

WSUI - AM And KSUI - FM

The University Of Iowa

Combined Financial Report
06.30.2008

McGladrey & Pullen
Certified Public Accountants

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WSUI – AM AND KSUI – FM
The University of Iowa

Management's Discussion And Analysis
Years Ended June 30, 2008 And 2007

Introduction

This Management's Discussion and Analysis of WSUI-AM and KSUI-FM (Stations) provides the reader with a narrative overview of the Stations' financial statements and activities for the years ended June 30, 2008 and 2007.

Using the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Stations' financial statements. The combined basic financial statements include two components: (1) the combined basic financial statements and (2) the Notes to Combined Basic Financial Statements.

The combined basic financial statements are designed to provide readers with a broad overview of the Stations' finances in a manner similar to a private-sector business. The financial statements use the accrual basis of accounting. The basic financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. The financial statements are followed by Notes to Combined Basic Financial Statements.

The Statement of Net Assets presents useful information on all of the Stations' assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Stations are improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets reports the operating revenues and expenses and non-operating revenues and expenses of the Stations for the fiscal year with the difference being the change in net assets for the year.

Financial Highlights

For the year ended June 30, 2008, the Stations ended their fundraising activities, which had accounted for \$525,000 of support in the previous year, but replaced that support with approximately \$548,000 of support from Iowa Public Radio. Program underwriting and other grants decreased \$137,000 compared to the year ended June 30, 2007, which accounted for nearly all the decrease in operating revenues.

During the year ended June 30, 2007, the Stations received grants from the Corporation for Public Broadcasting totaling approximately \$260,000. The Stations also recorded approximately \$539,000 of program underwriting during the year ended June 30, 2007, an increase of approximately \$109,000 over the year ended June 30, 2006. Non-operating revenues for 2007, primarily investment income, increased by \$65,000 compared to the prior year.

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The Statements of Net Assets

The Stations' financial position as of June 30, 2008 consisted of assets of \$3,040,361 and liabilities of \$196,902. Net Assets, the difference between total assets and total liabilities, decreased by approximately \$188,000 in 2008, primarily due to operating losses.

The Stations' financial position as of June 30, 2007 consisted of assets of \$3,168,828 and liabilities of \$136,889. Net Assets, the difference between total assets and total liabilities, increased by approximately \$180,000 in 2007.

The Stations' assets as of June 30, 2008 were approximately \$128,000 less than at June 30, 2007. The Stations' liabilities as of June 30, 2008 were approximately \$60,000 more than at June 30, 2007 because of unearned grant and underwriting revenue.

The Stations' assets as of June 30, 2007 were approximately \$177,000 more than at June 30, 2006. The Stations' liabilities as of June 30, 2007 were approximately \$2,000 less than at June 30, 2006.

	June 30,		
	2008	2007	2006
Assets:			
Current assets	\$ 691,816	\$ 908,543	\$ 862,922
Capital assets	952,642	1,050,532	1,040,634
Investments	1,395,903	1,209,753	1,087,784
Total assets	3,040,361	3,168,828	2,991,340
Liabilities:			
Current liabilities	196,902	136,889	139,649
Net Assets:			
Invested in capital assets, net of related debt	952,642	1,050,532	1,040,634
Restricted	498,944	543,604	552,932
Unrestricted	1,391,873	1,437,803	1,258,124
Total net assets	\$ 2,843,459	\$ 3,031,939	\$ 2,851,690
(Decrease) increase in net assets	\$ (188,480)	\$ 180,249	\$ 114,384

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Years Ended June 30, 2007 And 2006

Statements of Revenues, Expenses and Changes in Net Assets

The following table summarizes the Stations' revenues, expenses and changes in net assets for the years ended June 30, 2008, 2007 and 2006.

	Year Ended June 30,		
	2008	2007	2006
Operating revenues	\$ 2,203,176	\$ 2,305,160	\$ 2,175,678
Operating expenses	2,411,701	2,175,870	2,047,038
Operating income	(208,525)	129,290	128,640
Nonoperating revenues (expenses)	20,045	50,959	(14,256)
(Decrease) increase in net assets	\$ (188,480)	\$ 180,249	\$ 114,384

For the year ended June 30, 2008, operating revenues totaled \$2,203,176, a decrease of approximately \$102,000 or 4 percent, compared to the year ended June 30, 2007. Included in operating revenues are University appropriations and facilities and administrative support from the University of Iowa, support from Iowa Public Radio, and contributions in the form of program underwriting. Program underwriting decreased \$67,596 and grants decreased \$69,453. Fundraising campaigns were ended, but substantially replaced by support from IPR. There were no other significant or unexpected changes in operating revenues.

Net non-operating revenue totaled \$20,045 for the year ended June 30, 2008, compared to net non-operating revenue of \$50,959 for the year ended June 30, 2007, a decrease in net non-operating revenue of \$31,000. The decrease in non-operating revenue was primarily driven by appreciation of investments of approximately \$8,000 for the year ended June 30, 2008, compared to appreciation of investments of approximately \$35,000 for the year ended June 30, 2007. There were no other significant or unexpected changes in non-operating revenues.

For the year ended June 30, 2007, operating revenues totaled \$2,305,160, an increase of approximately \$151,000, or 7 percent, compared to the year ended June 30, 2006. Included in operating revenues are appropriations and facilities and administrative support from the University of Iowa and contributions in the form of program underwriting and memberships and fundraising campaigns. These revenues totaled \$1,969,373 for the year ended June 30, 2007, which represents 85 percent of total operating revenues for the year. In the prior year, these revenues were 83 percent of total operating revenue. There were no other significant or unexpected changes in operating revenues.

Net non-operating revenue totaled \$50,959 for the year ended June 30, 2007, compared to net non-operating expense of \$14,256 for the year ended June 30, 2006, an increase in net non-operating revenue of \$65,216. The increase in non-operating revenue was due primarily to an increase of approximately \$44,000 in the fair value of investments in 2007 compared to 2006, as well as an increase in investment income of approximately \$17,000 compared to 2006. There were no other significant or unexpected changes in non-operating revenues.

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Total revenues for the year ended June 30, 2008 were \$2,223,221, including operating revenue of \$2,156,889 and non-operating revenue of \$20,045. Total revenues for the year ended June 30, 2007 were \$2,356,119, including operating revenue of \$2,305,160 and non-operating revenue of \$50,959. Total revenues for the year ended June 30, 2006 were \$2,161,422.

Total expenses for the year ended June 30, 2008 were \$2,411,701, all of which were operating. Operating expenses increased \$235,831. Increases in compensation accounted for \$68,931 and expenses for services provided by IPR increased approximately \$183,000. Expenses for the year ended June 30, 2007 totaled \$2,175,870.

Total expenses for the year ended June 30, 2007 were \$2,175,870, all of which were operating. Operating expenses increased \$151,292. Increases in compensation accounted for \$132,857 of the increase. Expenses for the year ended June 30, 2006 totaled \$2,047,038.

Cash Flows

The Combined Statements of Cash Flows provide information regarding the Stations' cash receipts and disbursements during the fiscal year. This provides an assessment of the Stations' ability to generate future net cash flows and meet obligations as they come due.

The following table summarizes the Stations' cash flow for the years ended June 30, 2008, 2007 and 2006.

	2008	2007	2006
Cash Provided By (Used In):			
Operating activities	\$ (60,424)	\$ 226,070	\$ 241,739
Capital financing activities	-	(103,874)	22,996
Investing activities	310,519	(215,984)	(144,772)
Net change in cash	250,095	(93,788)	119,963
Cash beginning of year	258,569	352,357	232,394
Cash end of year	<u>\$ 508,664</u>	<u>\$ 258,569</u>	<u>\$ 352,357</u>

Capital Assets

At June 30, 2008, the Stations had capital assets with a cost of \$1,884,979, with accumulated depreciation of \$932,337 for a net of \$952,642. Depreciation charges for the current year totaled \$97,890, compared to \$93,976 in the prior year.

There were no capital additions during the year ended June 30, 2008. In the year ended June 30, 2007, the capital additions totaled \$103,874 of purchased items.

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As of June 30, 2008, the cost of the Stations' capital assets included \$1,397,584 for the towers and transmission equipment and \$487,395 for all other assets.

The following table summarizes the Stations' capital assets, net of depreciation, as of June 30, 2008, 2007 and 2006.

	Capital Assets, Net of Depreciation		
	2008	2007	2006
Towers and transmission equipment	\$ 759,446	\$ 812,584	\$ 866,274
Other assets	193,196	237,948	174,360
Total capital assets, net	\$ 952,642	\$ 1,050,532	\$ 1,040,634

Debt Administration

As of June 30, 2008 and 2007, the Stations did not have any debt. The Stations do not have any debt limitations that may affect financing of future facilities or services, and there have not been any changes in credit ratings.

Economic Factors that May Affect the Future

The Stations will be increasingly dependent upon IPR to provide support in the next several years. In the year ending June 30, 2009, the Stations will cease solicitation of program underwriting, which will be replaced by a program underwriting effort by IPR. IPR's success in conducting unified fundraising campaigns and program underwriting in the near term may be challenged due to economic conditions and IPR's transition to a more unified organization.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On The Combined Financial Statements

WSUI – AM and KSUI – FM
The University of Iowa
Iowa City, Iowa

We have audited the accompanying combined basic financial statements of WSUI-AM and KSUI-FM (Stations), National Public Radio Stations operated by a department of The University of Iowa, as of and for the years ended June 30, 2008 and 2007 as listed in the table of contents. These basic financial statements are the responsibility of the Stations' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

As discussed in Note 1, the financial statements of the Departments of WSUI-AM and KSUI-FM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business type activities of The University of Iowa that is attributable to the transactions of the Departments of WSUI-AM and KSUI-FM. They do not purport to, and do not, present fairly the financial position of The University of Iowa as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the combined basic financial statements referred to above present fairly, in all material respects, the financial position of the Stations as of June 30, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, for the years ended June 30, 2008 and 2007, we have also issued reports dated December 18, 2008 and December 18, 2007 on our consideration of the Stations' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, on pages 1 – 5, is not a required part of the combined basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

The accompanying supplementary information, on pages 22 – 23 is presented for purposes of additional analysis and is not a required part of the combined basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Iowa City, Iowa
December 18, 2008

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Combined Statements Of Net Assets
June 30, 2008 And 2007

Assets	2008	2007
Current Assets		
Cash and cash equivalents (Note 2)	\$ 508,664	\$ 258,569
Pledges receivable	1,149	40,036
Underwriting receivables, less allowance for doubtful accounts 2008 \$15,400; 2007 \$7,500	63,701	85,194
Receivable from Iowa Public Radio (Note 6)	76,600	-
Investments held by The University of Iowa Foundation (Note 2)	-	476,623
Inventory of fundraising supplies	-	2,481
Prepaid expenses	41,702	45,640
Total current assets	691,816	908,543
Noncurrent Assets		
Capital assets, equipment, net (Note 11)	952,642	1,050,532
Investments held by The University of Iowa Foundation (Note 2)	1,385,649	1,197,855
Investments held by The University of Iowa long-term endowment pool (Note 2)	10,254	11,898
Total noncurrent assets	2,348,545	2,260,285
Total assets	\$ 3,040,361	\$ 3,168,828
Liabilities And Net Assets		
Current Liabilities		
Accounts payable (Note 6)	\$ 38,209	\$ 40,642
Accrued compensation	91,485	87,944
Unearned grant revenue (Note 4)	38,900	-
Unearned underwriting revenue	28,308	8,303
Total current liabilities	196,902	136,889
Net assets		
Invested in capital assets	952,642	1,050,532
Restricted (Note 1)	498,944	543,604
Unrestricted	1,391,873	1,437,803
Total net assets	2,843,459	3,031,939
Total liabilities and net assets	\$ 3,040,361	\$ 3,168,828

See Notes to Combined Basic Financial Statements.

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Combined Statements Of Revenues, Expenses
And Changes In Net Assets
Years Ended June 30, 2008 And 2007

	2008	2007
Operating revenues:		
University of Iowa appropriations	\$ 622,530	\$ 648,460
Support from Iowa Public Radio (Note 6)	547,739	-
Community service grants (Note 3)	256,841	260,055
Memberships and fundraising campaigns (Note 6)	6,615	525,447
Program underwriting	471,842	539,438
Institutional, physical plant and occupancy support provided by The University of Iowa (Note 9)	296,287	256,028
Other grants	-	69,453
Java Blend compact disc sales	1,322	6,279
Total operating revenues	2,203,176	2,305,160
Operating expenses:		
Programming and production	881,454	909,583
Engineering and broadcasting	368,201	259,944
Program information	261,465	89,492
General and administrative	615,111	678,155
Fundraising	285,470	238,696
Total operating expenses	2,411,701	2,175,870
Operating (loss) income	(208,525)	129,290
Nonoperating revenues (expenses):		
Interest and dividends	70,042	72,226
Net appreciation in fair value of investments	7,981	35,231
Investment management fees	(57,978)	(56,498)
Total nonoperating revenues	20,045	50,959
(Decrease) increase in net assets	(188,480)	180,249
Net assets, beginning	3,031,939	2,851,690
Net assets, ending	\$ 2,843,459	\$ 3,031,939

See Notes to Combined Basic Financial Statements.

WSUI - AM And KSUI - FM
The University Of Iowa

Combined Statements Of Cash Flows
Years Ended June 30, 2008 And 2007

	2008	2007
Cash Flows from Operating Activities		
University of Iowa appropriations	\$ 622,530	\$ 648,460
Cash received from grants and other operating revenue	297,063	303,312
Cash received from fundraising and underwriting activities	1,029,981	1,072,954
Cash payments to employees for services	(1,093,199)	(1,007,259)
Cash payments to suppliers for goods and services	(916,799)	(791,397)
Net cash (used in) provided by operating activities	(60,424)	226,070
Cash Flows from Capital Financing Activities		
Acquisition of capital assets	-	(103,874)
Net cash (used in) capital financing activities	-	(103,874)
Cash Flows from Investing Activities		
Cash received from investment income	11,890	15,728
Purchase of investments	-	(231,712)
Proceeds from investments	298,629	-
Net cash provided by (used in) investing activities	310,519	(215,984)
Net increase (decrease) in cash and cash equivalents	250,095	(93,788)
Cash and Cash Equivalents:		
Beginning	258,569	352,357
Ending	\$ 508,664	\$ 258,569
Reconciliation of Net Cash (Used In) Provided By Operating Activities:		
Operating (loss) income	\$ (208,525)	\$ 129,290
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation expense	97,890	93,976
Changes in operating assets and liabilities:		
Pledges receivable	38,886	20,188
Underwriting receivables	21,493	(20,422)
Receivable from Iowa Public Radio	(76,600)	-
Inventory	2,481	583
Prepaid expenses	3,938	5,215
Accounts payable	(2,433)	859
Accrued expenses	3,541	20,551
Deferred grant revenue	38,900	(32,473)
Unearned underwriting revenue	20,005	8,303
Net cash (used in) provided by operating activities	\$ (60,424)	\$ 226,070
Schedule of Noncash Operating Activities:		
Indirect support provided by The University of Iowa	\$ 296,287	\$ 256,028

See Notes to Combined Basic Financial Statements.

Notes To Combined Basic Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Reporting entity: WSUI-AM and KSUI-FM (Stations) are not discrete legal entities and are part of The University of Iowa (University). The Board of Regents of the State of Iowa is the governing board and the President and Director of University Relations of the University are responsible for the oversight of the Stations. The University owns all the assets of the Stations, including facilities, and all employees of the Stations are employees of the University.

Basis of presentation: The financial statements of the Stations are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board* (GASB). The Stations apply all applicable GASB pronouncements as well as those of the Financial Accounting Standards Board, Accounting Principles Board and Accounting Research Bulletins that are appropriate for accounting for the Stations' operations. The Stations previously adopted provisions of GASB Statement No. 34 (Statement 34) *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities and component units. These standards prescribe a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows prepared on the direct method. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Nature of activities: The Stations are affiliate stations of National Public Radio. As part of the University, they are exempt from federal and state income taxes. WSUI broadcasts news and talk programs. KSUI broadcasts news and classical music. The Stations broadcast as members of Iowa Public Radio as described in Note 6.

Accounting system and method: The accounting system and personnel of the University provide accounting services for the Stations. The financial accounting system is prepared using the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at 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.

A summary of the Stations' significant accounting policies follows:

Principles of combination: The combined financial statements include the accounts of the Stations. All balances and transactions between the Stations have been eliminated in combination.

Cash and cash equivalents: For purposes of the statement of cash flows, cash and cash equivalents represent certain unrestricted cash accounts of The University of Iowa held for the Stations.

Capital assets: Capital assets are recorded at cost or estimated fair value on the date received, and depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Notes To Combined Basic Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments held by the University of Iowa Foundation: Investments held by the University of Iowa Foundation on behalf of the Stations are invested in money market funds and mutual funds. Money market funds are stated at net asset value and mutual funds are stated at fair value. The change in fair value of investments is reflected as revenue.

Prepaid expenses: Prepayments for program series and other syndicated products are stated at amortized cost and are included in prepaid expenses. The cost of the programs is amortized by the straight-line method over the period of the license agreement.

Pledges and contributions: The Stations encourage individuals, businesses and other organizations to provide underwriting support for specific and general programming. Iowa Public Radio engages in periodic fundraising campaigns on behalf of the Stations using on-air and mail fundraising appeals. A portion of the contributions is made by pledges. Contributions, including unconditional pledges, are recognized in the period received or given, net of an allowance for uncollectible pledges, if appropriate. Contributions are classified as operating revenues unless restricted. The provision for doubtful pledges totaled none and \$10,000 for the years ended June 30, 2008 and 2007, respectively.

Underwriting receivables: Underwriting receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying past due accounts and by using historical experience applied to an aging of accounts. Underwriting receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The provision for doubtful accounts totaled \$14,280 and none for the years ended June 30, 2008 and 2007, respectively.

Notes To Combined Basic Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets: In the Statement of Net Assets, there are three net asset categories:

- *Invested in capital assets, net of related debt.* This component reports the difference between capital assets, less accumulated depreciation and the outstanding balance of debt, if any, that was related to the acquisition of the capital assets.
- *Restricted net assets.* This component of net assets reports the constraints placed on the use of net assets by external parties as follows:

	June 30,	
	2008	2007
Classical music programming	\$ 199,751	\$ 234,043
KSUI programming	10,254	11,898
News programming	12,395	14,522
Scholarships	19,703	23,086
Unexpended Community Service Grants	256,841	260,055
Total restricted net assets	\$ 498,944	\$ 543,604

- *Unrestricted net assets.* The difference between assets and liabilities that is not reported in the above categories.

In-kind contributions: Contributed materials, supplies, facilities and property, which normally are not significant, are recorded at fair value at the date of donation. The fair value of contributed materials, supplies, facilities and property and exchanges of promotional materials and advertising is not recorded if they cannot be reasonably determined. Donated personal services of nonprofessional volunteers are not recorded as revenue and expenses.

Revenue recognition: University support, including compensation of the Stations' personnel, is recorded as revenue when expenditures are incurred. Grants and University support to finance capital assets are recognized when the expenditures are incurred. Grants to finance non capital projects are recorded as deferred revenue until expenditure is incurred for which the grant was intended. The amounts are then included in revenues when the expenditures are recorded.

Program underwriting support: Underwriting support is treated as conditional contributions, and recognized when the conditions are met based on the terms of the underwriting agreements, and are recognized primarily on a pro rata basis as the underwriters are acknowledged.

Donated facilities and administrative support: The Stations receive the use of facilities and administrative support from the University. The value of the donated facilities is computed using the valuation method currently advocated by the Corporation for Public Broadcasting and is based on the original cost of the facilities. Administrative support is based on the Stations' operating expenses compared to the University's administrative costs. Physical plant support is based on the square footage of the Stations. The fair value of this support is recognized in the Statements of Revenues, Expenses and Changes in Net Assets as indirect administrative support and also as expense in the general and administrative functional expense category.

Notes To Combined Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 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 recorded as contributions when the Stations receive the grants, and the unexpended portions are included in restricted net assets.

Support from Iowa Public Radio: Services provided by Iowa Public Radio (IPR) that benefit the Stations are recorded as support and an equal amount of expense, measured by the cost incurred by IPR. Services provided by IPR that benefit the Stations include programming and production, engineering and broadcasting, program information, general and administrative expenses and fundraising costs that would otherwise have been purchased. Cash support from IPR is recognized when IPR pledges an allocation from its fundraising efforts.

Operating activities: Operating activities generally result from the provision of public broadcasting and from the production of program material for distribution. Revenues associated with, or restricted by donors for use for capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

Functional allocation of expenses: The costs of providing program services and other activities are summarized on a functional basis in the statement of revenues, expenses and changes in net assets and in the schedule of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services on the basis of benefits received.

Notes To Combined Basic Financial Statements

Note 2. Cash and Cash Equivalents and Investments

The Stations' cash and cash equivalents are held by the University. A majority of the University's cash and cash equivalents are covered by FDIC insurance or the State Sinking Fund in accordance with the Code of Iowa and the balance is invested in money market funds.

The University of Iowa Foundation (Foundation) and The University of Iowa hold the Stations' investments. The investments are held by the University or Foundation or its agents and are uninsured and unregistered securities not in the Stations' name. The Foundation and the University have various investment pools from which the Stations may allocate investments. The Stations' investment policy is to invest the majority of Friends of WSUI/KSUI account in the short-maturity pool, which consists of 100 percent low risk, fixed income instruments, and to invest the balance in the long-term pool, a higher risk, higher return portfolio which consists of 80 percent domestic equities and 20 percent fixed income instruments. Funds in the account are available to the Stations upon demand and the portion of the account estimated for use in the next year is classified as a current asset. The composition of the investments as of June 30, 2008 and 2007 is as follows:

	June 30,	
	2008	2007
Investment type:		
Money market	\$ 109,055	\$ 145,977
Short-maturity pool	1,044,745	1,256,850
Long-term pool	242,103	283,549
Total investments	<u>\$ 1,395,903</u>	<u>\$ 1,686,376</u>

The Stations' cash and cash equivalents and investments are subject to the following risks:

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University of Iowa Foundation and the University of Iowa Endowment manage credit risk by diversification to multiple counterparties.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of June 30, 2008, the Stations' cash and cash equivalents were highly concentrated in the University's cash accounts and the investments were concentrated in the Foundation's investments.

Custodial credit risk: Custodial credit risk is the risk that in the event of failure of a depository financial institution, the Stations may not be able to recover deposits or collateral securities. As of June 30, 2008, the carrying amount of deposits with the University totaled \$508,664. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking fund. The Station's investments held by the Foundation are held by a number of custodians.

Notes To Combined Basic Financial Statements

Note 3. Community Service Grants

Community Service Grants (CSGs) are received annually from the Corporation for Public Broadcasting. The CSGs received and expended for the most recent fiscal years are as follows:

Year of Grant	Grants Received	Expended		Unexpended Balance at June 30, 2008
		2008	2007	
2008	\$ 256,841	\$ -	\$ -	\$ 256,841
2007	260,055	260,055	-	-
2006	286,124	-	286,124	-

Note 4. Deferred Grant Revenue

Deferred grant revenue as of June 30, 2008 and 2007 was as follows:

	2008	2007
Unexpended Savin Foundation grant	\$ 19,450	\$ -
University of Iowa matching grant for Savin Foundation	19,450	-
	<u>\$ 38,900</u>	<u>\$ -</u>

Note 5. Employee Benefit Plans

All of the Stations' personnel are employees of the University and have entitlements to University fringe benefit programs. The University uses a fringe benefit pool method to allocate expenses to university departments, and to pay fringe benefits. Under this method, the Stations are charged a percentage of compensation for each employee based on one of the twelve University-defined employee groups. The University maintains and pays all applicable benefits and the obligation for compensated absences. The fringe benefit rate for the Stations for the years ended June 30, 2008 and 2007 was 35.0 percent and 34.3 percent, respectively, including the contribution to the retirement program discussed following.

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, which is a defined contribution plan. The defined contribution retirement plan provides individual annuities for each plan participant. All eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3 percent of the first \$4,800 of earnings and 5 percent on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3 percent of the first \$4,800 of earnings and 10 percent on earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5 percent and the University 10 percent on all earnings.

University employees may elect to participate in the Iowa Public Employees' Retirement System (IPERS) in lieu of contributing to the TIAA retirement program. IPERS is a defined benefit plan which requires an employee to contribute 4.1 percent of total earnings and the University to contribute 6.35 percent of total earnings, regardless of years of service.

Notes To Combined Basic Financial Statements

Note 6. Transactions with Iowa Public Radio

In December 2004, the Board of Regents of the State of Iowa (Regents) authorized the creation of Iowa Public Radio (IPR) to eventually manage the radio stations of the three Regents universities. IPR was subsequently incorporated as a not-for-profit organization and is governed by an Executive Council, including a representative from the University of Iowa.

For the years ended June 30, 2008 and 2007, the Stations paid administrative fees to IPR totaling none and \$138,469, respectively.

In May 2007, the Regents, Iowa State University (licensee of the WOI Radio Group radio stations), the University of Iowa (licensee of KSUI/WSUI), the University of Northern Iowa (licensee of the KUNI radio stations) and IPR approved an agreement which designated IPR to provide administrative and fundraising services for the radio stations. Effective July 1, 2007, IPR began fundraising activities to provide support for IPR and the three broadcast organizations. It also began providing certain program services, general and administrative and fundraising services for the benefit of the three broadcast organizations.

The WSUI/KSUI Station Manager also holds the position of Deputy Director of Iowa Public Radio at IPR. During the year ended June 30, 2008, IPR provided the Stations partial reimbursement of the station manager's salary.

In the year ended June 30, 2008, the Stations ended the public fundraising campaigns previously conducted by the Stations that are now conducted by IPR.

As of and for the years ended June 30, 2008 and 2007, transactions with IPR were as follows:

	2008	2007
Partial reimbursement of compensation	\$ 100,000	\$ -
Allocations from IPR fundraising campaigns	126,600	-
In-kind support for program services, general and administrative and fundraising	321,139	-
Total support from IPR	<u>\$ 547,739</u>	<u>\$ -</u>

As of June 30:

Accounts receivable	76,600	-
Accounts payable	-	27,569

Notes To Combined Basic Financial Statements

Note 7. Lease Commitments

The Iowa Public Broadcasting Board leases real estate in Cedar County and has erected a tower on the real estate for the purpose of broadcasting Iowa Public Television programming. On July 1, 2003, the University entered into an agreement with the Iowa Public Broadcasting Board whereby the Stations leased space on the tower to affix a radio transmission antenna. The lease is for a ten-year period with annual lease payments of \$17,200, with total lease commitments as of June 30, 2008 totaling \$86,000.

Rent expense for the towers totaled \$17,200 for each of the years ended June 30, 2008 and 2007. Additionally, the Stations must pay their share of utility costs on a quarterly basis in arrears. Utility costs associated with the tower lease were \$16,097 and \$16,197 in the years ended June 30, 2008 and 2007, respectively.

Note 8. Nonfederal Financial Support

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on nonfederal financial support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operation purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the television CSG grant program precipitated by extraordinary infusions of new capital investments in direct television, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2008 NFFS. This change excludes all revenues received for any capital purchases.

The "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcasting station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station.

Notes To Combined Basic Financial Statements

Note 9. Transactions with the University of Iowa

Indirect support from the University consists of allocated institutional support, physical plant and office and studio occupancy costs incurred by the University for which the Stations receive benefits. The fair value of this support is recognized in the Combined Statements of Revenues, Expenses and Changes in Net Assets as indirect administrative support and also as expense in the management and general functional expense category. The value of this support was \$296,287 and \$256,028 for the years ended June 30, 2008 and 2007, respectively.

Program underwriting from various departments of the University of Iowa totaled \$24,541 and \$47,694 during the years ended June 30, 2008 and 2007, respectively. The Stations recorded deferred underwriting revenue of none and \$3,828 as of June 30, 2008 and 2007, respectively, and underwriting accounts receivable of \$5,064 and \$464 as of June 30, 2008 and 2007, respectively, related to underwriting transactions with the University of Iowa.

Note 10. Risk Management

The Stations are exposed to various risks of loss related to property loss, liability under tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are subject to the same insurance coverage as the University which includes catastrophic property insurance, self-insured liability losses and limited motor vehicle liability coverage. Settled claims from these risks have not exceeded coverage in any of the past three fiscal years.

Notes To Combined Basic Financial Statements

Note 11. Capital Assets

A summary of property and equipment as of and for the years ended June 30, 2008 and 2007 is as follows:

	June 30, 2007	Additions	Reductions	June 30, 2008
Towers and transmission equipment	\$ 1,397,584	\$ -	\$ -	\$ 1,397,584
Broadcast and production equipment	302,381	-	-	302,381
Office furniture and equipment	139,029	-	-	139,029
Software	45,985	-	-	45,985
Total	<u>1,884,979</u>	<u>-</u>	<u>-</u>	<u>1,884,979</u>
Less accumulated depreciation:				
Towers and transmission equipment	585,000	53,138	-	638,138
Broadcast and production equipment	132,508	22,475	-	154,983
Office furniture and equipment	78,287	17,388	-	95,675
Software	38,652	4,889	-	43,541
Total	<u>834,447</u>	<u>97,890</u>	<u>-</u>	<u>932,337</u>
Property and equipment, net	<u>\$ 1,050,532</u>	<u>\$ (97,890)</u>	<u>\$ -</u>	<u>\$ 952,642</u>
	June 30, 2006	Additions	Reductions	June 30, 2007
Towers and transmission equipment	\$ 1,397,584	\$ -	\$ -	\$ 1,397,584
Broadcast and production equipment	200,260	102,121	-	302,381
Office furniture and equipment	137,276	1,753	-	139,029
Software	45,985	-	-	45,985
Total	<u>1,781,105</u>	<u>103,874</u>	<u>-</u>	<u>1,884,979</u>
Less accumulated depreciation:				
Towers and transmission equipment	531,310	53,690	-	585,000
Broadcast and production equipment	114,532	17,976	-	132,508
Office furniture and equipment	60,865	17,422	-	78,287
Software	33,764	4,888	-	38,652
Total	<u>740,471</u>	<u>93,976</u>	<u>-</u>	<u>834,447</u>
Property and equipment, net	<u>\$ 1,040,634</u>	<u>\$ 9,898</u>	<u>\$ -</u>	<u>\$ 1,050,532</u>

Notes To Combined Basic Financial Statements

Note 12. Recently Issued Accounting Pronouncement

As of June 30, 2008, the GASB has issued the following accounting pronouncement, not yet implemented, that may impact the Stations:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Stations beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

The Station's management has not yet determined the effect, if any, this statement will have on the Station's financial statements.

WSUI - AM And KSUI - FM
The University Of Iowa

Schedule of Functional Expenses
Year Ended June 30, 2008

	Program Services				Supporting Services			Total Functional Expenses
	Programming and Production	Engineering and Broadcasting	Program Information	Total Program Services	General and Administrative	Fundraising		
Compensation	\$ 565,208	\$ 135,623	\$ 116,275	\$ 817,106	\$ 112,276	\$ 167,357	\$ 1,096,739	
Travel	10,181	8,363	988	19,532	2,478	15,537	37,547	
Office and other supplies	2,887	53,090	5,825	61,802	7,192	2,196	71,190	
Professional services provided by IPR	30,431	40,460	48,789	119,680	147,567	53,892	321,139	
Professional services	12,544	2,460	12,325	27,329	19,482	137	46,948	
Printing	-	-	34,583	34,583	(118)	633	35,098	
Postage	44	-	21,391	21,435	2,357	31	23,823	
Repair and maintenance	-	3,726	-	3,726	572	4,520	8,818	
Utilities	-	18,497	-	18,497	(265)	-	18,232	
Programming costs	237,684	52,807	614	291,105	3,513	5,603	300,221	
Advertising	-	37	20,675	20,712	-	893	21,605	
Institutional, physical plant and occupancy	-	-	-	-	296,287	-	296,287	
Depreciation	22,475	53,138	-	75,613	22,277	-	97,890	
Fundraising administrative fee	-	-	-	-	1,493	20,391	21,884	
Provision for doubtful accounts	-	-	-	-	-	14,280	14,280	
	\$ 881,454	\$ 368,201	\$ 261,465	\$ 1,511,120	\$ 615,111	\$ 285,470	\$ 2,411,701	

WSUI - AM and KSUI - FM
The University Of Iowa

Schedule of Functional Expenses
Year Ended June 30, 2007

	Program Services				Supporting Services			Total Functional Expenses
	Programming and Production	Engineering and Broadcasting	Program Information	Total Program Services	General and Administrative	Fundraising		
Compensation	\$ 571,533	\$ 116,806	\$ -	\$ 688,339	\$ 180,488	\$ 158,982	\$ 1,027,809	
Travel	3,348	5,901	2,127	11,376	10,138	9,415	30,929	
Office and other supplies	9,371	20,534	17,145	47,050	11,551	432	59,033	
Administrative fee to IPR	-	-	-	-	138,469	-	138,469	
Professional services	3,691	385	20,926	25,002	32,164	2,696	59,862	
Printing	-	-	12,554	12,554	6,782	79	19,415	
Postage	6	11	11,339	11,356	9,536	51	20,943	
Repair and maintenance	970	6,232	-	7,202	3,892	4,236	15,330	
Utilities	-	17,075	-	17,075	176	-	17,251	
Programming costs	302,688	34,422	2,002	339,112	4,757	1,430	345,299	
Advertising	-	-	23,399	23,399	6,752	5,074	35,225	
Institutional, physical plant and occupancy	-	-	-	-	256,028	-	256,028	
Depreciation	17,976	58,578	-	76,554	17,422	-	93,976	
Fundraising administrative fee	-	-	-	-	-	46,301	46,301	
Provision for doubtful accounts	-	-	-	-	-	10,000	10,000	
Miscellaneous	-	-	-	-	-	-	-	
	\$ 909,583	\$ 259,944	\$ 89,492	\$ 1,259,019	\$ 678,155	\$ 238,696	\$ 2,175,870	