



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

Financial Statements

June 30, 2005

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 700
301 N. Elm Street
Greensboro, NC 27401

Independent Auditors' Report

The Board of Trustees
Wake Forest University:

We have audited the accompanying statement of financial position of WFDD-FM Radio, a public telecommunications entity operated by Wake Forest University (WFDD), as of June 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of WFDD. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from WFDD's 2004 financial statements and in our report dated September 10, 2004, we expressed an unqualified opinion on these financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WFDD's internal control over financial reporting. Accordingly, we express no such opinion. 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 WFDD as of June 30, 2005, and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 9, 2005

WFDD-FM RADIO
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Statement of Financial Position

June 30, 2005

(with comparative financial information as of June 30, 2004)

Assets	2005	2004
Cash	\$ 341,272	391,167
Accounts receivable (net of allowance for doubtful accounts of of \$9,924 and \$11,830 at June 30, 2005 and 2004, respectively)	25,652	28,658
Contributions receivable (net of allowance for doubtful accounts of \$9,036 and \$8,945 at June 30, 2005 and 2004, respectively)	21,084	20,873
Property and equipment:		
Land	144,200	144,200
Studio improvements	754,099	754,099
Transmission, antenna and tower equipment	280,303	232,107
Studio and broadcast equipment	257,521	257,521
Office equipment	13,829	13,829
Record library	22,297	22,297
Total property and equipment	1,472,249	1,424,053
Less accumulated depreciation	(957,804)	(938,543)
Net property and equipment	514,445	485,510
Total assets	\$ 902,453	926,208
Liabilities and Net Assets		
Accounts payable and accruals	\$ 13,877	21,299
Other liabilities	4,499	3,056
Deferred revenue (note 2)	43,869	38,276
Due to Wake Forest University (note 4)	26,142	26,142
Total liabilities	88,387	88,773
Net assets -		
Unrestricted	790,855	829,935
Temporarily restricted (note 6)	23,211	7,500
Total net assets	814,066	837,435
Total liabilities and net assets	\$ 902,453	926,208

See accompanying notes to financial statements.

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

Statement of Activities

Year ended June 30, 2005

(with summarized financial information for the year ended June 30, 2004)

	2005			2004
	Unrestricted	Temporarily restricted	Total	
Revenues:				
General appropriation from Wake Forest University	\$ 16,612	—	16,612	57,291
Underwriting	498,632	—	498,632	464,956
Contributions and fund-raising projects	543,611	27,600	571,211	572,888
Donated personal services of volunteers	1,912	—	1,912	4,337
Donated facilities and administrative support from Wake Forest University	321,612	—	321,612	325,216
Community service grants from the Corporation for Public Broadcasting (note 2)	169,881	—	169,881	147,671
In-kind contributions	96,840	—	96,840	99,854
Other income	18,011	—	18,011	5,205
Total revenues	1,667,111	27,600	1,694,711	1,677,418
Net assets released from restrictions	11,889	(11,889)	—	—
Total revenues	1,679,000	15,711	1,694,711	1,677,418
Expenses:				
Program services:				
Programming and production	1,085,776		1,085,776	1,132,003
Broadcasting	68,036		68,036	45,511
Supporting services:				
Fundraising	159,779		159,779	157,126
Management and general	233,979		233,979	229,387
Underwriting and grant solicitation	170,510		170,510	152,243
Total expenses	1,718,080	—	1,718,080	1,716,270
Change in net assets	(39,080)	15,711	(23,369)	(38,852)
Net assets at beginning of year	829,935	7,500	837,435	876,287
Net assets at end of year	\$ 790,855	23,211	814,066	837,435

See accompanying notes to financial statements.

WFDD-FM RADIO
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Statement of Cash Flows

Year ended June 30, 2005

(with comparative financial information for the year ended June 30, 2004)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ (23,369)	(38,852)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	19,261	18,977
Change in assets or liabilities:		
Accounts receivable	3,006	18,242
Contributions receivable	(211)	(6,808)
Accounts payable and accruals	(7,422)	(4,395)
Other liabilities	1,443	500
Deferred revenue	5,593	5,432
Net cash used in operating activities	<u>(1,699)</u>	<u>(6,904)</u>
Cash flows from financing activities:		
Purchases of land, buildings and equipment	<u>(48,196)</u>	<u>—</u>
Net cash used in investing activities	<u>(48,196)</u>	<u>—</u>
Cash flows from financing activities:		
Repayments of note payable	—	(13,042)
Repayment of due to Wake Forest University	<u>—</u>	<u>(75,000)</u>
Net cash used in financing activities	<u>—</u>	<u>(88,042)</u>
Net change in cash	(49,895)	(94,946)
Cash at beginning of year	<u>391,167</u>	<u>486,113</u>
Cash at end of year	<u>\$ 341,272</u>	<u>391,167</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 1,699</u>	<u>6,905</u>

See accompanying notes to financial statements.

WFDD-FM RADIO

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Notes to Financial Statements

June 30, 2005

(1) Significant Accounting Policies

(a) Description of Entity

WFDD is a public telecommunications entity operated by Wake Forest University. The entity operates a classical music/fine arts radio station in the Greater Winston-Salem area.

(b) Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, 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 may or will be met either by actions of WFDD and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets are 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.

Contributions, including unconditional promises to give, are recognized as revenues 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 are 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. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Grants from the Corporation for Public Broadcasting are recorded as deferred revenue and are recognized as revenue over the period stipulated by the grantor (see note 2).

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June 30, 2005

(c) ***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 life for studio improvements and the estimated useful lives for other equipment ranges between 5 and 40 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

(d) ***In-Kind Contributions***

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

(e) ***Donated Facilities and Administrative Support***

Donated facilities from Wake Forest University (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 on behalf of the station.

(f) ***Functional Expense Classification***

In accordance with not-for-profit accounting standards, expenses are reported in the statements of activities in functional categories. WFDD's primary program services are broadcasting and programming and production. Expenses reported as fundraising, management and general, and underwriting and grant solicitation are incurred in support of the primary program services.

(g) ***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 accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(h) ***Reclassifications***

In certain instances, amounts previously reported in the 2004 financial statements have been reclassified to conform to the 2005 presentation. Such reclassifications have no effect on the change in net assets as previously reported.

(i) ***Comparative Financial Information***

The financial statements include certain prior year information for comparative purposes which does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

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June 30, 2005

Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2004 from which the information was derived.

(2) Deferred Revenue

Changes in deferred revenue consist of the following at June 30:

	2005	2004
Balance at beginning of year	\$ 38,276	32,844
Additions:		
Grant by the Corporation for Public Broadcasting	175,474	153,103
Deductions:		
Grants recognized as revenue	(169,881)	(147,671)
Balance at end of year	\$ 43,869	38,276

Deferred revenue consists of approximately twenty-five percent of the grant received from the Corporation for Public Broadcasting for the period from October 1 to September 30 of each year.

(3) Income Taxes

WFDD-FM Radio is operated by the University, a not-for-profit corporation, which is exempt from federal income taxes on related income under Internal Revenue Code Section 501(c)(3).

(4) Due to Wake Forest University

The amount due to the University is due on demand and bears interest at an annual rate of 6.5%. Interest expense was \$1,699 and \$6,575 in 2005 and 2004, respectively, which is included in management and general expense in the statements of activities.

(5) Benefit 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.

(6) Temporarily Restricted Net Assets

At June 30, 2005, temporarily restricted net assets of \$23,211 consist of gifts to WFDD that will be used to expand operations.