



WFDD-FM RADIO
(A Public Telecommunications Entity Operated by Wake Forest University)

Financial Statements

June 30, 2015

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 400
300 North Greene Street
Greensboro, NC 27401

Independent Auditors' Report

The Board of Trustees
Wake Forest University:

We have audited the accompanying financial statements of WFDD-FM Radio, a public telecommunications entity operated by Wake Forest University, which comprise the balance sheet as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 WFDD-FM Radio as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited WFDD-FM Radio's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Greensboro, North Carolina
October 23, 2015

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Balance Sheet

June 30, 2015

(with comparative information as of June 30, 2014)

Assets	2015	2014
Cash held by Wake Forest University	\$ 472,326	380,402
Accounts receivable (net of allowance for doubtful accounts of \$5,175 and \$7,099 at June 30, 2015 and 2014, respectively)	70,905	60,037
Contributions receivable, net (note 1(c))	2,695	7,811
Other assets	84,836	13,447
Property and equipment:		
Land	144,200	144,200
Studio improvements	873,309	859,493
Transmission, antenna and tower equipment	214,383	214,383
Studio and broadcast equipment	358,313	358,313
Other	12,500	12,500
Total property and equipment	1,602,705	1,588,889
Less accumulated depreciation	(1,215,298)	(1,165,329)
Net property and equipment	387,407	423,560
Total assets	\$ 1,018,169	885,257
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accruals	\$ 52,979	70,855
Other liabilities and deferrals	25,026	23,174
Total liabilities	78,005	94,029
Net assets:		
Unrestricted	936,462	785,551
Temporarily restricted	3,702	5,677
Total net assets	940,164	791,228
Total liabilities and net assets	\$ 1,018,169	885,257

See accompanying notes to financial statements.

WFDD-FM RADIO
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Statement of Activities
Year ended June 30, 2015
(with summarized comparative financial information for the year ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Revenues:				
General appropriation from Wake Forest University	\$ 150,000	—	150,000	306,864
Underwriting	487,280	—	487,280	535,838
Contributions and fund-raising events	1,047,127	—	1,047,127	870,038
Donated facilities and administrative support from Wake Forest University	628,008	—	628,008	644,521
Community service grant from the Corporation for Public Broadcasting	—	210,585	210,585	194,682
In-kind contributions	200,482	—	200,482	143,952
Other	202,826	—	202,826	134,835
Total revenues	<u>2,715,723</u>	<u>210,585</u>	<u>2,926,308</u>	<u>2,830,730</u>
Net assets released from restrictions	212,560	(212,560)	—	—
Total revenues and other support	<u>2,928,283</u>	<u>(1,975)</u>	<u>2,926,308</u>	<u>2,830,730</u>
Expenses:				
Program services:				
Programming and production	1,713,613	—	1,713,613	1,628,896
Broadcasting	214,865	—	214,865	160,220
Supporting services:				
Fund-raising	229,310	—	229,310	249,936
Management and general	232,612	—	232,612	297,708
Underwriting and grant solicitation	321,643	—	321,643	308,238
Program information and promotion	65,329	—	65,329	4,612
Total expenses	<u>2,777,372</u>	<u>—</u>	<u>2,777,372</u>	<u>2,649,610</u>
Change in net assets	150,911	(1,975)	148,936	181,120
Net assets at beginning of year	<u>785,551</u>	<u>5,677</u>	<u>791,228</u>	<u>610,108</u>
Net assets at end of year	<u>\$ 936,462</u>	<u>3,702</u>	<u>940,164</u>	<u>791,228</u>

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended June 30, 2015
(with comparative information as of June 30, 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 148,936	181,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	49,969	46,986
Changes in operating assets and liabilities:		
Accounts receivable, net	(10,868)	14,727
Contributions receivable, net	5,116	(1,042)
Other assets	(71,389)	(1,507)
Accounts payable and accruals	(17,876)	17,803
Other liabilities and deferrals	1,852	3,006
Net cash provided by operating activities	105,740	261,093
Cash flows from investing activity:		
Purchases of property and equipment	(13,816)	(12,500)
Change in cash and cash equivalents	91,924	248,593
Cash at beginning of year	380,402	131,809
Cash at end of year	\$ 472,326	380,402

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2015

(with comparative information as of June 30, 2014)

(1) Organization and Summary of Significant Accounting Policies

(a) *Description of Entity*

WFDD-FM Radio (WFDD) is a public telecommunications entity operated by Wake Forest University (the University). The public media outlet serves the 32-county Winston-Salem, Greensboro, High Point market with a primary format of news and information. Its digital channels, which are also streamed worldwide on the Internet, feature classical and eclectic music formats.

(b) *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WFDD and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met either by actions of WFDD and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(c) *Contributions and Contributions Receivable*

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year, net of an allowance for uncollectible contributions receivable, are discounted to their present value at a risk-adjusted rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment considering such factors as prior collection history, type of contribution, and nature of fund-raising activity. At June 30, 2015, gross contributions receivable of \$9,704 are recorded net of uncollectible accounts of \$7,009. At June 30, 2014, gross contributions receivable of \$18,531 are recorded net of uncollectible accounts of \$10,720.

(d) *Property and Equipment*

Property and equipment are recorded at cost or, in the case of donated property, at the estimated fair value at date of receipt. Depreciation is provided over the estimated useful lives of the respective assets

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(with comparative information as of June 30, 2014)

using the straight-line method. The estimated useful lives for studio improvements and other equipment range between 5 and 40 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

(e) *In-Kind Contributions*

In-kind contributions are recorded as revenue and expense in the accompanying statement of activities at estimated fair value.

(f) *Donated Facilities and Administrative Support*

Donated facilities from the University consist of office and studio space together with related occupancy costs and are recorded in revenues and expenses at estimated fair rental values. Administrative support from the University consists of costs and expenses incurred by the University on behalf of WFDD.

(g) *Functional Expense Classification*

Expenses are reported in the accompanying statement of activities based on their functional categories. WFDD's primary program services are broadcasting and programming and production. Expenses reported as fund-raising, management and general, and underwriting and grant solicitation are incurred in support of the primary program services.

(h) *Use of Estimates*

Management of WFDD has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(i) *Income Taxes*

WFDD is a division of the University. The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made on the financial statements.

(j) *Corporation for Public Broadcasting Community Service Grants*

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG 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). In any event, each grant must be expended within two years of the initial grant authorization.

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

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

(k) *Subsequent Events*

WFDD has evaluated subsequent events (events occurring after June 30, 2015) through October 23, 2015, 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.

(2) **Grants by the Corporation for Public Broadcasting**

WFDD receives a CSG from the CPB annually. The grants from the CPB received and expended during the past two fiscal years were as follows:

Grant year	Description	Grant received	Expended		Unexpended balance at June 30, 2015	Unexpended balance at June 30, 2014
			2015	2014		
2015	Community Service Grant	\$ 210,585	210,585	—	—	
2014	Community Service Grant	194,682	—	194,682	—	
		<u>\$ 405,267</u>	<u>210,585</u>	<u>194,682</u>	<u>—</u>	

(3) **Retirement Plans**

WFDD's employees are eligible to participate in the University's defined contribution benefit plan. In addition, the University sponsors a defined benefit postretirement medical and dental plan that covers all of its full-time employees (including WFDD employees) who elect coverage and satisfy the plan's eligibility requirements when they retire.

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It is not possible to present separately the employer contributions under the defined contribution benefit plan or to present separately the net postretirement benefit cost or the actuarially determined accumulated benefit obligation for WFDD for the postretirement medical and dental plan because no determination has been made of the allocation of such amounts between the University and WFDD.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of gifts received for donor specified programming.