



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

Financial Statements

June 30, 2019

(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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.



Report on Summarized Comparative Information

We have previously audited WFDD-FM Radio's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Greensboro, North Carolina
November 21, 2019

WFDD-FM RADIO
(A Public Telecommunications Entity Operated by
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Balance Sheets

June 30, 2019

(with comparative information as of June 30, 2018)

Assets	2019	2018
Cash held by Wake Forest University	\$ 1,949,074	1,409,122
Accounts receivable (net of allowance for doubtful accounts of \$5,589 and \$10,595 at June 30, 2019 and 2018, respectively)	103,732	106,321
Contributions receivable, net (note 1(c))	250	714
Other assets	92,380	92,242
Property and equipment:		
Land	144,200	144,200
Studio improvements	873,309	873,309
Transmission, antenna and tower equipment	214,383	214,383
Studio and broadcast equipment	358,313	358,313
Other	42,575	42,575
Total property and equipment	1,632,780	1,632,780
Less accumulated depreciation	(1,405,024)	(1,371,847)
Net property and equipment	227,756	260,933
Total assets	\$ 2,373,192	1,869,332
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accruals	\$ 36,896	40,616
Other liabilities and deferrals	37,184	28,960
Total liabilities	74,080	69,576
Net assets:		
Without donor restrictions	2,269,694	1,747,141
With donor restrictions	29,418	52,615
Total net assets	2,299,112	1,799,756
Total liabilities and net assets	\$ 2,373,192	1,869,332

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2019

(with summarized comparative financial information for the year ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
General appropriation from Wake Forest University	\$ 150,000	—	150,000	150,000
Underwriting	834,783	—	834,783	851,102
Contributions and fund-raising events	1,661,899	3,780	1,665,679	1,517,762
Donated facilities and administrative support from Wake Forest University	825,536	—	825,536	683,760
Community service grant from the Corporation for Public Broadcasting	—	225,237	225,237	199,521
In-kind contributions	134,062	—	134,062	153,613
Other	34,637	—	34,637	47,365
Total revenues	<u>3,640,917</u>	<u>229,017</u>	<u>3,869,934</u>	<u>3,603,123</u>
Net assets released from restrictions	<u>252,214</u>	<u>(252,214)</u>	<u>—</u>	<u>—</u>
Total revenues and other support	<u>3,893,131</u>	<u>(23,197)</u>	<u>3,869,934</u>	<u>3,603,123</u>
Expenses:				
Program services:				
Programming and production	2,049,371	—	2,049,371	1,910,829
Broadcasting	264,492	—	264,492	219,889
Supporting services:				
Fund-raising	326,461	—	326,461	312,690
Management and general	284,883	—	284,883	283,088
Underwriting and grant solicitation	342,271	—	342,271	352,651
Program information and promotion	103,100	—	103,100	92,438
Total expenses	<u>3,370,578</u>	<u>—</u>	<u>3,370,578</u>	<u>3,171,585</u>
Change in net assets	522,553	(23,197)	499,356	431,538
Net assets at beginning of year	<u>1,747,141</u>	<u>52,615</u>	<u>1,799,756</u>	<u>1,368,218</u>
Net assets at end of year	<u>\$ 2,269,694</u>	<u>29,418</u>	<u>2,299,112</u>	<u>1,799,756</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Year ended June 30, 2019

(with summarized comparative financial information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 499,356	431,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	33,177	42,513
Changes in operating assets and liabilities:		
Accounts receivable, net	2,589	11,405
Contributions receivable, net	464	(35)
Other assets	(138)	(11,556)
Accounts payable and accruals	(3,720)	(22,894)
Other liabilities and deferrals	<u>8,224</u>	<u>(15,108)</u>
Net cash provided by operating activities and change in cash and cash equivalents	539,952	435,863
Cash at beginning of year	<u>1,409,122</u>	<u>973,259</u>
Cash at end of year	<u>\$ 1,949,074</u>	<u>1,409,122</u>

See accompanying notes to financial statements.

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Notes to Financial Statements
June 30, 2019
(with comparative information as of June 30, 2018)

(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 are reported based on the existence or absence of donor-imposed restrictions and serve as the foundation of the accompanying consolidated financial statements.

Accordingly, net assets of WFDD and changes therein are classified and reported as follows:

- *Without donor restrictions* – net assets that are not subject to donor-imposed stipulations. All revenues, gains and losses that are not subject to restrictions by donors are included in this classification. All expenses reduce net assets without donor restrictions.
- *With donor restrictions* – net assets subject to donor-imposed stipulations that will be met either by actions of the University and/or the passage of time. Generally, the donors of these assets permit the University to use all, or part of, the income earned on related investments for general or specific purposes.

Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions.

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 net assets released from restrictions in the statement of activities. For gifts of long-lived assets, these releases of restrictions are treated as nonoperating.

(c) Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Unconditional promises expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. 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, 2019, gross contributions receivable of \$1,630 are recorded

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net of uncollectible accounts of \$1,380. At June 30, 2018, gross contributions receivable of \$4,201 are recorded net of uncollectible accounts of \$3,487.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal year 2019.

(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 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, underwriting and grant solicitation, and program information and promotion 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.

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(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 in 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.

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 net assets with donor restriction until satisfaction of the barriers, after which they are reported as a release from net assets with donor restriction and an increase in net assets without donor restriction.

(k) Subsequent Events

WFDD has evaluated subsequent events (events occurring after June 30, 2019) through November 21, 2019, 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.

(l) Recent Accounting Standards Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*. This ASU changes certain presentation requirements for not-for-profit entities' financial statements in an effort to make information more meaningful for users. This ASU removes the requirement to distinguish between resources with temporary and permanent restrictions on the face of the financial statements and replaces this with a requirement to present two classes of net assets – with and without donor restrictions. Additionally, the ASU requires expenses to be presented by their natural and functional classifications. The guidance

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also requires that investment returns be presented net of external and direct internal investment expenses and eliminates the requirements for disclosures of the components of investment returns. Further, the ASU requires additional qualitative and quantitative disclosures about liquidity and availability of financial assets. WFDD adopted ASU 2016-14 on July 1, 2018 and has adjusted the presentation of the financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. WFDD adopted ASU 2014-09 on July 1, 2018.

In June 2018, the FASB issued ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not for Profit Entities*, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. WFDD adopted ASU 2018-08 on July 1, 2018.

(2) Liquidity and Availability

Financial assets available for general expenditure within one year of June 30 are as follows:

Cash	\$	1,949,074
Accounts receivable, net		<u>103,732</u>
Total financial assets available within one year	\$	<u><u>2,052,806</u></u>

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(3) 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, 2019	Unexpended balance at June 30, 2018
			2019	2018		
2019	Community Service Grant	\$ 225,237	225,237	—	—	—
2018	Community Service Grant	199,521	—	199,521	—	—
		\$ 424,758	225,237	199,521	—	—

(4) 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.

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.

(5) Functional Expenses

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, underwriting and grant solicitation and program information and promotion are incurred in support of the primary program services.

Plant operation and maintenance expense is allocated to program and supporting activities based upon direct costing or allocated using a variety of allocation techniques such as square footage.

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Functional expenses for the years ended June 30, 2019 and 2018 are categorized as follows:

		2019		
		Program services	Supporting services	Total
Salaries and wages	\$	560,505	468,699	1,029,204
Employee benefits		157,936	132,068	290,004
Depreciation and amortization		28,379	4,798	33,177
Services		61,837	101,742	163,579
Other operating expenses		1,505,206	349,408	1,854,614
Total expenses	\$	2,313,863	1,056,715	3,370,578
		2018		
		Program services	Supporting services	Total
Salaries and wages	\$	530,033	452,559	982,592
Employee benefits		149,262	127,444	276,706
Depreciation and amortization		29,988	12,525	42,513
Services		108,774	86,794	195,568
Other operating expenses		1,312,661	361,545	1,674,206
Total expenses	\$	2,130,718	1,040,867	3,171,585

(6) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of gifts received for donor specified programming and support of the radio education initiatives.