



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

Financial Statements

June 30, 2017

(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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Greensboro, North Carolina
October 23, 2017

WFDD-FM RADIO
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Balance Sheet

June 30, 2017

(with comparative information as of June 30, 2016)

Assets	2017	2016
Cash held by Wake Forest University	\$ 973,259	547,849
Accounts receivable (net of allowance for doubtful accounts of \$9,916 and \$7,904 at June 30, 2017 and 2016, respectively)	117,726	83,093
Contributions receivable, net (note 1(c))	679	2,190
Other assets	80,686	87,460
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	(1,329,334)	(1,274,858)
Net property and equipment	303,446	357,922
Total assets	\$ 1,475,796	1,078,514
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accruals	\$ 63,510	56,035
Other liabilities and deferrals	44,068	34,012
Total liabilities	107,578	90,047
Net assets:		
Unrestricted	1,289,266	984,765
Temporarily restricted	78,952	3,702
Total net assets	1,368,218	988,467
Total liabilities and net assets	\$ 1,475,796	1,078,514

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2017

(with summarized comparative financial information for the year ended June 30, 2016)

	2017			2016
	Unrestricted	Temporarily restricted	Total	
Revenues:				
General appropriation from Wake Forest University	\$ 150,000	—	150,000	150,000
Underwriting	791,838	—	791,838	623,934
Contributions and fund-raising events	1,320,627	75,250	1,395,877	1,124,411
Donated facilities and administrative support from Wake Forest University	740,478	—	740,478	637,813
Community service grant from the Corporation for Public Broadcasting	—	197,500	197,500	198,454
In-kind contributions	209,793	—	209,793	189,895
Other	29,665	—	29,665	9,252
Total revenues	<u>3,242,401</u>	<u>272,750</u>	<u>3,515,151</u>	<u>2,933,759</u>
Net assets released from restrictions	<u>197,500</u>	<u>(197,500)</u>	<u>—</u>	<u>—</u>
Total revenues and other support	<u>3,439,901</u>	<u>75,250</u>	<u>3,515,151</u>	<u>2,933,759</u>
Expenses:				
Program services:				
Programming and production	1,883,039	—	1,883,039	1,750,767
Broadcasting	221,114	—	221,114	212,844
Supporting services:				
Fund-raising	267,532	—	267,532	231,519
Management and general	277,831	—	277,831	265,907
Underwriting and grant solicitation	404,406	—	404,406	351,586
Program information and promotion	81,478	—	81,478	72,833
Total expenses	<u>3,135,400</u>	<u>—</u>	<u>3,135,400</u>	<u>2,885,456</u>
Change in net assets	304,501	75,250	379,751	48,303
Net assets at beginning of year	<u>984,765</u>	<u>3,702</u>	<u>988,467</u>	<u>940,164</u>
Net assets at end of year	<u>\$ 1,289,266</u>	<u>78,952</u>	<u>1,368,218</u>	<u>988,467</u>

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended June 30, 2017

(with summarized comparative financial information for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 379,751	48,303
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	54,476	59,560
Changes in operating assets and liabilities:		
Accounts receivable, net	(34,633)	(12,188)
Contributions receivable, net	1,511	505
Other assets	6,774	(2,624)
Accounts payable and accruals	7,475	3,056
Other liabilities and deferrals	10,056	8,986
Net cash provided by operating activities	425,410	105,598
Cash flows from investing activity:		
Purchases of property and equipment	—	(30,075)
Change in cash and cash equivalents	425,410	75,523
Cash at beginning of year	547,849	472,326
Cash at end of year	\$ <u>973,259</u>	<u>547,849</u>

See accompanying notes to financial statements.

WFDD-FM RADIO
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Notes to Financial Statements
June 30, 2017
(with comparative information as of June 30, 2016)

(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 and revenues, 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 will be met either by actions of WFDD and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless their use is 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.

(c) Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenue 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, net of an allowance for uncollectible contributions receivable, are discounted to their present value at a risk-adjusted rate. 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 considering such factors as prior collection history, type of contribution, and nature of fund-raising activity. At June 30, 2017, gross contributions receivable of \$3,977 are recorded net of uncollectible accounts of \$3,298. At June 30, 2016, gross contributions receivable of \$7,948 are recorded net of uncollectible accounts of \$5,758.

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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, and underwriting and grant solicitation 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.

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(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 temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

(k) Subsequent Events

WFDD has evaluated subsequent events (events occurring after June 30, 2017) through October 23, 2017, 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) 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, 2017	Unexpended balance at June 30, 2016
			2017	2016		
2017	Community Service Grant	\$ 197,500	197,500	—	—	—
2016	Community Service Grant	198,454	—	198,454	—	—
		<u>\$ 395,954</u>	<u>197,500</u>	<u>198,454</u>	<u>—</u>	<u>—</u>

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(3) 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.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of gifts received for donor specified programming and support of the radio education initiative.