

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, 2005 to June 30, 2006



FILED

12/27/2006

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

Table of Contents

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report.....	3
Management's Discussion and Analysis (Unaudited)	4-9
Basic Financial Statements	
Statements of Net Assets	10
Statements of Revenues, Expenses and Changes in Net Assets	11
Statements of Cash Flows	12
Notes to Financial Statements	13-16

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 06-30-06
Chairman of the Board of Trustees	J. Timothy McGinley	07-16-93 to 06-30-06
Executive Vice President and Treasurer	Morgan R. Olsen	10-01-04 to 06-30-06
Vice President for Business Services and Assistant Treasurer	James S. Almond	07-01-98 to 06-30-06
General Manager – WBAA Radio Station	Daniel E. Skinner	07-01-92 to 06-30-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2006 and 2005. 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 audits provide 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, 2006 and 2005, 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.

STATE BOARD OF ACCOUNTS

December 18, 2006

WBAA-AM/FM RADIO STATION
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY PURDUE UNIVERSITY
Management's Discussion And Analysis
For the year ended June 30, 2006

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 increased its net assets by \$106,271 for the fiscal year ended June 30, 2006. This is the result of a fundraising campaign that WBAA is currently conducting, as well as an increase in Purdue University allocations that occurred during the year.

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, 2006, and the results of operations and statement of cash flows for the year then ended.

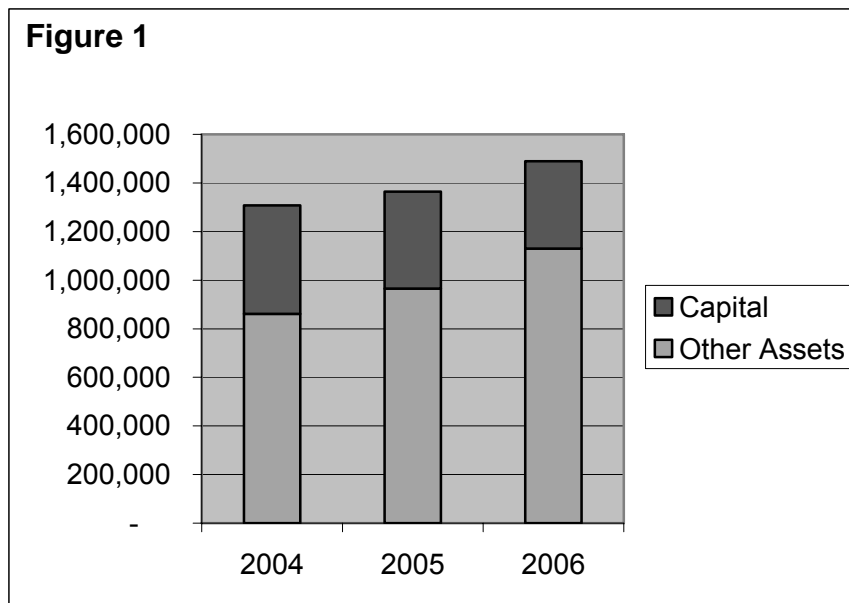
The Statement of Net Assets provides a summary view of the assets, liabilities, and net assets of the Station. Assets and liabilities are classified as either current or noncurrent. Current assets are available to meet the needs of the Station in the short term. Similarly, current liabilities are due 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, 2007. Total assets were \$1,488,725 as of June 30, 2006 and \$1,364,874 as of June 30, 2005, an increase of \$123,851.

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 \$77,839 as of June 30, 2006 and \$60,259 as of June 30, 2005.

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 \$1,410,886 as of June 30, 2006. 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

	2003-04	2004-05	2005-06
Current Assets	\$ 858,228	\$ 964,872	\$ 1,130,145
Noncurrent Assets	448,906	400,002	358,580
Total Assets	1,307,134	1,364,874	1,488,725
Current Liabilities	39,664	35,617	54,679
Noncurrent Liabilities	21,321	24,642	23,160
Total Liabilities	60,985	60,259	77,839
Invested in Capital Assets, Net	445,926	399,244	358,548
Restricted - Expendable	175,693	148,753	90,203
Unrestricted	624,530	756,618	962,135
Total Net Assets	\$ 1,246,149	\$ 1,304,615	\$ 1,410,886

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:

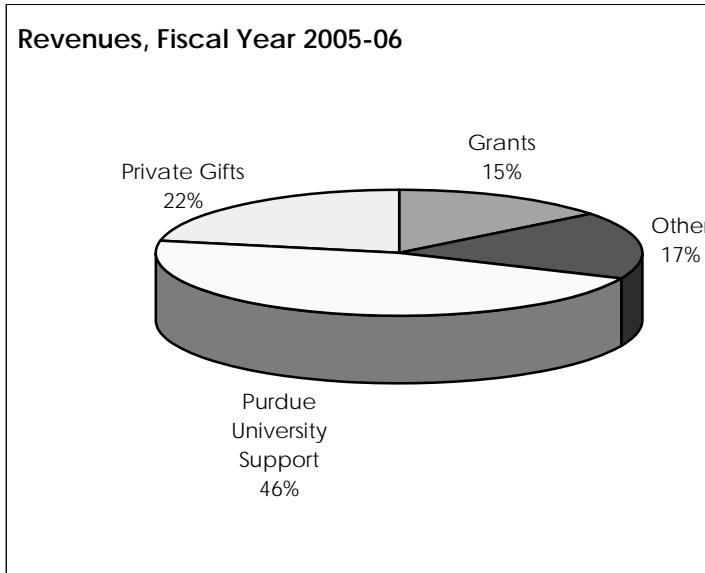
Table 2

Summary of Revenues, Expenses, and Changes in Net Assets

	2003-04	2004-05	2005-06
Operating Revenues			
Grants	\$ 248,285	\$ 213,238	\$ 226,383
Other Operating Revenues	162,344	244,594	253,463
Total Operating Revenues	410,629	457,832	479,846
Operating Expenses			
Compensation and Benefits	652,266	714,979	740,739
Supplies and Services	507,524	638,806	665,487
Depreciation	47,689	46,682	40,696
Total Operating Expenses	1,207,479	1,400,467	1,446,922
Operating Loss	(796,850)	(942,635)	(967,076)
Nonoperating Revenues			
University Support	679,896	688,070	721,448
Other Nonoperating Revenues	283,813	313,031	351,899
Total Nonoperating Revenues	963,709	1,001,101	1,073,347
Increase in Net Assets	166,859	58,466	106,271
Net Assets, beginning of year	1,079,290	1,246,149	1,304,615
Net Assets, end of year	\$ 1,246,149	\$ 1,304,615	\$ 1,410,886

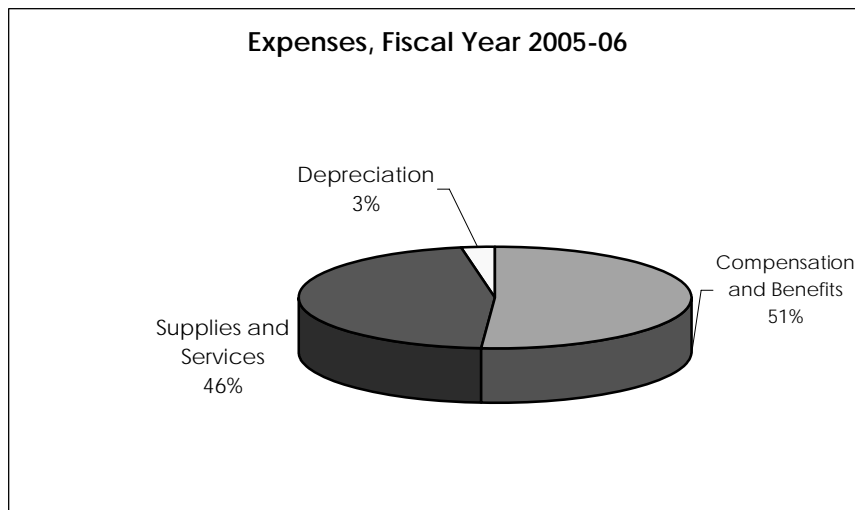
Revenues from all sources are shown in Figure 3.

Figure 3



Operating expenses totaled \$1,446,922 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, 2006.

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

	2003-2004	2004-05	2005-06
Cash Used by Operating Activities	\$ (97,784)	\$ (183,095)	\$ (156,621)
Cash Provided by Noncapital Financing Activities	217,990	261,794	259,083
Net Increase in Cash	120,206	78,699	102,462
Cash, Beginning of Year	311,641	431,847	510,546
Cash, End of Year	\$ 431,847	\$ 510,546	\$ 613,008

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.

The Station engages in ongoing efforts to raise funds from both listener donations and underwriting. Donations from listeners have increased each year 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
Statements of Net Assets

	As of June 30	
	2006	2005
Assets		
Current Assets		
Cash	\$ 613,008	\$ 510,546
Accounts Receivable, Net	29,720	24,665
Pledges Receivable, Net	9,655	11,153
Prepaid Expenses	67,677	37,504
Funds Held in Trust by Others	410,085	381,004
Total Current Assets	1,130,145	964,872
Noncurrent Assets		
Pledges Receivable, Net	32	758
Property, Plant and Equipment, Net	358,548	399,244
Net Noncurrent Assets	358,580	400,002
Total Assets	1,488,725	1,364,874
Liabilities		
Current Liabilities		
Accounts Payable	19,253	956
Accrued Salaries and Wages	10,543	7,420
Accrued Compensated Absences	24,883	27,241
Total Current Liabilities	54,679	35,617
Noncurrent Liabilities		
Accrued Compensated Absences	23,160	24,642
Total Liabilities	77,839	60,259
Net Assets		
Invested in Capital Assets, Net	358,548	399,244
Restricted - Expendable	90,203	148,753
Unrestricted	962,135	756,618
Total Net Assets	\$ 1,410,886	\$ 1,304,615

See Accompanying Notes to the Financial Statements.

WBAA-AM/FM RADIO STATION
A Public Telecommunications Entity Operated by Purdue University
Statements of Revenues, Expenses and Changes in Net Assets

	For the Year Ended June 30	
	2006	2005
Operating Revenues		
Grants	\$ 226,383	\$ 213,238
Rental Income	22,602	22,038
Sales and Services	230,861	222,556
Total Operating Revenues	479,846	457,832
Operating Expenses		
Compensation and Benefits	740,739	714,979
Supplies and Services	665,487	638,806
Depreciation	40,696	46,682
Total Operating Expenses	1,446,922	1,400,467
Total Operating Loss	(967,076)	(942,635)
Nonoperating Revenues		
State Appropriations	12,500	12,500
Purdue University Allocation	554,338	516,827
Indirect Support	167,110	171,243
Private Gifts	339,399	300,531
Total Nonoperating Revenues	1,073,347	1,001,101
Increase in Net Assets	106,271	58,466
Net Assets, Beginning of Year	1,304,615	1,246,149
Net Assets, End of Year	\$ 1,410,886	\$ 1,304,615

See Accompanying Notes to the Financial Statements.

WBAA-AM/FM RADIO STATION
A Public Telecommunications Entity Operated by Purdue University
Statements of Cash Flows

	For the Year Ended June 30	
	2006	2005
Cash Flows by Operating Activities		
Grants	\$ 226,383	\$ 213,238
Rental Income	23,178	19,599
Sales and Services	225,230	217,562
Compensation and Benefits	(198,545)	(207,814)
Supplies and Services	(432,867)	(425,680)
Cash Used by Operating Activities	(156,621)	(183,095)
Cash Flows by Noncapital Financing Activities		
State Appropriations	12,500	12,500
Gifts for Other Than Capital Purposes	246,583	249,294
Cash Provided by Noncapital Financing Activities	259,083	261,794
Net Increase in Cash	102,462	78,699
Cash, Beginning of Year	510,546	431,847
Cash, End of Year	\$ 613,008	\$ 510,546
Reconciliation of Total Operating Loss to Cash Used by Operating Activities		
Total Operating Loss	\$ (967,076)	\$ (942,635)
Adjustments to Reconcile Total Operating Loss to Cash Used by Operating Activities		
Depreciation Expense	40,696	46,682
Purdue University Allocation	554,338	516,827
Indirect Support	167,110	171,243
Changes in Assets and Liabilities		
Accounts Receivable	(5,055)	(7,434)
Prepaid Expenses	(30,173)	(1,270)
Funds Held in Trust by Others	65,959	34,218
Accounts Payable	18,297	(8,783)
Accrued Salaries and Wages	3,123	2,800
Accrued Compensated Absences	(3,840)	5,257
Cash Used by Operating Activities	\$ (156,621)	\$ (183,095)

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, 2006

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 \$607 at June 30, 2006, and \$503 at June 30, 2005.

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 \$8,595 for 2005-06 and \$9,752 for 2004-05 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 \$2,422 at June 30, 2006, and \$2,978 at June 30, 2005.

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, 2006
(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.

Note 2. Capital Assets

Capital asset activity for the year ended June 30, 2006, is summarized below:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Transmitter, Antenna and Tower	\$ 172,542	\$ -	\$ -	\$ 172,542
Studio and Other Broadcast Equipment	864,146	-	-	864,146
Furniture and Fixtures	<u>25,904</u>	<u>-</u>	<u>-</u>	<u>25,904</u>
Subtotal	<u>1,062,592</u>	<u>-</u>	<u>-</u>	<u>1,062,592</u>
Less Accumulated Depreciation	<u>(663,348)</u>	<u>(40,696)</u>	<u>-</u>	<u>(704,044)</u>
Totals	<u>\$ 399,244</u>	<u>\$ (40,696)</u>	<u>\$ -</u>	<u>\$ 358,548</u>

The beginning balances for Transmitter, Antenna and Tower; Studio and Other Broadcast Equipment; and Accumulated Depreciation have been adjusted to reflect the transfer of fully depreciated equipment to WBAA. The beginning balance for the Transmitter, Antenna and Tower increased by \$40,953, Studio and Other Broadcast Equipment increased by \$21,762 and Accumulated Depreciation increased by \$62,715.

WBAA-AM/FM RADIO STATION
A Public Telecommunications Entity Operated by Purdue University
Notes to the Financial Statements
For the Year Ended June 30, 2006
(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, 2006, and June 30, 2005, are summarized below:

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

	Compensation and Benefits	Supplies and Services	Depreciation	Total
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>

Operating Expenses by Function for the Year Ended June 30, 2005

	Compensation and Benefits	Supplies and Services	Depreciation	Total
Extension and Public Service	\$ 82,732	\$ 534,163	\$ -	\$ 616,895
General Institutional Services	530,899	40,432	-	571,331
Student Aid	3,502	-	-	3,502
Auxiliary Enterprises	97,846	64,211	-	162,057
Depreciation	-	-	46,682	46,682
Totals	<u>\$ 714,979</u>	<u>\$ 638,806</u>	<u>\$ 46,682</u>	<u>\$ 1,400,467</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, 2006
(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.