

**WVPE-FM Radio**  
**(A Public Telecommunications Entity Operated**  
**By The Elkhart Community Schools)**

Financial Report  
12.31.2010

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## 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, 2010 and 2009, 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, 2010 and 2009, 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  
April 28, 2011

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

**Statements Of Financial Position**  
**December 31, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Receivables, less allowance for doubtful accounts	\$ 113,705	\$ 86,284
Grant receivable	-	101,652
Prepaid expense	23,435	22,259
<b>Total current assets</b>	<b>137,140</b>	<b>210,195</b>
Equipment		
Master control studio equipment	276,408	276,408
Production studio equipment	366,912	366,912
Studio and other broadcast equipment	368,358	368,358
	<b>1,011,678</b>	<b>1,011,678</b>
Less accumulated depreciation	585,574	541,963
	<b>426,104</b>	<b>469,715</b>
<b>Total assets</b>	<b>\$ 563,244</b>	<b>\$ 679,910</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 54,812	\$ 47,285
Payable to ECS	217,399	357,389
Deferred revenue - underwriting	133,850	96,618
<b>Total liabilities</b>	<b>406,061</b>	<b>501,292</b>
<b>Net Assets</b>		
Unrestricted	157,183	178,618
<b>Total net assets</b>	<b>157,183</b>	<b>178,618</b>
<b>Total liabilities and net assets</b>	<b>\$ 563,244</b>	<b>\$ 679,910</b>

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, 2010 and 2009**

	2010	2009
Unrestricted net assets:		
Support and revenue:		
Elkhart Community Schools, donated facilities and services	\$ 35,980	\$ 43,829
Other in-kind contributions	15,877	31,086
Grants from state and local agencies	28,799	38,516
Public broadcasting revenue	75,653	124,752
Special projects	27,183	25,555
Foundations and nonprofit associations	108,662	97,891
Grants for purchase of equipment	-	31,893
Membership contributions	551,992	543,749
Corporate underwriting contributions	290,007	223,392
Miscellaneous income	369	5,608
<b>Total support and revenue</b>	<b>1,134,522</b>	<b>1,166,271</b>
Expenses:		
Program services:		
Local programming and production	496,884	502,064
Program information	22,771	69,849
Broadcasting	67,170	75,801
<b>Total program services expenses</b>	<b>586,825</b>	<b>647,714</b>
Supporting services:		
Fund raising	349,910	446,067
Management and general	219,222	238,620
<b>Total supporting services expenses</b>	<b>569,132</b>	<b>684,687</b>
<b>Total expenses</b>	<b>1,155,957</b>	<b>1,332,401</b>
<b>Change in net assets</b>	<b>(21,435)</b>	<b>(166,130)</b>
Net assets, beginning of year	178,618	344,748
Net assets, end of year	<b>\$ 157,183</b>	<b>\$ 178,618</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, 2010**

	<b>2010</b>						<b>Total</b>
	Program Services			Supporting Services			
	Local Programming and Production	Program Information	Broadcasting	Fund Raising	Management and General		
Salaries, payroll taxes, and employee benefits	\$ 165,147	\$ -	\$ -	\$ 268,750	\$ 135,995	\$ 569,892	
Programming acquisitions	301,854	-	-	-	-	<b>301,854</b>	
Professional technical services	-	13,442	9,294	19,287	41,042	<b>83,065</b>	
Donated facilities and administrative support from Elkhart Community Schools	6,775	847	847	-	27,511	<b>35,980</b>	
Travel	-	-	-	1,527	1,037	<b>2,564</b>	
Telephone	-	-	-	-	4,246	<b>4,246</b>	
Advertising	-	-	-	5,000	-	<b>5,000</b>	
Printing/binding	1,577	8,482	-	21,862	507	<b>32,428</b>	
Supplies	-	-	-	23,969	3,422	<b>27,391</b>	
Dues and subscriptions	-	-	-	9,321	3,668	<b>12,989</b>	
Rent	6,900	-	-	-	-	<b>6,900</b>	
Depreciation	331	-	41,874	194	1,212	<b>43,611</b>	
Miscellaneous	-	-	15,155	-	582	<b>15,737</b>	
Donated use of transmitter	14,300	-	-	-	-	<b>14,300</b>	
	<b>\$ 496,884</b>	<b>\$ 22,771</b>	<b>\$ 67,170</b>	<b>\$ 349,910</b>	<b>\$ 219,222</b>	<b>\$ 1,155,957</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)****Statements Of Cash Flows****Years Ended December 31, 2010 and 2009**

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ (21,435)	\$ (166,130)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43,611	48,264
Loss on disposal of fixed asset	-	1,962
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	(27,421)	41,348
Receivable from ECS	-	78,955
Grant receivable	101,652	39,384
Prepaid expense	(1,176)	45,837
Increase (decrease) in:		
Accounts payable and accrued expenses	7,527	(243,627)
Deferred revenue - underwriting	37,232	(10,170)
<b>Net cash provided by (used in) operating activities</b>	<b>139,990</b>	<b>(164,177)</b>
Cash Flows From Investing Activities		
Purchase of equipment	-	(36,128)
Cash Flows From Financing Activities		
(Decrease) increase in ECS payable	(139,990)	200,305
<b>Change in cash</b>	<b>-</b>	<b>-</b>
Cash, beginning	-	-
Cash, ending	<b>\$ -</b>	<b>\$ -</b>

See Notes to Financial Statements.

**WVPE-FM Radio**  
**(A Public Telecommunications Entity Operated By The Elkhart Community Schools)**

**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, 2010 and 2009 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.

**WVPE-FM Radio**  
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**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. An allowance for uncollectable contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution. All member pledges receivable are promises to give within one year of December 31, 2010. Contributions and collected pledges are components of the unrestricted net assets 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.

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.

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**Notes To Financial Statements**

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The CSGs are reported in the accompanying financial statements as increases in unrestricted net assets as satisfaction of the time and purpose restrictions occur in the period which received.

**Income tax status:**

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

The Organization follows the 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, 2010, 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 April 28, 2011, the date the financial statements were available to be issued.

**Note 2. Leases**

During the year ended December 31, 2010, the Organization entered into an agreement to lease tower space to broadcast its signal. The agreement, which expires in September 2015, requires annual rental payments of \$20,700 plus the payment of any utility costs related to the equipment. The agreement contains a 5 year renewal option. The total rental commitment under this agreement is \$96,600.

The rental expense included in the statement of functional expenses for the year ended December 31, 2010 is \$6,900.

**Note 3. 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 \$40,481 and \$48,070 for the years ended December 31, 2010 and 2009 respectively.