

# WVPE-FM Radio

(A Public Telecommunications Entity Operated  
By The Elkhart Community Schools)

Financial Report  
12.31.2009

**McGladrey & Pullen**  
Certified Public Accountants

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors

**WVPE-FM Radio**

Elkhart, Indiana

We have audited the accompanying statements of financial position of **WVPE-FM Radio**, a public telecommunications entity operated by the Elkhart Community Schools, as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of **WVPE-FM Radio** as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Elkhart, Indiana

May 25, 2010

WVPE-FM Radio  
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statements Of Financial Position  
December 31, 2009 and 2008

	2009	2008
<b>ASSETS</b>		
Receivables, less allowance for doubtful accounts	\$ 86,284	\$ 127,632
Receivable from ECS	-	78,955
Grant receivable	101,652	141,036
Prepaid expense	22,259	68,096
	<u>210,195</u>	<u>415,719</u>
<b>Total current assets</b>		
Equipment		
Master control studio equipment	276,408	276,408
Production studio equipment	366,912	332,746
Studio and other broadcast equipment	368,358	368,358
	<u>1,011,678</u>	<u>977,512</u>
Less accumulated depreciation	541,963	493,699
	<u>469,715</u>	<u>483,813</u>
<b>Total assets</b>	<u>\$ 679,910</u>	<u>\$ 899,532</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 47,285	\$ 290,912
Payable to ECS	357,389	157,084
Deferred revenue - underwriting	96,618	106,788
	<u>501,292</u>	<u>554,784</u>
<b>Total liabilities</b>		
<b>Net Assets</b>		
Unrestricted	178,618	344,748
<b>Total net assets</b>	<u>178,618</u>	<u>344,748</u>
<b>Total liabilities and net assets</b>	<u>\$ 679,910</u>	<u>\$ 899,532</u>

See Notes to Financial Statements.

WVPE-FM Radio  
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statements Of Activities  
Years Ended December 31, 2009 and 2008

	2009	2008
Unrestricted net assets:		
Support and revenue:		
Elkhart Community Schools, donated facilities and services	\$ 43,829	\$ 33,486
Other in-kind contributions	31,086	17,098
Grants from state and local agencies	38,516	34,107
Public broadcasting revenue	124,752	117,578
Special projects	25,555	10,576
Foundations and nonprofit associations	97,891	108,389
Grants for purchase of equipment	31,893	322,199
Membership contributions	543,749	534,750
Corporate underwriting contributions	223,392	315,020
Miscellaneous income	5,608	410
<b>Total support and revenue</b>	<b>1,166,271</b>	<b>1,493,613</b>
Expenses:		
Program services:		
Local programming and production	502,064	505,475
Program information	69,849	90,998
Broadcasting	75,801	40,127
<b>Total program services expenses</b>	<b>647,714</b>	<b>636,600</b>
Supporting services:		
Fund raising	446,067	432,384
Management and general	238,620	221,186
<b>Total supporting services expenses</b>	<b>684,687</b>	<b>653,570</b>
<b>Total expenses</b>	<b>1,332,401</b>	<b>1,290,170</b>
<b>Change in net assets</b>	<b>(166,130)</b>	<b>203,443</b>
Net assets, beginning of year	344,748	141,305
Net assets, end of year	<b>\$ 178,618</b>	<b>\$ 344,748</b>

See Notes to Financial Statements.

WVPE-FM Radio  
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statement Of Functional Expenses  
Year Ended December 31, 2009

	2009						Total
	Program Services			Supporting Services			
	Local Programming and Production	Program Information	Broadcasting	Fund Raising	Management and General		
Salaries, payroll taxes, and employee benefits	\$ 182,486	\$ 39,173	\$ -	\$ 321,406	\$ 137,607	\$ 680,672	
Programming acquisitions	284,016	-	-	-	-	284,016	
Professional technical services	2,400	13,440	16,630	19,050	35,319	86,839	
Donated facilities and administrative support from Elkhart Community Schools	7,714	964	964	-	34,187	43,829	
Travel	-	245	-	5,234	3,777	9,256	
Telephone	-	-	-	-	6,380	6,380	
Advertising	-	5,247	-	-	-	5,247	
Printing/binding	-	10,487	-	48,716	-	59,203	
Supplies	173	293	517	33,846	3,488	38,317	
Dues and subscriptions	-	-	6,760	17,603	5,917	30,280	
Depreciation	1,225	-	43,449	212	3,378	48,264	
Miscellaneous	-	-	7,481	-	8,567	16,048	
Donated use of transmitter	24,050	-	-	-	-	24,050	
	<u>\$ 502,064</u>	<u>\$ 69,849</u>	<u>\$ 75,801</u>	<u>\$ 446,067</u>	<u>\$ 238,620</u>	<u>\$ 1,332,401</u>	

See Notes to Financial Statements.

WVPE-FM Radio  
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statement Of Functional Expenses  
Year Ended December 31, 2008

	2008						Total
	Program Services			Supporting Services			
	Local Programming and Production	Program Information	Broadcasting	Fund Raising	Management and General		
Salaries, payroll taxes, and employee benefits	\$ 182,354	\$ 50,193	\$ -	\$ 330,782	\$ 142,493	\$ 705,822	
Programming acquisitions	292,348	-	-	-	-	292,348	
Professional technical services	2,525	20,150	6,051	29,945	25,718	84,389	
Donated facilities and administrative support from Elkhart Community Schools	4,878	610	610	-	27,388	33,486	
Travel	(442)	1,048	283	7,757	5,573	14,219	
Telephone	-	-	-	-	4,722	4,722	
Advertising	-	595	-	801	-	1,396	
Printing/binding	-	15,279	93	30,203	-	45,575	
Supplies	9,263	1,468	1,142	25,440	5,420	42,733	
Dues and subscriptions	-	1,500	3,806	6,644	3,174	15,124	
Depreciation	2,194	-	20,829	812	4,854	28,689	
Miscellaneous	-	155	7,313	-	1,844	9,312	
Donated use of transmitter	12,355	-	-	-	-	12,355	
	<u>\$ 505,475</u>	<u>\$ 90,998</u>	<u>\$ 40,127</u>	<u>\$ 432,384</u>	<u>\$ 221,186</u>	<u>\$ 1,290,170</u>	

See Notes to Financial Statements.

WVPE-FM Radio  
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statements Of Cash Flows  
Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ (166,130)	\$ 203,443
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	48,264	28,689
Loss on disposal of fixed asset	1,962	-
Grant funds received for purchase of equipment	-	(102,208)
Change in assets and liabilities: (Increase) decrease in:		
Receivables	41,348	(26,656)
Receivable from ECS	78,955	(78,955)
Grant receivable	39,384	(141,036)
Prepaid expense	45,837	4,976
Increase (decrease) in:		
Accounts payable and accrued expenses	(243,627)	7,832
Deferred revenue - underwriting	(10,170)	24,161
<b>Net cash (used in) operating activities</b>	<b>(164,177)</b>	<b>(79,754)</b>
Cash Flows From Investing Activities		
Purchase of equipment	(36,128)	(106,709)
Cash Flows From Financing Activities		
Grant funds received for purchase of equipment	-	102,208
Increase in ECS payable	200,305	84,255
<b>Net cash provided by financing activities</b>	<b>200,305</b>	<b>186,463</b>
<b>Increase in cash</b>	<b>-</b>	<b>-</b>
Cash, beginning	-	-
Cash, ending	<b>\$ -</b>	<b>\$ -</b>

See Notes to Financial Statements.

Notes To Financial Statements

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**Note 1. Nature of Organization, Economic Dependence, and Significant Accounting Policies**

**Nature of organization:**

WVPE-FM Radio is a telecommunications entity operated by the Elkhart Community Schools ("ECS") as a noncommercial public radio station.

**Economic dependence:**

The Organization is economically dependent on ECS, which provides office and studio space and holds the license to operate the radio station.

**Significant accounting policies:**

**Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash:**

The Organization's cash is held in the ECS general account.

**Receivables:**

The Organization's accounts receivable consists primarily of amounts due from corporate underwriters. Management periodically reviews the accounts receivable aging and writes off any accounts that appear to be uncollectible. Trade receivables are considered past due after thirty days and are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The allowance for doubtful accounts at December 31, 2009 and 2008 was approximately \$3,000.

**Equipment:**

Equipment is recorded at cost or, in the case of donated equipment, at estimated fair market value at date of receipt. Depreciation of equipment is computed by the straight-line method over the estimated useful lives of the assets, primarily five to twenty-five years.

**Donated facilities and services from ECS:**

Donated facilities from ECS consist of office and studio space together with related occupancy costs and are recorded in revenue and expense at estimated fair rental values. Donated services consist of allocated financial and department costs and certain other expenses incurred by ECS.

**In-kind contributions:**

In-kind contributions of equipment are recorded as revenue based upon estimates obtained from appraisers of the fair value of the assets and depreciated over their estimated useful lives. Donated services requiring specific expertise are recorded as revenue and expense in the accompanying statement of activities at estimated fair value.

## **Notes To Financial Statements**

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### **Revenue recognition:**

Unrestricted contributions, pledges, and grants are recognized as revenue in the Statement of Activities upon receipt. Other revenues are recognized as earned either upon receipt or accrual. Expenditures of funds are recognized as expenses when expended or upon incurrence of the related liability.

### **Contributions:**

The Organization engages in periodic fundraising campaigns manifested by offering some special radio programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Organization for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. An allowance for uncollectable contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution. In management's judgment, an allowance for doubtful accounts at December 31, 2009 and 2008 totaled approximately \$3,000. All member pledges receivable are promises to give within one year of December 31, 2009. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Organization. This usage is consistent with appeals for contributions and pledges.

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When the Organization receives a restricted contribution and the restriction is met during the same fiscal year, the contribution is recorded as an unrestricted contribution.

### **Corporate underwriting:**

Revenue for program underwriting is recorded on a prorata basis over the period for which the program is underwritten. Deferred revenue is recorded for underwriting extending beyond the statement of financial position date.

### **Corporation for public broadcasting community service grants:**

The Corporation for Public Broadcasting 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.

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.

## **Notes To Financial Statements**

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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 in the accompanying financial statements as increases in unrestricted net assets as satisfaction of the time and purpose restrictions occurs in the period which received.

### **Grants from state and local agencies and receivable from ECS:**

Grant revenue from governmental agencies is recognized in accordance with the provisions of the grant agreements, primarily when received if there are no restrictions.

In the prior year, grants of approximately \$176,000 were obtained from state and local agencies for the purchase of a new transmitter. In order to receive these grants, ECS committed to matching funds of approximately \$146,000. The Organization has recorded a receivable of approximately \$102,000 and \$141,000 at December 31, 2009 and 2008, respectively for the amount of the grant revenue not yet received.

### **Income tax status:**

The Organization is exempt from income taxes under the provisions of the Internal Revenue Code and a similar state statute.

On January 1, 2009, the Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2009, there were no unrecognized tax benefits identified or recorded as liabilities.

### **Functional allocation of expenses:**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Subsequent events:**

The Company has evaluated subsequent events for potential recognition and/or disclosure through May 25, 2010, the date the financial statements were available to be issued.

Notes To Financial Statements

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**Note 2. Employee Benefits**

Employees of the Organization are eligible for the benefits offered by ECS, which include medical, dental, life insurance, and public employee's retirement fund. The Organization pays an amount equal to 3% of employees' compensation toward the retirement plan, which totaled \$48,070 and \$50,236 for the years ended December 31, 2009 and 2008 respectively.

**Note 3. Cash Flows Information**

Supplemental information relative to the statements of cash flows for the years ended December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Supplemental disclosures of noncash investing and financing activities:		
Equipment financed through accounts payable	<u>\$ -</u>	<u>\$ 221,826</u>