

DRAFT

WUCX-FM DELTA COLLEGE

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE OF OTHER FINANCIAL INFORMATION

JUNE 30, 2007

CONTENTS

Audited Financial Statements

Management's Discussion and Analysis	1-8
Report of Independent Auditors	9
Balance Sheets	10
Statements of Revenue, Expenses and Changes in Net Assets	11
Statements of Cash Flows	12-13
Notes to Financial Statements	14-18

Supplemental Schedule of Other Financial Information

Supplemental Schedule of Functional Expenses Detail	19
---	----

DRAFT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
WUCX-FM
DELTA COLLEGE
YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the financial statements of WUCX-FM (the Station) provides an overview of the Station's financial activities for the years ended June 30, 2007, 2006 and 2005. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the Station's management.

Using this Report

These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Capital expenditures are capitalized on the Balance Sheet instead of expensed, and depreciation is recorded.

Activities are reported as either operating or nonoperating in accordance with the GASB Statement No. 35. Charges for services and operating grants and contributions are recorded as operating revenues, including appropriations and donated facilities and administrative support from Delta College.

This annual financial report complies with these requirements and includes this management's discussion and analysis, the report of independent auditors, the basic financial statements, notes to financial statements and supplemental information similar to commercial enterprises and private-sector institutions.

Over time, increases or decreases in net assets provide one indication of the financial health of an organization. To assess the overall health of the Station, many other non-financial factors need also be considered such as trends in listenership, community volunteering, and the quality of regional and national programming.

Joint Operating Agreement

The Station operates under a Joint Operating Agreement with Central Michigan University's (CMU) public radio station, WCMU-FM. This agreement allows the Station to broadcast under WCMU-FM's license and share in annual funding from the Corporation for Public Broadcasting (CPB) and programming costs from National Public Radio and Public Radio International with WCMU-FM. This agreement requires the Station to submit audited financial statements and a CPB Annual Financial Report to CMU. CMU then consolidates the financial information for both stations in WCMU-FM's Annual Financial Report to CPB, which is required to receive CPB funding. The agreement also requires the Station to pay WCMU-FM quarterly for its pro-rata share of tower rental and insurance expenses.

The formula for sharing CPB funding is based upon the Station's nonfederal financial support (NFFS) as a percentage of the total NFFS for WUCX-FM and WCMU-FM combined. Similarly, the formula for sharing programming costs is based upon the ratio of the Station's annual number of broadcast hours per week to the combined total for both stations. Since the Station is not directly awarded the grant from CPB and the Station's share of programming costs typically exceeds its share of CPB funding, the Station records the net amount paid to WCMU-FM under the agreement as programming expense. In this manner, the Station is theoretically charged a discounted amount for programming in exchange for allowing CMU to include the Station's NFFS in WCMU-FM's annual financial report submitted to CPB.

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
WUCX-FM
DELTA COLLEGE
YEAR ENDED JUNE 30, 2007

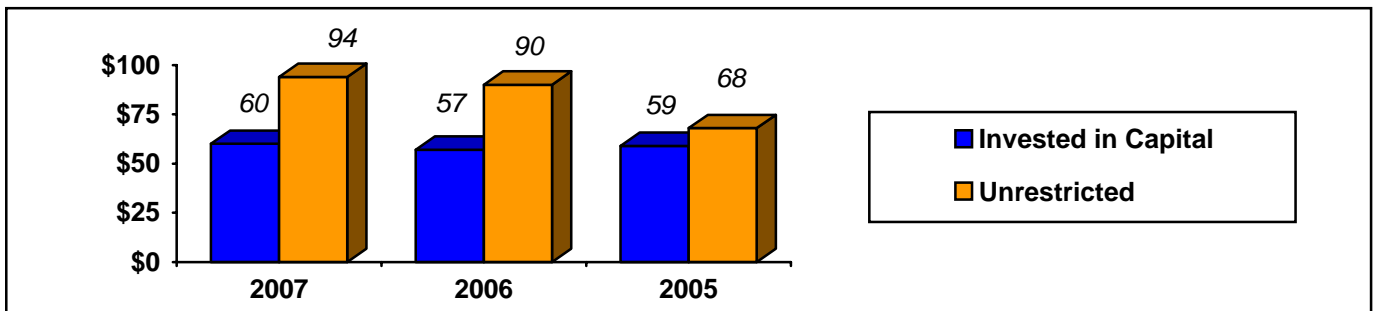
Financial Highlights

The Station's financial position increased \$7,000, or 5%, during the fiscal year ended June 30, 2007. Current assets and current liabilities offset one another with decreases of \$11,000 each. Capital assets increased \$3,000 net of depreciation and long-term endowment investments increased \$4,000. Unrestricted net assets increased by \$4,000, or 4%. The majority of this increase resulted from a \$5,000 increase in nonoperating revenues.

The Station's financial position increased during the fiscal year ended June 30, 2006, with an increase in net assets of \$20,000, or 16%. Of this increase, \$18,000 is reflected in current assets and a \$2,000 decrease in current liabilities. Capital assets decreased \$2,000 due to depreciation and long-term endowment investments increased \$2,000. Unrestricted net assets increased by \$22,000, or 32%. This increase resulted from a 9% increase in operating revenues, while operating expenses increased a modest 1%.

The Station's financial position decreased during the fiscal year ended June 30, 2005, with a decrease in net assets of \$10,000, or 7%. Of this decrease, \$1,000 is reflected in current assets, \$2,000 in property and equipment due to depreciation, and an additional \$7,000 relates to an increase in current liabilities. Unrestricted net assets decreased by \$8,000, or 10%.

The following chart provides a graphical breakdown of net assets by category for the fiscal years ending June 30, 2007, 2006 and 2005, in thousands:



DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
WUCX-FM
DELTA COLLEGE
YEAR ENDED JUNE 30, 2007

Summary of Selected Financial Data

Following is a summary of the major components of the net assets of the Station as of June 30, 2007, 2006 and 2005, in thousands:

	<u>2007</u>	<u>2006</u>	<u>2007-2006 Change</u>	<u>2005</u>	<u>2006-2005 Change</u>
Current Assets	\$ 55	\$ 66	\$ (11)	\$ 48	\$ 18
Long-Term Assets:					
Capital Assets, Net of Depreciation	60	57	3	59	(2)
Other	53	49	4	47	2
Total Assets	<u>\$ 168</u>	<u>\$ 172</u>	<u>\$ (4)</u>	<u>\$ 154</u>	<u>\$ 18</u>
Current Liabilities	\$ 14	\$ 25	\$ (11)	\$ 27	\$ (2)
Net Assets:					
Invested in Capital Assets	60	57	3	59	(2)
Unrestricted	94	90	4	68	22
Total Net Assets	<u>154</u>	<u>147</u>	<u>7</u>	<u>127</u>	<u>20</u>
Total Liabilities and Net Assets	<u>\$ 168</u>	<u>\$ 172</u>	<u>\$ (4)</u>	<u>\$ 154</u>	<u>\$ 18</u>

The following summarizes the major components of the Station's operating results for the years ended June 30, 2007, 2006 and 2005, in thousands.

	<u>2007</u>	<u>2006</u>	<u>2007-2006 Change</u>	<u>2005</u>	<u>2006-2005 Change</u>
Operating Revenue					
Membership, Underwriting and Miscellaneous	\$ 225	\$ 223	\$ 2	\$ 201	\$ 22
General Appropriations & Donated Facilities and Administrative Support from Delta College	129	144	(15)	135	9
Total Operating Revenue	<u>354</u>	<u>367</u>	<u>(13)</u>	<u>336</u>	<u>31</u>
Operating Expenses					
Programming and Production	197	185	12	179	6
Broadcasting	58	66	(8)	74	(8)
Fundraising & Membership Development	73	73	-	70	3
Management and General	26	25	1	22	3
Depreciation	2	2	-	2	-
Total Operating Expenses	<u>356</u>	<u>351</u>	<u>5</u>	<u>347</u>	<u>4</u>
Operating Income (Loss)	(2)	16	(18)	(11)	27
Nonoperating Revenues	<u>9</u>	<u>4</u>	<u>5</u>	<u>1</u>	<u>3</u>
Increase (Decrease) in Net Assets	7	20	(13)	(10)	30
Net Assets – Beginning of Year	147	127	20	137	(10)
Net Assets – End of Year	<u>\$ 154</u>	<u>\$ 147</u>	<u>\$ 7</u>	<u>\$ 127</u>	<u>\$ 20</u>

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
WUCX-FM
DELTA COLLEGE
YEAR ENDED JUNE 30, 2007

Operating Revenue

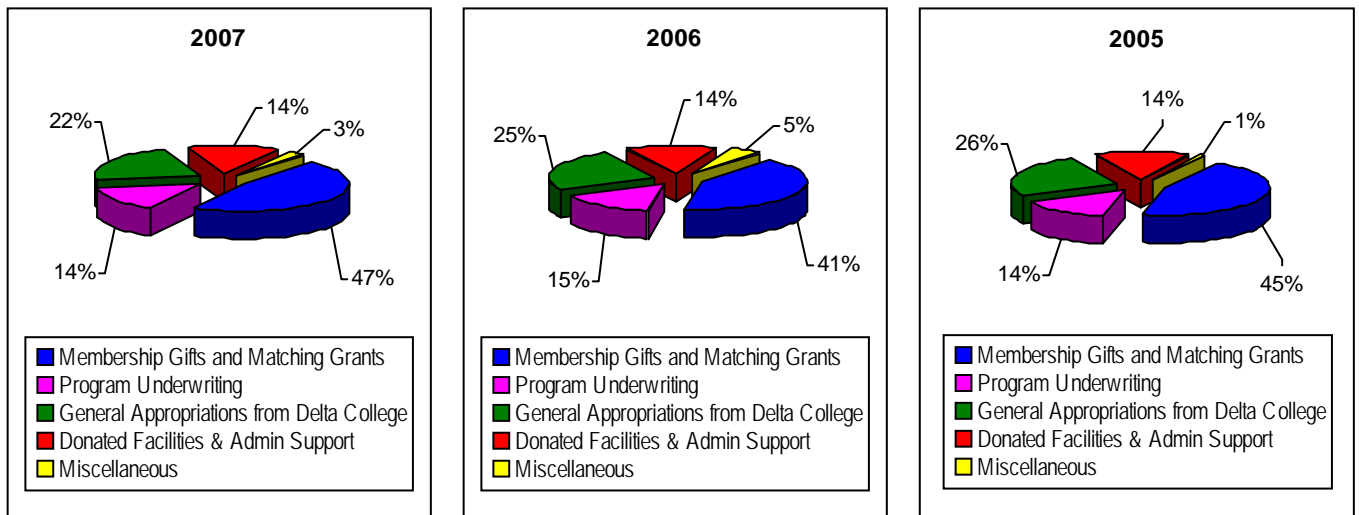
Operating revenue includes all gifts, grants and charges for services that are used to fund the operating activities of the Station, the most significant of which are membership and program underwriting gifts. Also included in operating revenue are general appropriations, donated facilities, and administrative support from Delta College. Operating revenue highlights are as follows:

- Total operating revenues amounted to \$354,000 for the year ended June 30, 2007, which represented a \$13,000, or 4%, decrease from the prior fiscal year total of \$367,000. This decrease was primarily due to a \$13,000 reduction in general appropriations from Delta College, which is further discussed below. Total operating revenues for the year ended June 30, 2005 amounted to \$336,000. The \$31,000 increase in operating revenues during the year ended June 30, 2006 was due primarily to an \$8,000 increase in underwriting revenues, a \$9,000 increase in general appropriations from Delta College and a \$13,000 increase in miscellaneous revenue.
- Membership gifts are those primarily obtained through the Station's on-air pledge drives. A portion of membership gifts are matched by local companies through matching grant programs offered to their employees. Membership gifts and grants for the year ended June 30, 2007 totaled \$165,000, which represented an increase of \$13,000, or 9%, over the year ended June 30, 2006. The increase was due primarily to a \$10,000 increase in matching grant revenue. This increase was due to a local company reinstating its matching grant program during the 2007 fiscal year. Membership gifts for the years ended June 30, 2006 and 2005 were \$152,000 and \$151,000, respectively, of which \$4,000 and \$3,000 represented matching grants.
- Program underwriting revenue decreased \$3,000, or 6%, to \$51,000 for the year ended June 30, 2007. Program underwriting revenue amounted to \$54,000 and \$46,000, respectively, for the years ended June 30, 2006 and 2005. The increase during fiscal year 2006 was primarily due to an emphasis by Station staff on corporate underwriting fundraising efforts.
- General appropriations from Delta College were \$79,000, \$92,000 and \$87,000, respectively, for the years ended June 30, 2007, 2006 and 2005. Combined, the TV and Radio Stations received an annual fixed subsidy from Delta College, capped at \$524,000. These appropriations primarily fund employee compensation and benefits. The amount allocated between the TV and Radio Stations varies based on management's annual budget allocation of the subsidy.
- In accordance with the Corporation for Public Broadcasting (CPB) definition for institutional public broadcasting stations, the Station recognized indirect support from Delta College. Indirect support consists of allocations of the College's institutional support and facility operation costs that benefit the Station, and is calculated based upon the ratio of the Station's operating costs to the College's total institutional support and facility operation costs. The Station recognized indirect support for the three years ended June 30, 2007, 2006 and 2005, respectively, of \$50,000, \$52,000, and \$48,000.
- Miscellaneous revenue approximated \$9,000, \$17,000 and \$3,000, respectively, for the years ended June 30, 2007, 2006 and 2005. For each of the three years, this revenue represents net programming revenue resulting from the Joint Operating Agreement with WCMU-FM. Under the terms of this agreement, the Station shares programming costs with WCMU-FM. The Station's calculated share of programming costs is reduced by their share of CPB funding. During the three years ended June 30, 2007, 2006 and 2005, this calculation resulted in net revenue to the station.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
WUCX-FM
DELTA COLLEGE
YEAR ENDED JUNE 30, 2007

Operating Revenue - Continued

The following is a graphic illustration of operating revenue by source for the years ended June 30, 2007, 2006 and 2005:



Operating Expenses

Operating expenses are all costs necessary to purchase, produce and broadcast the Station's programs, and the related fundraising and administration costs. Operating expense highlights are as follows:

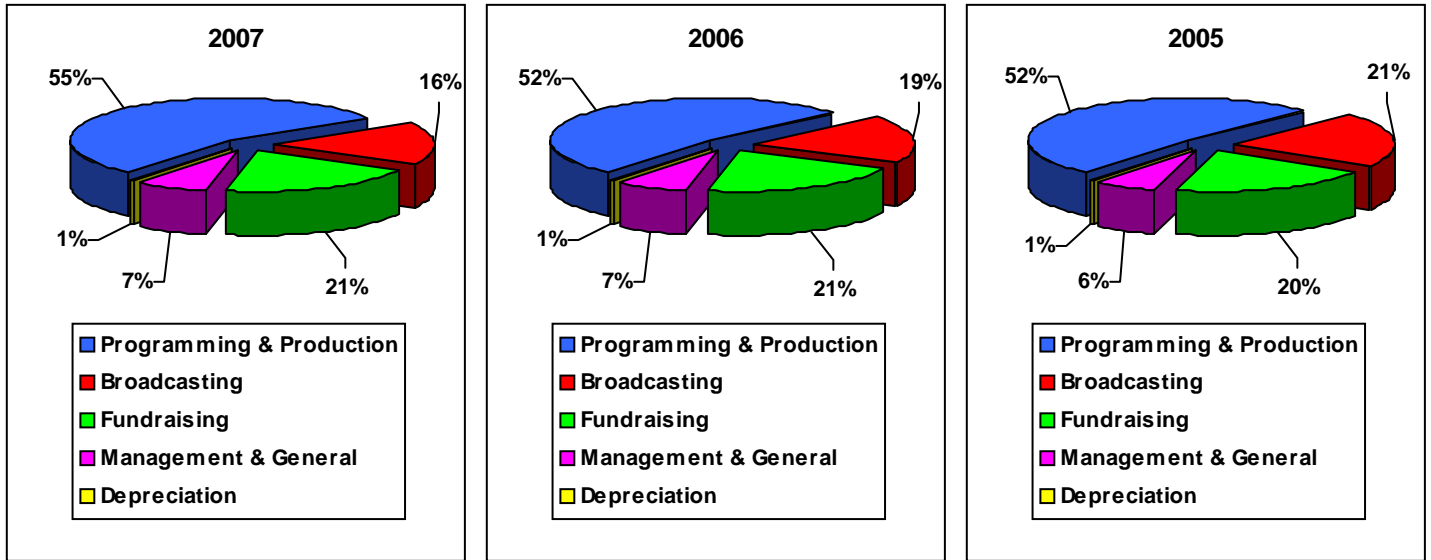
- Total operating expenses increased a modest \$5,000, or 1%, to \$356,000 for the year ended June 30, 2007. The majority of this increase resulted from increases in programming and production expenses. Operating expenses for the years ended June 30, 2006 and 2005, respectively, totaled \$351,000 and \$347,000.
- The Station's portion of total shared programming costs under the Joint Operating Agreement with WCMU-FM totaled \$22,000 for each of the two years ended June 30, 2007 and 2006. These amounts were reduced by the Station's calculated share of CPB funding of \$31,000 and \$39,000, respectively, for the years ended June 30, 2007 and 2006, which resulted in net revenue to the Station of \$9,000 and \$17,000. For the year ended June 30, 2005, the Station's portion of the total shared programming costs was \$33,000 reduced by the Station's share of CPB funding in the amount of \$36,000, resulting in net programming revenue to the Station of \$3,000. For each of the three years ended June 30, 2007, 2006, and 2005, the Station broadcast for 63 hours per week; therefore it was responsible for 37.5% of WCMU-FM's operating expenses. The Station's portion of these expenses, which included tower rental, electricity and insurance, amounted to \$16,000, \$17,000 and \$16,000, respectively, for the years ended June 30, 2007, 2006, and 2005.

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
WUCX-FM
DELTA COLLEGE
YEAR ENDED JUNE 30, 2007

Operating Expenses - Continued

The following is a graphic illustration of operating expenses by function for the years ended June 30, 2007, 2006 and 2005:



Nonoperating Revenues

The Station's nonoperating revenues consist primarily of investment income from endowments. For the years ended June 30, 2007, 2006 and 2005, respectively, investment income, net of investment expense, amounted to approximately \$9,000, \$4,000, and \$1,000. The variances in investment income over the three years were primarily attributed to fluctuations in the market value of the endowment fund.

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
WUCX-FM
DELTA COLLEGE
YEAR ENDED JUNE 30, 2007

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess:

- The ability to generate future net cash flows
- The ability to meet obligations as they come due
- Needs for external financing

The following summarizes the major cash flow components for the Station for the years ended June 30, 2007, 2006 and 2005, in thousands:

	<u>2007</u>	<u>2006</u>	<u>2007-2006 Change</u>	<u>2005</u>	<u>2006-2005 Change</u>
Cash Provided by (Used in) :					
Operating Activities	\$ (11)	\$ 13	\$ (24)	\$ 22	\$ (9)
Capital & Investing Activities	(6)	-	(6)	-	-
Investing Activities	6	2	4	2	-
Net Increase (Decrease) in Cash	(11)	15	(26)	24	(9)
Cash – Beginning of Year	59	44	15	20	24
Cash – End of Year	<u>\$ 48</u>	<u>\$ 59</u>	<u>\$ (11)</u>	<u>\$ 44</u>	<u>\$ 15</u>

Capital Assets

At June 30, 2007, 2006 and 2005, respectively, the Station had \$60,000, \$57,000 and \$59,000 invested in capital assets, and is shown net of accumulated depreciation of \$150,000, \$148,000 and \$146,000. Depreciation charges for each of the three years totaled \$2,000. Details of these assets, net of accumulated depreciation, are as follows, in thousands:

	<u>2007</u>	<u>2006</u>	<u>2007-2006 Change</u>	<u>2005</u>	<u>2006-2005 Change</u>
Buildings	\$ 55	\$ 57	\$ (2)	\$ 59	\$ (2)
Equipment	5	-	5	-	-
Totals	<u>\$ 60</u>	<u>\$ 57</u>	<u>\$ 3</u>	<u>\$ 59</u>	<u>\$ (2)</u>

Debt

The Station had no debt for the years ending June 30, 2007, 2006, and 2005.

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
WUCX-FM
DELTA COLLEGE
YEAR ENDED JUNE 30, 2007

Economic Factors That Will Affect the Future

The economic factors affecting the health of WUCX-FM public radio continue to remain closely tied to the economic and political climate of the country and community to which the Station broadcasts. The economy over the past several years has affected the discretionary dollars available to business, industry, and foundation donors to invest in this non-commercial programming service. Contribution dollars from individual and family donors is dependent upon the perceived quality and value of the programming heard on the Station.

Through its Joint Operating Agreement with CMU, Delta College is able to share programming expenses and annual CPB grant funding for the benefit of the Station. The CPB is a forward funded government agency that matches locally raised nonfederal funds to assist the Stations in their efforts to service the local broadcast community. Economic or political factors can negatively affect CPB, leading to a possible reduction in the overall pool of federal matching dollars for stations. The current national economy is being challenged with increased oil and fuel costs, the war in Iraq, the war on terror, and impending housing and mortgage concerns. These are costs that need to be addressed by Congress, and often the decision to fund such increases results in offsetting reductions in funding for programs within the Health, Human Services, and Education area of the federal budget, which includes CPB.

CMU's annual programming purchasing from National Public Radio can have a negative affect on the Station's budget. The percentage and type of programming purchased by CMU may affect the program cost currently split between the two stations. Depending on their purchasing activity, the Station may need to pay a larger portion of certain national programs next fiscal year. This payment model is part of the Joint Operating Agreement and dictates how programming costs are to be shared.

DRAFT

DRAFT

**BALANCE SHEETS
WUCX-FM
DELTA COLLEGE**

	June 30,	
	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 48,457	\$ 59,076
Unexpired program rights	<u>6,629</u>	<u>6,874</u>
TOTAL CURRENT ASSETS	55,086	65,950
LONG-TERM INVESTMENTS (Note 2)	52,925	48,853
CAPITAL ASSETS (Note 3)	<u>60,381</u>	<u>56,691</u>
TOTAL ASSETS	<u>\$ 168,392</u>	<u>\$ 171,494</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,263	\$ 10,976
Accrued payroll and other compensation	<u>13,209</u>	<u>13,930</u>
TOTAL CURRENT LIABILITIES	14,472	24,906
NET ASSETS		
Invested in capital assets	60,381	56,691
Unrestricted (Note 4)	<u>93,539</u>	<u>89,897</u>
TOTAL NET ASSETS	<u>153,920</u>	<u>146,588</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 168,392</u>	<u>\$ 171,494</u>

The accompanying notes are an integral part of these statements.

DRAFT

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
WUCX-FM
DELTA COLLEGE**

	Year Ended June 30,	
	2007	2006
REVENUES		
Operating revenue		
Membership gifts and grants	\$ 164,486	\$ 151,592
Program underwriting revenue	51,415	54,404
General appropriations from Delta College	78,680	92,217
Donated facilities and administrative support from Delta College	50,005	51,858
Miscellaneous	9,311	16,425
TOTAL OPERATING REVENUE	353,897	366,496
EXPENSES		
Operating expenses		
Programming and production	197,108	184,485
Broadcasting	58,267	66,282
Fundraising and membership development	73,242	72,968
Management and general	25,633	25,353
Depreciation expense	1,899	2,126
TOTAL OPERATING EXPENSES	356,149	351,214
OPERATING INCOME (LOSS)	(2,252)	15,282
NONOPERATING REVENUES		
Investment income, net of investment expense of \$421 in 2007 and \$440 in 2006	9,584	3,976
NET NONOPERATING REVENUES	9,584	3,976
NET INCREASE IN NET ASSETS	7,332	19,258
NET ASSETS - BEGINNING OF YEAR	146,588	127,330
NET ASSETS - END OF YEAR	\$ 153,920	\$ 146,588

The accompanying notes are an integral part of these statements.

DRAFT

**STATEMENTS OF CASH FLOWS
WUCX-FM
DELTA COLLEGE**

	Year Ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership gifts and grants	\$ 164,486	\$ 151,592
Program underwriting revenue	51,415	54,404
General appropriations from Delta College	78,680	92,217
Miscellaneous revenue	9,311	16,425
Payments to suppliers	(166,688)	(158,518)
Payments to employees	(147,746)	(142,487)
	(10,542)	13,633
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(5,589)	-
	(5,589)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	35,381	24,985
Investment income	4,540	699
Purchase of investments	(34,409)	(23,919)
	5,512	1,765
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,619)	15,398
CASH AND CASH EQUIVALENTS - Beginning of year	59,076	43,678
CASH AND CASH EQUIVALENTS - End of year	\$ 48,457	\$ 59,076

The accompanying notes are an integral part of these statements.

DRAFT

STATEMENTS OF CASH FLOWS - Continued
WUCX-FM
DELTA COLLEGE

	Year Ended June 30,	
	2007	2006
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Operating income (loss)	\$ (2,252)	\$ 15,282
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,899	2,126
(Increase) decrease in assets:		
Unexpired program rights	245	(2,143)
Decrease in liabilities:		
Accounts payable	(9,713)	(872)
Accrued payroll and other compensation	(721)	(760)
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ (10,542)	\$ 13,633

The accompanying notes are an integral part of these statements.

DRAFT

**NOTES TO FINANCIAL STATEMENTS
WUCX-FM
DELTA COLLEGE
JUNE 30, 2007**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

WUCX-FM (the Station) is a nonprofit public radio station operated by and is a separate organizational unit of Delta College, a community college located in University Center, Michigan. The Station has operated since 1989 under a Joint Operating Agreement with Central Michigan University's public radio station, WCMU-FM, which maintains the broadcast license granted by the Federal Communications Commission. The Station's financial statements have been prepared in accordance with the generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as required by the Corporation for Public Broadcasting (CPB).

Significant accounting policies followed by the Station are described below to enhance the usefulness of the financial statements to the reader:

Accrual Basis

The financial statements of the Station have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met. In accordance with GASB Statement No. 20, the Station is required to follow all applicable GASB pronouncements. In addition, the Station should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Station has elected not to apply FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

Investments

Investments are recorded at fair value, based on quoted market prices.

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of acquisition. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is calculated on capital assets using the straight-line method over the estimated useful lives of the assets. *The American Health Association's Estimated Useful Lives of Depreciable Hospital Assets* was utilized as a guide in establishing useful lives of the Station's capital assets.

Revenue Recognition

Restricted grant revenues are recognized only to the extent expended.

Gifts and Pledges

Gifts are recorded when received. Voluntary nonexchange transactions (pledges) are recognized in accordance with the GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded at their discounted present value, net of allowance for uncollectible pledges. The Station has no pledges receivable recorded at June 30, 2007.

Purchased Program Rights

Purchased program rights are recorded when acquired and amortized on an accelerated basis as the programs are broadcast.

DRAFT

NOTES TO FINANCIAL STATEMENTS - Continued
WUCX-FM
DELTA COLLEGE
JUNE 30, 2007

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

Compensated absences represent the accumulated liability to be paid under the Station's current vacation policy. Under the Station's policy, employees accrue vacation on a bi-weekly basis at a rate that is dependent on the employee's pay class.

Operating Activities

The Station's policy for defining operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Assets are those that generally result from the provision of public broadcasting services. Revenues restricted by donors to use for capital improvements, and revenues and expenses that result from financing and investing activities are recorded as nonoperating revenues and expenses.

Donated Facilities and Administrative Support

Donated facilities from Delta College consist of office and studio space together with related occupancy cost, and are recorded in revenue and expense based on methods mandated by CPB. Administrative support from Delta College consists of allocated costs such as financial, administrative and personnel services and certain other institutional support expenses incurred by the College on behalf of the Station.

NOTE 2. CASH AND INVESTMENTS

The Station considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Station's deposits and investments are included on the balance sheet under the following classifications as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 48,457	\$ 59,076
Long-term investments	52,925	48,853
Total	<u>\$ 101,382</u>	<u>\$ 107,929</u>

The above amounts are classified by GASB Statement No. 3 in the following categories:

	<u>2007</u>	<u>2006</u>
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 48,457	\$ 59,076
Investments in securities and similar vehicles	52,925	48,853
Total	<u>\$ 101,382</u>	<u>\$ 107,929</u>

DRAFT

NOTES TO FINANCIAL STATEMENTS - Continued
WUCX-FM
DELTA COLLEGE
JUNE 30, 2007

NOTE 2. CASH AND INVESTMENTS – Continued

Deposits

Delta College invests and manages cash collectively by pooling cash reserves, including cash of the Station. It is not practicable to determine the amount reflected in the accounts of the banks (without recognition of checks written but not cleared, or of deposits in transit) or the amount of federal depository insurance that is applicable to the Station's portion of the pooled deposits as of June 30, 2007 or June 30, 2006. A portion of the Station's cash is deposited in interest bearing accounts.

Investments

The Station has received certain contributions that have been designated for use as endowments. Such assets are pooled with and held within the Delta College Endowment Fund, and are invested in brokerage account cash and money funds, U.S. Treasury bills, notes and bonds, and debt and equity securities. The Station's investments are stated at fair value based upon market quotations. At June 30, 2007 and 2006, respectively, the fair value of the Station's investments is \$52,925 and \$48,853. Information as to amounts by investment type and associated risks is included in the notes to the financial statements for Delta College.

NOTE 3. CAPITAL ASSETS

The following tables present the changes in the various capital asset class categories for the years ended June 30, 2007 and 2006:

Year Ended June 30, 2007:

	<u>Estimated Useful Life</u>	<u>Beginning Balance</u>	<u>Additions/ Depreciation</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets:					
Buildings	40 years	\$ 80,531	\$ -	\$ -	\$ 80,531
Furniture and equipment	5-20 years	123,853	5,589	-	129,442
Total Capital Assets		204,384	5,589	-	209,973
Less Accumulated Depreciation:					
Buildings		23,840	1,620	-	25,460
Furniture and equipment		123,853	279	-	124,132
Total Accumulated Depreciation		147,693	\$ 1,899	\$ -	149,592
Capital Assets, Net		\$ 56,691			\$ 60,381

DRAFT

NOTES TO FINANCIAL STATEMENTS - Continued
WUCX-FM
DELTA COLLEGE
JUNE 30, 2007

NOTE 3. CAPITAL ASSETS - Continued

Year Ended June 30, 2006:

	<u>Estimated Useful Life</u>	<u>Beginning Balance</u>	<u>Additions/ Depreciation</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets:					
Buildings	40 years	\$ 80,531	\$ -	\$ -	\$ 80,531
Furniture and equipment	5-20 years	123,853	-	-	123,853
Total Capital Assets		204,384	-	-	204,384
Less Accumulated Depreciation:					
Buildings		21,714	2,126	-	23,840
Furniture and equipment		123,853	-	-	123,853
Total Accumulated Depreciation		145,567	\$ 2,126	\$ -	147,693
Capital Assets, Net		\$ 58,817			\$ 56,691

NOTE 4. UNRESTRICTED NET ASSETS

The Station has designated the use of unrestricted net assets as follows as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Designated for funds functioning as endowments	\$ 52,925	\$ 48,853
Unrestricted and unallocated	40,614	41,044
Total Unrestricted Net Assets	\$ 93,539	\$ 89,897

NOTE 5. RETIREMENT PLANS

The Station's employees are included in a retirement plan funded by Delta College either through the Michigan Public School Employees' Retirement System, a defined benefit pension plan, or the Optional Retirement Plan, a defined contribution plan, administered by TIAA-CREF. Total retirement expense for the Station for the years ended June 30, 2007 and 2006, respectively was \$19,200 and \$16,900. The Station has no obligations under the plans beyond making the required payments to the respective retirement plan administrators. For more information regarding the retirement plans, refer to Delta College's financial statements.

DRAFT

NOTES TO FINANCIAL STATEMENTS - Continued
WUCX-FM
DELTA COLLEGE
JUNE 30, 2007

NOTE 6. COMMUNITY SERVICE GRANTS

The Station operates under a Joint Operating Agreement with Central Michigan University's public radio station, WCMU-FM. This agreement allows the Station to share in annual funding from WCMU-FM's Community Service Grant from the Corporation for Public Broadcasting (CPB). The Station's share of CPB Community Service Grants received and expended during recent fiscal years were as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30
		2007	2006	2005	
2007	\$31,215	\$31,215			\$ -
2006	38,758		\$38,758		-
2005	35,562			\$35,562	-

NOTE 7. NONFEDERAL FINANCIAL SUPPORT (NFFS)

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS, which is defined by CPB. NFFS is defined as the total value of cash and the fair market value of services received as contributions or payments and meeting all the respective criteria for each.

Calculated in accordance with CPB guidelines, the Station reported total NFFS of \$349,067 and \$349,123 for the years ended June 30, 2007 and 2006, respectively.

NOTE 8. INDIRECT ADMINISTRATIVE SUPPORT

Indirect support from Delta College consists of allocations of the College's institutional support and facility operation costs that benefit the Station. It is calculated based upon the ratio of the Station's operating costs to the College's total institutional support and facility operation costs. The fair value of this support is recognized as operating revenue in the Statements of Revenues, Expenses and Changes in Net Assets under Donated Facilities and Administrative Support from Delta College and also in operating expenses. The value of this support included in the Statements of Revenues, Expenses and Changes in Net Assets was approximately \$50,000 and \$51,900 for the years ended June 30, 2007 and 2006, respectively.

DRAFT

**SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES DETAIL
WUCX-FM
DELTA COLLEGE**

	Year Ended June 30, 2007					
	Program Services		Supporting Services			
	Programming and Production	Broadcasting	Fundraising and Membership Development		Management and General	Depreciation
	Total	Total	Total	Total	Total	Total
Salaries and wages	\$ 87,521	\$ 17,850	\$ 29,712	\$ 11,887	\$ -	\$ 146,970
Employee benefits	37,190	7,483	12,181	5,492	-	62,346
Program production and acquisition costs	31,615	21,939	-	-	-	53,554
Occupancy expenses	-	-	-	933	-	933
Professional service fees	5,912	-	-	1,550	-	7,462
Meetings, travel and conference expenses	3,252	-	400	-	-	3,652
Supplies and miscellaneous expenses	3,795	2,770	20,610	2,153	-	29,328
Depreciation	-	-	-	-	1,899	1,899
Indirect College support	27,823	8,225	10,339	3,618	-	50,005
TOTAL	\$ 197,108	\$ 58,267	\$ 73,242	\$ 25,633	\$ 1,899	\$ 356,149