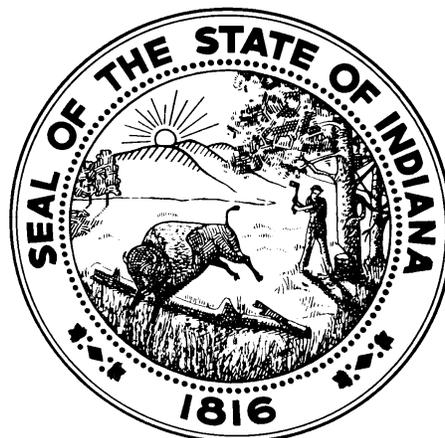


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
PURDUE UNIVERSITY
TIPPECANOE COUNTY, INDIANA

July 1, 2006 to June 30, 2007



FILED
02/26/2008

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
PURDUE UNIVERSITY

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WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
PURDUE UNIVERSITY

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Purdue University	Martin C. Jischke	08-14-00 to 06-30-07
Chairman of the Board of Trustees	J. Timothy McGinley	07-16-93 to 06-30-07
Executive Vice President and Treasurer	Morgan R. Olsen	10-01-04 to 06-30-07
Vice President for Business Services and Assistant Treasurer	James S. Almond	07-01-98 to 06-30-07
General Manager – WBAA Radio Station	Daniel E. Skinner Timothy J. Singleton	07-01-92 to 10-20-06 02-01-07 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT

**TO: THE OFFICIALS OF WBAA-AM/FM RADIO STATION, A PUBLIC RADIO STATION
OPERATED BY PURDUE UNIVERSITY, WEST LAFAYETTE, INDIANA**

We have audited the accompanying financial statements of WBAA-AM/FM Radio Station (Station), a public radio station operated by Purdue University, as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Station, as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

January 29, 2008

STATE BOARD OF ACCOUNTS

State Board of Accounts

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
Management's Discussion And Analysis
For the year ended June 30, 2007

Introduction

The following discussion and analysis provides an overview of the financial position of WBAA-AM/FM Radio Station (Station) of Purdue University (University), the financial activities of the past year and a brief description of the financial statements produced herein. This discussion should be read in conjunction with the financial statements and the notes to the statements, which immediately follow this section.

The financial information presented in this report is designed to enable the user to review how the Station managed its resources to meet its primary missions of providing students with opportunities for hands-on training in radio broadcasting and providing listeners public radio programming in central Indiana and Illinois.

FINANCIAL HIGHLIGHTS

The Station net assets decreased by \$ 28,910 for the fiscal year ended June 30, 2007.

Station Financial Statements

Use of the Financial Statements

The primary purpose of financial reporting, whether for a commercial enterprise or for a college or university, is to provide information that will assist (1) management in the effective allocation and use of the organization's resources and (2) the general public, investors, creditors, and others in evaluating the effectiveness of management in achieving organizational objectives. The nature of the organization, its resources, and objectives all serve to influence the form and process by which the accounting is accomplished and information reported.

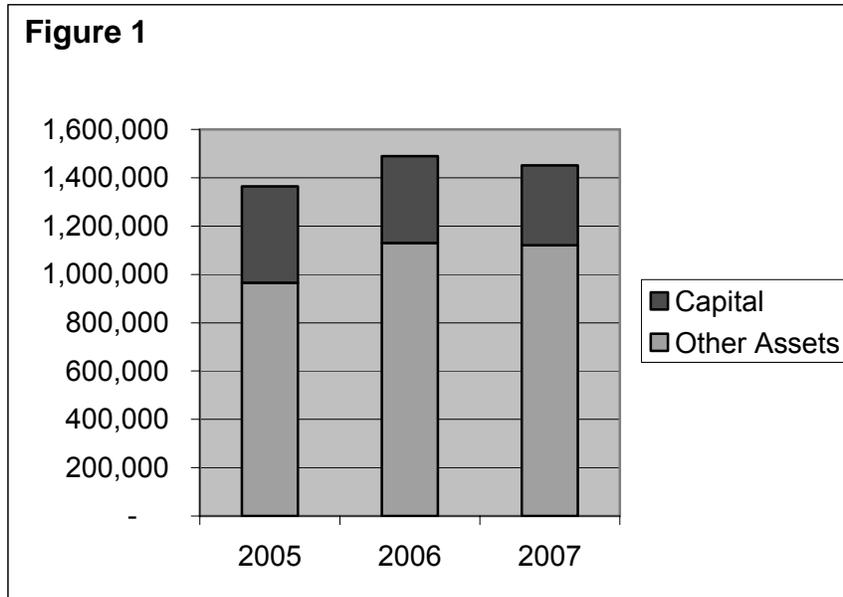
The Station is a department of the University representing an identifiable activity for which the Corporation for Public Broadcasting requires separate financial statements. Accordingly, the Station's financial statements and notes to the financial statements reflect the financial position as of June 30, 2007, and the results of operations and statement of cash flows for the year then ended.

The Statement of Net Assets provides a summary view of the assets, liabilities, and net assets of the Station. Assets and liabilities are classified as either current or noncurrent. Current assets are available to meet the needs of the Station in the short term. Similarly, current liabilities are due and payable within the next fiscal year. The Statement of Revenues, Expenses and Changes in Net Assets, on the other hand, summarize the year-long financial process that caused the changes in year-end net assets on the Statement of Net Assets. Likewise, the Statement of Cash Flows provides a reconciliation to beginning and ending balances of cash.

Statement of Net Assets

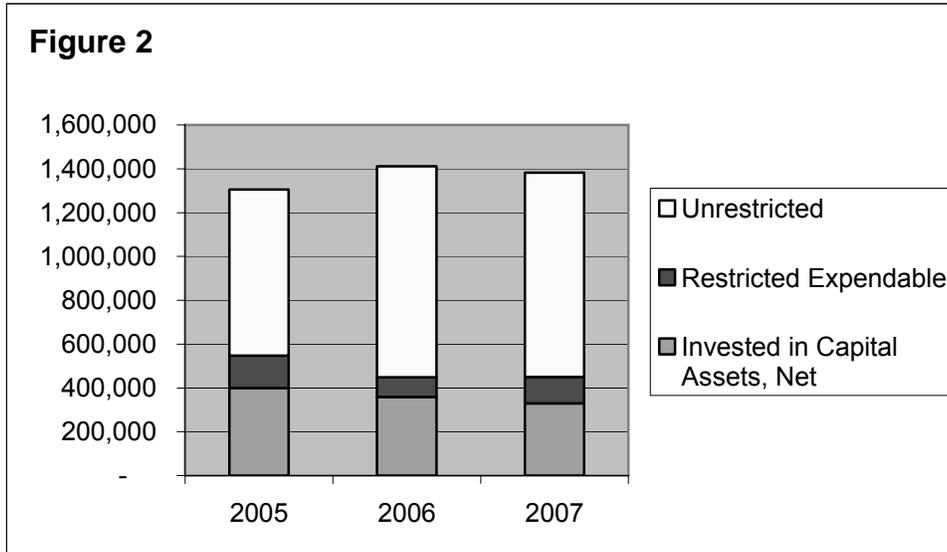
Current assets include those that may be used to support current operations including cash and accounts receivable. Noncurrent assets include capital assets and pledges due after June 30, 2008. Total assets were \$1,451,076 as of June 30, 2007 and \$1,488,725 as of June 30, 2006, a decrease of \$ 37,649 .

Figure 1 depicts the portion of total assets that were capital.



Current liabilities are expected to become due and payable over the course of the following fiscal year. These primarily include accrued compensated absences, accounts payable and accrued salaries and wages. Total liabilities were \$69,100 as of June 30, 2007 and \$77,839 as of June 30, 2006.

Net assets of the Station represent the excess of assets over liabilities. Net assets are classified into three categories: invested in capital assets, restricted expendable, and unrestricted. Invested in capital assets represents the Station's investment in capital assets such as movable equipment subject to the University's policies on capitalization, net of accumulated depreciation. Restricted expendable represents net assets which have purpose restrictions imposed by third parties. Examples include contract and grant funds. Unrestricted net assets do not have third-party restrictions, although management has designated these funds for a particular purpose. Total net assets for the Station were \$1,381,976 as of June 30, 2007. Figure 2 shows the composition of net assets.



A summarization of the Station's assets, liabilities, and net assets appears in Table 1.

Table 1

Summary Statement of Net Assets

	2004-05	2005-06	2006-07
Current Assets	\$ 964,872	\$ 1,130,145	\$ 1,120,121
Noncurrent Assets	400,002	358,580	330,955
Total Assets	1,364,874	1,488,725	1,451,076
Current Liabilities	35,617	54,679	43,624
Noncurrent Liabilities	24,642	23,160	25,476
Total Liabilities	60,259	77,839	69,100
Invested in Capital Assets, Net	399,244	358,548	330,233
Restricted - Expendable	148,753	90,203	120,360
Unrestricted	756,618	962,135	931,383
Total Net Assets	\$ 1,304,615	\$ 1,410,886	\$ 1,381,976

Statement of Revenues, Expenses and Changes in Net Assets

A review of the Statement of Revenues, Expenses and Changes in Net Assets provides information regarding the extent to which the results of operations and nonoperating revenues over the course of the fiscal year affect the net assets of the Station.

Revenues are classified as either operating or nonoperating. Operating revenues include sales and services, rental income, and grant income.

A summary of the Statement of Revenues, Expenses and Changes in Net Assets follows:

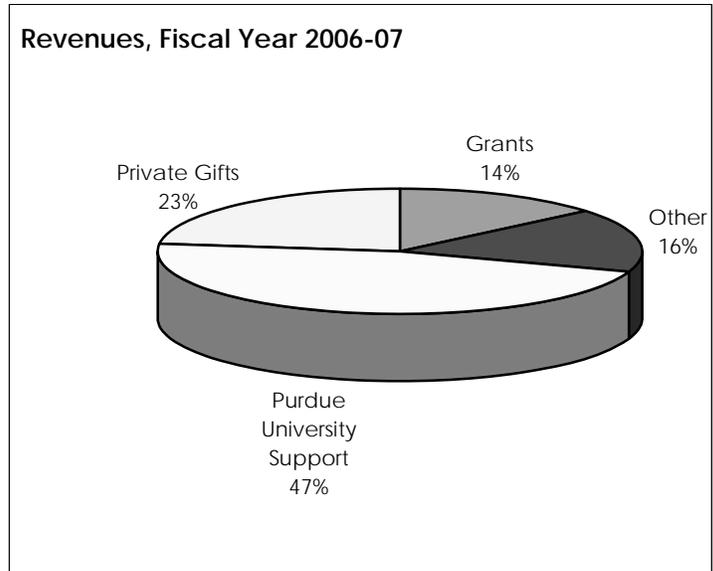
Table 2

Summary of Revenues, Expenses, and Changes in Net Assets

	2004-05	2005-06	2006-07
Operating Revenues			
Grants	\$ 213,238	\$ 226,383	\$ 211,185
Other Operating Revenues	244,594	253,463	238,535
Total Operating Revenues	457,832	479,846	449,720
Operating Expenses			
Compensation and Benefits	714,979	740,739	788,261
Supplies and Services	638,806	665,487	742,179
Depreciation	46,682	40,696	28,315
Total Operating Expenses	1,400,467	1,446,922	1,558,755
Operating Loss	(942,635)	(967,076)	(1,109,035)
Nonoperating Revenues			
University Support	688,070	721,448	716,330
Other Nonoperating Revenues	313,031	351,899	363,795
Total Nonoperating Revenues	1,001,101	1,073,347	1,080,125
Increase (Decrease) in Net Assets	58,466	106,271	(28,910)
Net Assets, beginning of year	1,246,149	1,304,615	1,410,886
Net Assets, end of year	\$ 1,304,615	\$ 1,410,886	\$ 1,381,976

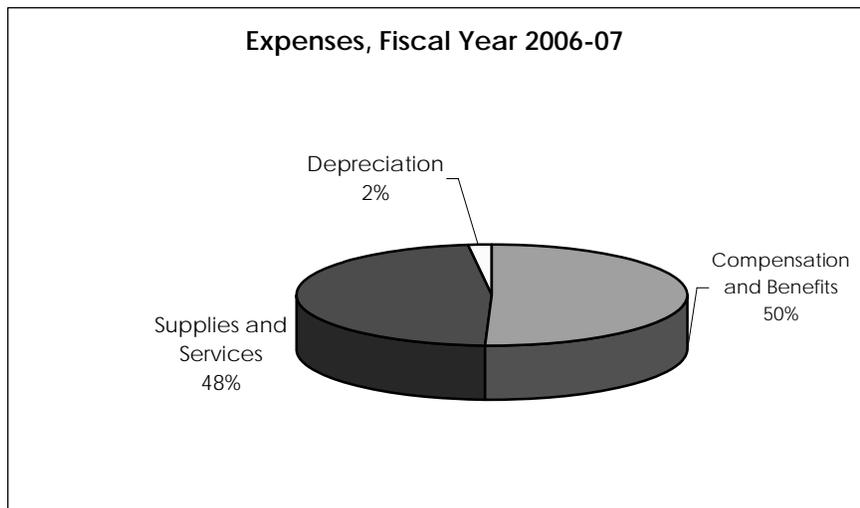
Revenues from all sources are shown in Figure 3.

Figure 3



Operating expenses totaled \$1,558,755 for the current fiscal year. Operating expenses include compensation and benefits, supplies and services, and depreciation. Figure 4 depicts the composition of total expenses for the fiscal year ended June 30, 2007.

Figure 4



Statement of Cash Flows

The Statement of Cash Flows presents sources and uses of cash throughout the fiscal year. These activities are presented in two categories: operating and noncapital financing. Net increases or decreases in cash provide a reconciliation to beginning and ending balances as presented in the Statement of Net Assets. This statement also provides an indication of the extent to which operating activities provided or used cash. Table 3 provides a summary of the Station's sources, uses, and changes in cash:

Table 3

Summarized Comparison of Changes in Cash

	2004-05	2005-06	2006-07
Cash Used by Operating Activities	\$ (183,095)	\$ (156,621)	\$ (301,240)
Cash Provided by Noncapital Financing Activities	261,794	259,083	235,135
Net Increase (Decrease) in Cash	78,699	102,462	(66,105)
Cash, Beginning of Year	431,847	510,546	613,008
Cash, End of Year	\$ 510,546	\$ 613,008	\$ 546,903

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE OF THE STATION

Funding for the Station comes from three major sources: the University, private gifts, and grants and contracts. Of these funding sources, private gifts and grants represent the largest potential for future growth.

Funding from the Corporation for Public Broadcasting has decreased due to a reclassification of the stations, by CPB, from rural to urban.

The Station engages in ongoing efforts to raise funds from both listener donations and underwriting. Donations from listeners have increased in recent years and the trend is expected to continue.

Particular attention should be given to the Notes to the Financial Statements that are an integral part of the financial statements.

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
STATEMENT OF NET ASSETS

	As of June 30	
	2007	2006
Assets		
Current Assets		
Cash	\$ 546,903	\$ 613,008
Accounts Receivable, Net	28,614	29,720
Pledges Receivable, Net	13,912	9,655
Prepaid Expenses	67,656	67,677
Funds Held in Trust by Others	463,036	410,085
Total Current Assets	1,120,121	1,130,145
Noncurrent Assets		
Pledges Receivable, Net	722	32
Property, Plant and Equipment, Net	330,233	358,548
Net Noncurrent Assets	330,955	358,580
Total Assets	1,451,076	1,488,725
Liabilities		
Current Liabilities		
Accounts Payable	8,003	19,253
Accrued Salaries and Wages	9,721	10,543
Accrued Compensated Absences	25,900	24,883
Total Current Liabilities	43,624	54,679
Noncurrent Liabilities		
Accrued Compensated Absences	25,476	23,160
Total Liabilities	69,100	77,839
Net Assets		
Invested in Capital Assets, Net	330,233	358,548
Restricted - Expendable	120,360	90,203
Unrestricted	931,383	962,135
Total Net Assets	\$ 1,381,976	\$ 1,410,886

See Accompanying Notes to the Financial Statements.

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	For the Year Ended June 30	
	2007	2006
Operating Revenues		
Grants	\$ 211,185	\$ 226,383
Rental Income	24,057	22,602
Sales and Services	214,478	230,861
Total Operating Revenues	449,720	479,846
Operating Expenses		
Compensation and Benefits	788,261	740,739
Supplies and Services	742,179	665,487
Depreciation	28,315	40,696
Total Operating Expenses	1,558,755	1,446,922
Total Operating Loss	(1,109,035)	(967,076)
Nonoperating Revenues		
State Appropriations	12,500	12,500
Purdue University Allocation	543,143	554,338
Indirect Support	173,187	167,110
Private Gifts	351,295	339,399
Total Nonoperating Revenues	1,080,125	1,073,347
Increase (Decrease) in Net Assets	(28,910)	106,271
Net Assets, Beginning of Year	1,410,886	1,304,615
Net Assets, End of Year	\$ 1,381,976	\$ 1,410,886

See Accompanying Notes to the Financial Statements.

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
STATEMENT OF CASH FLOWS

	For the Year Ended June 30	
	2007	2006
Cash Flows by Operating Activities		
Grants	\$ 211,185	\$ 226,383
Rental Income	23,956	23,178
Sales and Services	215,685	225,230
Compensation and Benefits	(263,992)	(198,545)
Supplies and Services	(488,074)	(432,867)
Cash Used by Operating Activities	(301,240)	(156,621)
Cash Flows by Noncapital Financing Activities		
State Appropriations	12,500	12,500
Gifts for Other Than Capital Purposes	222,635	246,583
Cash Provided by Noncapital Financing Activities	235,135	259,083
Net Increase (Decrease) in Cash	(66,105)	102,462
Cash, Beginning of Year	613,008	510,546
Cash, End of Year	\$ 546,903	\$ 613,008
Reconciliation of Total Operating Loss to Cash Used by Operating Activities		
Total Operating Loss	\$ (1,109,035)	\$ (967,076)
Adjustments to Reconcile Total Operating Loss to Cash Used by Operating Activities		
Depreciation Expense	28,315	40,696
University Allocation for Operating Expenses	543,143	554,338
Indirect Support	173,187	167,110
Changes in Assets and Liabilities		
Accounts Receivable	1,106	(5,055)
Prepaid Expenses	21	(30,173)
Funds Held in Trust by Others	70,762	65,959
Accounts Payable	(11,250)	18,297
Accrued Salaries and Wages	(822)	3,123
Accrued Compensated Absences	3,333	(3,840)
Cash Used by Operating Activities	\$ (301,240)	\$ (156,621)

See Accompanying Notes to the Financial Statements.

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

Organization. WBAA-AM/FM Radio Station (Station) is a department of Purdue University (University) providing students with opportunities for hands-on training in radio broadcasting and providing public radio programming to listeners in central Indiana and Illinois.

Basis of Presentation. The financial statements of the Station have been prepared in accordance with the principles contained in Governmental Accounting Standards Board (GASB) Statement No. 35 "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities" and with other accounting principles generally accepted in the United State of America, as prescribed by the GASB and in accordance with financial reporting policies established by the University. The University has elected not to implement post-1989 Financial Accounting Standards Board (FASB) statements. For financial reporting purposes, the Station reports as a Business Type Activity (BTA). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

Basis of Accounting. The financial statements of the Station have been prepared on the accrual basis of accounting and using the economic resources measurement focus.

Accounts Receivable. Accounts receivable are shown net of an allowance for doubtful accounts. The amount of the allowance was \$584 for 2006-07 and \$607 for 2005-06.

Pledges Receivable. Pledges receivable are accrued as of the end of the fiscal year, provided the pledge is verifiable, measurable, and probable of collection. Pledges receivable does not include gifts made in anticipation of estates, telephone solicitations, or promises of endowment funds. Net pledges of \$13,907 for 2006-07 and \$8,595 for 2005-06 were made to an affiliated organization on behalf of the Station and are included in the Statement of Net Assets. An allowance for uncollectible pledges is calculated based on the University's experience. The amount of the allowance was \$3,659 for 2006-07 and \$2,422 for 2005-06.

Prepaid Expenses. Prepaid expenses are payments that have been made for a service as of the end of the fiscal year, but the benefit derived from those services will not be received until a later accounting period. These include leases, maintenance agreements, dues and fees.

Capital Assets. Capital assets include property and equipment stated at cost or fair market value at date of gift, less accumulated depreciation computed on the straight-line basis over the estimated useful lives of 5-20 years. The capitalization threshold for equipment is \$2,500. Assets are removed from the records at the time of disposal.

Net Assets. Station resources are classified for accounting and financial reporting purposes into the following net asset categories:

Invested in Capital Assets – resources resulting from capital acquisition or construction, net of accumulated depreciation.

Restricted - Expendable – net assets subject to externally imposed stipulations as to use. These net assets are restricted to use for the benefit of the Station according to grant and donor restrictions.

Unrestricted – net assets which are available for use of the Station.

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007
(Continued)

Operating and Nonoperating Revenues. Revenues are classified as either operating or nonoperating according to standards issued by GASB. Operating revenues include grants, rent and underwriting. Nonoperating revenues include gifts and university allocations.

Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for a particular expenditure, the Station may select the most appropriate fund source based on individual facts and circumstances. The University, as a matter of policy, does not require funds to be spent in a particular order, only that the expenditure be allowable, allocable and reasonable to the fund source selected.

Taxes. The Internal Revenue Service has ruled that the units of Purdue University, which includes the Station, are exempt under Code Section 115(a) and 501c(3) and are not "private foundations" under the Tax Reform Act of 1969.

Use of Estimates. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amount of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Noncash Support. Occasionally, the Station receives in-kind contributions of donated programs or promotional items. In-kind gifts of tangible or intangible property are recognized at fair value on the date of gift and are capitalized, if appropriate, subject to the University's policies on capitalization. In 2006-07, WBAA received \$15,625 of noncash support from the Indiana Public Broadcasting Stations, Inc., related to consulting support given during the year. The IPBS support is not included within the financial statements.

Note 2. Capital Assets

Capital asset activity for the year ended June 30, 2007, is summarized below:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Transmitter, Antenna and Tower	\$ 172,542	\$ -	\$ -	\$ 172,542
Studio and Other Broadcast Equipment	864,146	-	(5,064)	859,082
Furniture and Fixtures	25,904	-	-	25,904
Subtotal	1,062,592	-	(5,064)	1,057,528
Less Accumulated Depreciation	<u>(704,044)</u>	<u>(28,315)</u>	<u>5,064</u>	<u>(727,295)</u>
Total	<u>\$ 358,548</u>	<u>\$ (28,315)</u>	<u>\$ -</u>	<u>\$ 330,233</u>

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007
(Continued)

Note 3. Funds Held in Trust by Others

Listener donations are made to an affiliated organization on behalf of the Station. These funds are then held in trust for the Station to use at their discretion or according to the donor's wishes.

Note 4. Retirement Plans

Station employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). Professional and certain administrative employees of the Station participate in a defined contribution plan administered through the Teachers Insurance and Annuity Association (TIAA). Regular clerical and service staff, employed at least half-time, participate in the Public Employees Retirement Fund (PERF), a retirement program administered by the State of Indiana. All plan disclosures can be found in the Purdue University Notes to the Financial Statements.

Note 5. Operating Expenses by Function

Operating expenses by functional classification for the fiscal years ended June 30, 2007, and June 30, 2006, are summarized below:

Operating Expenses by Function for the Year Ended June 30, 2007

	<u>Compensation and Benefits</u>	<u>Supplies and Services</u>	<u>Depreciation</u>	<u>Total</u>
Extension and Public Service	\$ 146,077	\$ 545,256	\$ -	\$ 691,333
General Institutional Services	529,762	13,330	-	543,092
Student Aid	1,309	-	-	1,309
Auxiliary Enterprises	111,113	183,593	-	294,706
Depreciation	-	-	28,315	28,315
Totals	<u>\$ 788,261</u>	<u>\$ 742,179</u>	<u>\$ 28,315</u>	<u>\$ 1,558,755</u>

Operating Expenses by Function for the Year Ended June 30, 2006

	<u>Compensation and Benefits</u>	<u>Supplies and Services</u>	<u>Depreciation</u>	<u>Total</u>
Extension and Public Service	\$ 135,568	\$ 565,236	\$ -	\$ 700,804
General Institutional Services	557,030	15,359	-	572,389
Student Aid	2,799	-	-	2,799
Auxiliary Enterprises	45,342	84,892	-	130,234
Depreciation	-	-	40,696	40,696
Totals	<u>\$ 740,739</u>	<u>\$ 665,487</u>	<u>\$ 40,696</u>	<u>\$ 1,446,922</u>

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007
(Continued)

Note 6. Compensated Absences

University faculty, administrative and professional (exempt) employees earn vacation and sick leave on a monthly basis. Clerical and service employees earn vacation and sick leave on a bi-weekly basis.

Exempt employees may accrue vacation benefits up to a maximum of forty-four days. Clerical and service staff may earn vacation up to 320 hours. For all classes of employees, vacation is payable upon termination.

Exempt staff sick leave is awarded to a maximum of three months at full pay and three months at three-quarters pay each year (and not carried forward to the next year) and any unused sick leave is not payable upon termination. Clerical and service staff may accumulate sick leave hours with no limit. Upon termination and if the employee qualifies as an official retiree, twenty-five percent of all accrued, unused sick leave up to and including 520 hours and one hundred percent of all accrued, unused sick leave that exceeds 520 hours are paid.

The compensated absences liability is calculated based on the pay rates in effect as of the balance sheet date. For clerical and service staff, the liability is calculated using actual hours sick leave and vacation hours earned as of the balance sheet date. For exempt staff, samples are used to apply an estimate of the vacation liability accrual for all exempt staff as of the balance sheet date.