and private grants revenue increased \$52,789 (238 percent), and contributed services increased \$26,299 (28 percent). This increase is due primarily to the timing of expenditures and recognizing revenue when expenditures are incurred as WCSU-FM utilized the unexpected grant increases received at the end of 2006. Operating expenses increased by \$77,620, or 11.8 percent.

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. Cash consists of the Station's share of University pooled cash and investments.

	2008	2007	2006
Cash Used in Operating Activities	\$ (498,727)	\$ (416,354)	\$ (400,737)
Cash Provided by Noncapital Financing Activities	449,069	425,641	414,001
Cash Used in Capital and Related Financing Activities	-	(16,108)	(39,309)
Decrease in Cash	(49,658)	(6,821)	(26,045)
Cash - Beginning of year	219,956	226,777	252,822
Cash - End of year	<u>\$ 170,298</u>	<u>\$ 219,956</u>	<u>\$ 226,777</u>

The Station consumed \$498,727 and \$416,354 in operating activities in 2008 and 2007, respectively. The primary operating cash receipts consist of grants and contracts of \$212,422 and \$252,567 for 2008 and 2007, respectively. Cash outlays include payments for wages and to vendors of \$711,149 and \$668,921 for 2008 and 2007, respectively. The primary noncapital financing activities consist of support from the University.

Economic Factors that Will Affect the Future

In the continued economic downturn, the challenge continues to maintain the level of funding sources. Growing deficits at the federal and state government levels will continue to negatively affect the size of future grants.

Statement of Net Assets

	June 30	
	2008	2007
Assets		
Current Assets		
Due from the University (Note 2)	\$ 170,298	\$ 219,956
Accounts receivable	<u>1,506</u>	<u>1,506</u>
Total current assets	171,804	221,462
Capital Assets - Net (Note 3)	<u>43,983</u>	<u>56,345</u>
Total assets	<u>\$ 215,787</u>	<u>\$ 277,807</u>
Liabilities and Net Assets		
Current Liabilities		
Deferred revenue	\$ 155,209	\$ 192,518
Accounts payable	<u>-</u>	<u>223</u>
Total liabilities	155,209	192,741
Net Assets		
Unrestricted net assets	16,595	28,721
Net investment in capital assets	<u>43,983</u>	<u>56,345</u>
Total net assets	<u>60,578</u>	<u>85,066</u>
Total liabilities and net assets	<u>\$ 215,787</u>	<u>\$ 277,807</u>

WCSU-FM

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2008	2007
Support and Revenue		
Corporation for Public Broadcasting (Note 4)	\$ 133,105	\$ 160,282
State Network Commission and private grants (Note 5)	34,094	60,062
Contributed services	<u>84,042</u>	<u>155,470</u>
Total support and revenue	251,241	375,814
Expenses		
Program services:		
Programming and production	362,255	448,097
Program information and promotion	39,745	41,804
Support services - Management and general	<u>322,798</u>	<u>296,338</u>
Total expenses	<u>724,798</u>	<u>786,239</u>
Operating Loss	(473,557)	(410,425)
Nonoperating Revenues		
Miscellaneous	5,855	4,432
University support (Note 6)	<u>443,214</u>	<u>421,209</u>
Total nonoperating revenues	<u>449,069</u>	<u>425,641</u>
(Decrease) Increase in Net Assets	(24,488)	15,216
Net Assets - Beginning of year	<u>85,066</u>	<u>69,850</u>
Net Assets - End of year	<u>\$ 60,578</u>	<u>\$ 85,066</u>

Statement of Cash Flows

	Year Ended June 30	
	2008	2007
Cash Flows from Operating Activities		
Grants and contracts	\$ 212,422	\$ 252,567
Payments to employees and vendors	(711,149)	(668,921)
Net cash used in operating activities	(498,727)	(416,354)
Cash Flows from Noncapital Financing Activities -		
Other receipts	449,069	425,641
Cash Flows from Capital and Related Financing Activities -		
Purchase of capital assets	-	(16,108)
Decrease in Cash	(49,658)	(6,821)
Cash - Beginning of year	219,956	226,777
Cash - End of year	<u>\$ 170,298</u>	<u>\$ 219,956</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (473,557)	\$ (410,425)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	12,362	17,118
Changes in assets and liabilities:		
Accounts payable	(223)	-
Deferred revenue	(37,309)	(23,047)
Net cash used in operating activities	<u>\$ (498,727)</u>	<u>\$ (416,354)</u>

Note I - Significant Accounting Policies

Organization - WCSU-FM (the "Station") is a radio station owned and operated by Central State University (the "University"), a state-supported, public university. WCSU-FM is located on the campus of the University in Wilberforce, Ohio.

Basis of Presentation - WCSU-FM reports as a "business type activity," as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the funds of the Station are reported in the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows on a consolidated basis.

The Station follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, the Station applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Station has elected not to apply FASB pronouncements issued after November 30, 1989.

The financial statements of the Station have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when related liability has been incurred.

Net Asset Classifications - In accordance with GASB Statement No. 35 guidelines, WCSU-FM's resources are classified into the following two net asset categories:

- **Invested in Capital Assets** - Capitalized physical assets net of accumulated depreciation
- **Unrestricted** - Net assets that are not subject to externally imposed restrictions. May be designated for specific purposes by the board of trustees

Operating Versus Nonoperating Revenue and Expenses - WCSU-FM defines operating activities as reported on the statement of revenue, expenses, and changes in net assets as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received.

Income Taxes - Under Internal Revenue Code Section 501(c)(3), the operations of WCSU-FM are exempt from income taxes as part of the overall operations of the University as a political subdivision of the State of Ohio.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets - Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over their estimated useful lives, ranging from 5 to 10 years.

Deferred Revenue - Deferred revenue represents grant money received but not yet expended and as such, revenue will not be recorded until spent.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of revenue, expenses, and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Note 2 - Due from the University

The financial records for WCSU-FM are maintained as a part of the operations of the University. Separate fund account activities are maintained to account for the operations of WCSU-FM. Separate cash accounts are not maintained for WCSU-FM. Consequently, funds deposited on account for WCSU-FM are reflected in the financial statements as due from the University and, for the purpose of the statement of cash flows, these amounts are considered a cash equivalent.

**Notes to Financial Statements
June 30, 2008 and 2007**

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2008 and 2007 is summarized as follows:

	2008			Ending Balance
	Beginning Balance	Additions	Retirements	
Office equipment	\$ 15,082	\$ -	\$ -	\$ 15,082
Telecommunications equipment	388,080	-	-	388,080
Total	403,162	-	-	403,162
Less accumulated depreciation:				
Office equipment	15,023	59	-	15,082
Telecommunications equipment	331,794	12,303	-	344,097
Total accumulated depreciation	346,817	12,362	-	359,179
Capital assets - Net	<u>\$ 56,345</u>	<u>(\$ 12,362)</u>	<u>\$ -</u>	<u>\$ 43,983</u>
	2007			Ending Balance
	Beginning Balance	Additions	Retirements	
Office equipment	\$ 15,082	\$ -	\$ -	\$ 15,082
Telecommunications equipment	371,972	16,108	-	388,080
Total	387,054	16,108	-	403,162
Less accumulated depreciation:				
Office equipment	14,911	112	-	15,023
Telecommunications equipment	314,788	17,006	-	331,794
Total accumulated depreciation	329,699	17,118	-	346,817
Capital assets - Net	<u>\$ 57,355</u>	<u>(\$ 1,010)</u>	<u>\$ -</u>	<u>\$ 56,345</u>

Note 4 - Corporation for Public Broadcasting Grants

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use, and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deferred until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at June 30, 2008 or 2007.

Note 5 - State Network Commission Grant and Private Grants

WCSU-FM receives unrestricted radio station funding through E-Tech Ohio. For the years ended June 30, 2008 and 2007, WCSU-FM received cash support of \$34,094 and \$35,062, respectively. WCSU-FM received in-kind contributed services support from OET of \$82,754 and \$147,250 during the years ended June 30, 2008 and 2007, respectively.

Private grants in the amount of \$0 and \$25,000 in 2008 and 2007, respectively, have been received.

Note 6 - University Support Allocation

The operations of WCSU-FM are supported primarily by the general revenues of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation amounted to \$212,267 and \$208,207 in direct support for 2008 and 2007, respectively, and \$230,947 and \$213,002 in indirect administrative support for 2008 and 2007, respectively.

Report Letter on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Trustees
WCSU-FM

We have audited the financial statements of WCSU-FM as of and for the year ended June 30, 2008 and have issued our report thereon dated October 15, 2008. 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 WCSU-FM'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 WCSU-FM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WCSU-FM'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 a 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.

To the Board of Trustees
WCSU-FM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WCSU-FM'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 of WCSU-FM, Central State University, and the auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

October 15, 2008