



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

Financial Statements

June 30, 2020

(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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Greensboro, North Carolina
November 20, 2020

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Balance Sheet

June 30, 2020

(with comparative information as of June 30, 2019)

Assets	2020	2019
Cash held by Wake Forest University	\$ 2,290,813	1,949,074
Accounts receivable (net of allowance for doubtful accounts of \$9,343 and \$5,589 at June 30, 2020 and 2019, respectively)	87,403	103,732
Contributions receivable, net (note 1(c))	—	250
Other assets	98,390	92,380
Property and equipment:		
Land	144,200	144,200
Studio improvements	895,034	873,309
Transmission, antenna and tower equipment	328,928	214,383
Studio and broadcast equipment	358,313	358,313
Other	42,575	42,575
Total property and equipment	1,769,050	1,632,780
Less accumulated depreciation	(1,435,999)	(1,405,024)
Net property and equipment	333,051	227,756
Total assets	\$ 2,809,657	2,373,192
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accruals	\$ 39,777	36,896
Other liabilities and deferrals	35,726	37,184
Total liabilities	75,503	74,080
Net assets:		
Without donor restrictions	2,732,018	2,269,694
With donor restrictions	2,136	29,418
Total net assets	2,734,154	2,299,112
Total liabilities and net assets	\$ 2,809,657	2,373,192

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2020

(with summarized comparative financial information for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
General appropriation from Wake Forest University	\$ 150,000	—	150,000	150,000
Underwriting	839,341	—	839,341	834,783
Contributions and fund-raising events	1,607,250	14,550	1,621,800	1,665,679
Donated facilities and administrative support from Wake Forest University	585,478	—	585,478	825,536
Community service grant from the Corporation for Public Broadcasting	296,984	—	296,984	225,237
In-kind contributions	72,216	—	72,216	134,062
Other	21,235	—	21,235	34,637
Total revenues	<u>3,572,504</u>	<u>14,550</u>	<u>3,587,054</u>	<u>3,869,934</u>
Net assets released from restrictions	41,832	(41,832)	—	—
Total revenues and other support	<u>3,614,336</u>	<u>(27,282)</u>	<u>3,587,054</u>	<u>3,869,934</u>
Expenses:				
Program services:				
Programming and production	1,877,593	—	1,877,593	2,049,371
Broadcasting	292,993	—	292,993	264,492
Supporting services:				
Fund-raising	332,064	—	332,064	326,461
Management and general	282,159	—	282,159	284,883
Underwriting and grant solicitation	194,019	—	194,019	342,271
Program information and promotion	173,184	—	173,184	103,100
Total expenses	<u>3,152,012</u>	<u>—</u>	<u>3,152,012</u>	<u>3,370,578</u>
Change in net assets	462,324	(27,282)	435,042	499,356
Net assets at beginning of year	<u>2,269,694</u>	<u>29,418</u>	<u>2,299,112</u>	<u>1,799,756</u>
Net assets at end of year	<u>\$ 2,732,018</u>	<u>2,136</u>	<u>2,734,154</u>	<u>2,299,112</u>

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended June 30, 2020

(with summarized comparative financial information for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 435,042	499,356
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	30,975	33,177
Changes in operating assets and liabilities:		
Accounts receivable, net	16,329	2,589
Contributions receivable, net	250	464
Other assets	(6,010)	(138)
Accounts payable and accruals	2,881	(3,720)
Other liabilities and deferrals	(1,458)	8,224
Net cash provided by operating activities	<u>478,009</u>	<u>539,952</u>
Cash flows from investing activity:		
Purchases of property and equipment	<u>(136,270)</u>	<u>—</u>
Net cash used in investing activities	<u>(136,270)</u>	<u>—</u>
Change in cash and cash equivalents	341,739	539,952
Cash at beginning of year	<u>1,949,074</u>	<u>1,409,122</u>
Cash at end of year	<u>\$ 2,290,813</u>	<u>1,949,074</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2020

(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 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.

(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, 2020, gross contributions receivable net of uncollectible accounts were immaterial and have not been posted. At June 30, 2019, gross contributions receivable of \$1,630 are recorded net of uncollectible accounts of \$1,380.

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(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.

(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

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

(k) Subsequent Events

WFDD has evaluated subsequent events (events occurring after June 30, 2020) through November 20, 2020, 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) Liquidity and Availability

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

	2020	2019
Cash and cash equivalents	\$ 2,290,813	1,949,074
Accounts receivable, net	87,403	103,732
Total financial assets available within one year	\$ 2,378,216	2,052,806

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(3) Grants by the Corporation for Public Broadcasting

WFDD receives a CSG from the CPB annually. In addition, in FY20, WFDD received a Stabilization Grant from CPB as a part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act.) 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, 2020	Unexpended balance at June 30, 2019
			2020	2019		
2020	Community Service Grant	\$ 221,984	221,984	—	—	—
2020	Stabilization Grant	75,000	75,000	—	—	—
2019	Community Service Grant	225,237	—	225,237	—	—
		<u>\$ 522,221</u>	<u>296,984</u>	<u>225,237</u>	<u>—</u>	<u>—</u>

(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.

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Functional expenses for the years ended June 30, 2020 and 2019 are categorized as follows:

	2020		
	Program services	Supporting services	Total
Salaries and wages	\$ 602,946	460,947	1,063,893
Employee benefits	174,437	130,678	305,115
Depreciation and amortization	30,975	—	30,975
Services	57,815	93,192	151,007
Other operating expenses	1,304,413	296,609	1,601,022
Total expenses	<u>\$ 2,170,586</u>	<u>981,426</u>	<u>3,152,012</u>

	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	<u>\$ 2,313,863</u>	<u>1,056,715</u>	<u>3,370,578</u>

(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.